



# Harvard Business School Alumni - HK AGM Luncheon

## Positioning Hong Kong in the New Economy

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## Forecast of GDP Growth in Asia (%)

	OECD		ADB	IMF	Street
	2000	2001	2000	2000	2000
Hong Kong	4.0	6.0	1.5	3.6	4.5
China	6.8	6.5	6.5	6.0	7.4
Singapore	----	----	6.0	5.0	5.9
Taiwan	----	----	6.3	5.1	6.1
S. Korea	6.5	5.7	6.0	5.5	6.5
Thailand	5.0	7.0	5.0	4.0	4.8
Malaysia	5.5	6.5	3.9	6.5	5.7
Indonesia	----	----	4.0	2.6	3.7
Philippines	4.5	4.3	4.5	3.5	4.0

Remark: OECD and ADB forecasts were updated in Nov 99, while IMF forecasts were in Oct 99; street forecast was conducted by Reuters in Dec 99.



# Technology & New Economy in Asia

- ◆ “Innovations in information technology - so called IT - have begun to alter the manner in which we do business and create value, often in ways that were not readily foreseeable even five years ago.” Alan Greenspan
- ◆ Asia remains global centre of production of chips and hardware for technology, media and telecommunications industries
- ◆ Tech fever has now arrived in Hong Kong
- ◆ Hong Kong can play key role in transformation of Asia into the New Economy



# Hong Kong - Market Opportunities

- ◆ **WTO access for Mainland creates opportunities for HK**
- ◆ **Hong Kong is Manhattan to Pearl River Delta**
- ◆ **Shenzhen emerging as hi-tech centre for Mainland due to proximity to Hong Kong**
- ◆ **China now has 8 million internet users and expected to grow to 20 million by end-2000**
- ◆ **Best broadband infrastructure with 151 ISPs at end-Nov 1999**
- ◆ **12th IT usage economy in world (4th in Asia)**
- ◆ **Open and free press - key to deep financial markets**

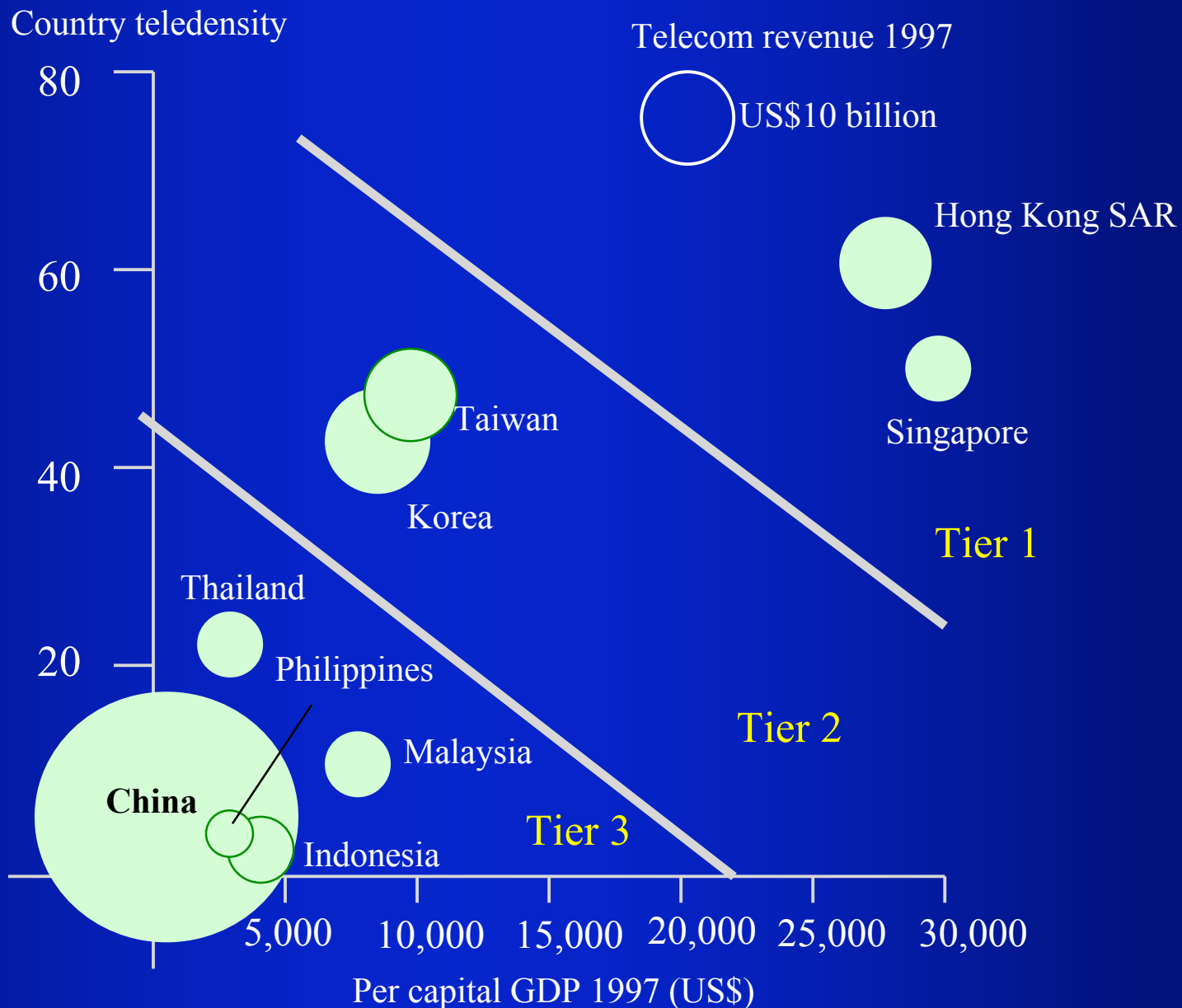


# Asian Online Broking

	Internet Users (million)	Internet Penetration (%)	Internet Brokers	Commission rates
<b>Hong Kong</b>	<b>2.0</b>	<b>29.1</b>	<b>8</b>	<b>Fixed</b>
Singapore	1.1	28.4	6	Partial
Taiwan	4.1	18.3	42	Deregulated
S. Korea	6.7	14.3	21	Deregulated
Thailand	0.8	1.2	NA	Fixed
Malaysia	0.8	3.7	NA	Fixed
Philippines	0.6	0.8	NA	Deregulated
Japan	14.0	11.0	33	Deregulated
US	58.0	21.0	100	Deregulated



# Relative Development of Asian Telecom Markets, 1997



Source: EIU forecast of 1997 GDP; ITU teledensity data



# Internet Penetration (%)

	Internet penetration 1998	Internet hosts Jan 1999	Personal computers 1997	Mobile phones 1997	Telephone lines 1997
<b>Hong Kong</b>	<b>29.1</b>	<b>1.2</b>	<b>23.1</b>	<b>34.3</b>	<b>56.5</b>
United States	21.0	11.3	40.7	20.6	64.4
France	5.8	0.8	17.4	9.9	57.5
Germany	9.1	1.6	25.6	9.9	55.0
Japan	11.0	1.3	20.2	30.4	47.9
Singapore	28.4	2.1	40.0	27.3	54.3
South Korea	14.3	0.4	15.1	15.0	44.4
World	n.a.	0.8	5.8	4.0	14.4

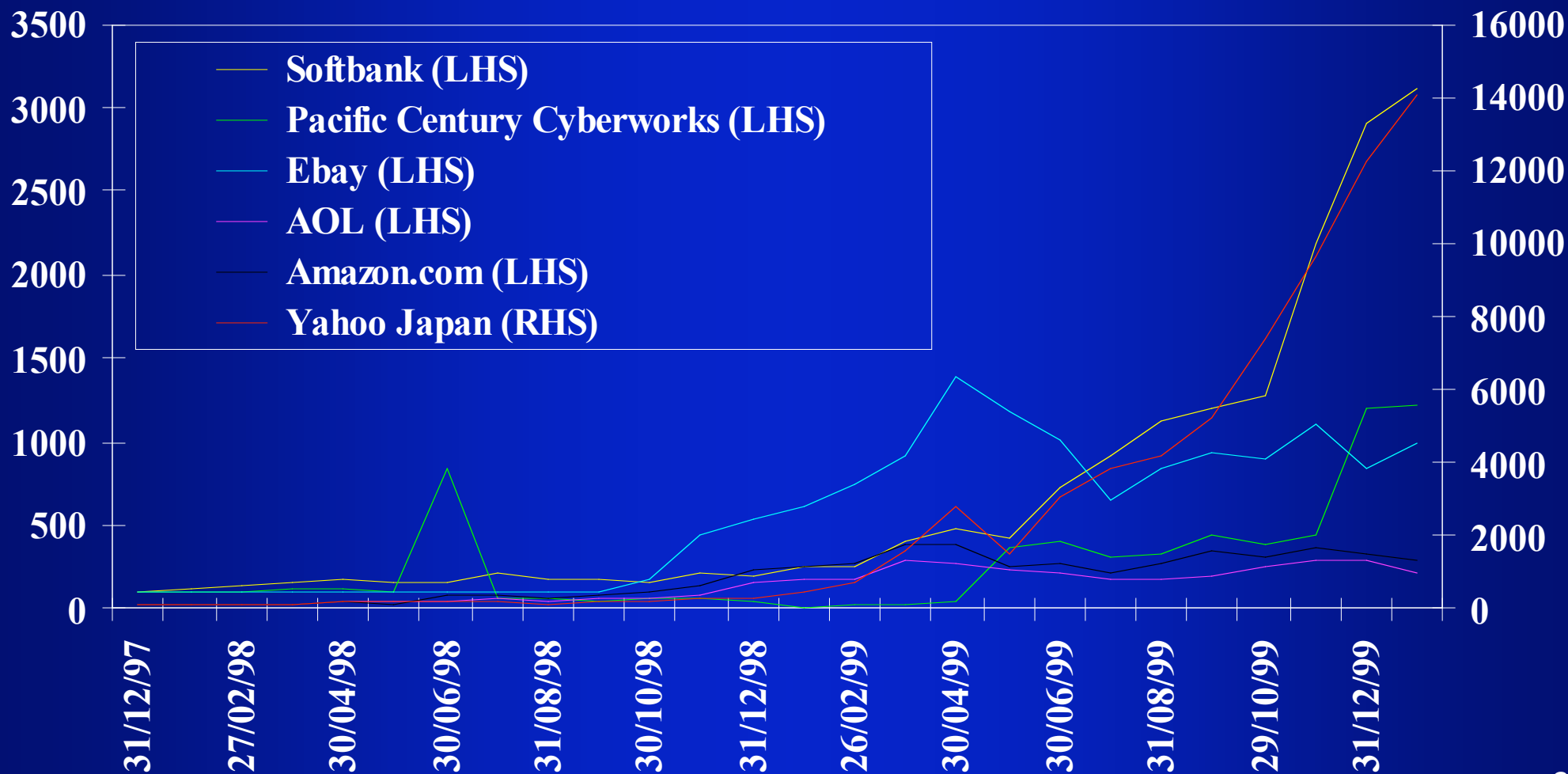
Source: World Bank, *World Development Report 1999/2000*, August 1999.

JP Morgan, *Internet Broking: Unstoppable*, 3 August 1999.

Lehman Brothers, *Asian Online Broking*, 25 October 1999.



# Relative Prices of Internet Stocks (Dec 1997 = 100)





# Growth Concentrated In A Few Sectors

Market Cap: Tech and Telecom stocks (% of total)

	early 1990s	end-1999
US	10	33
Japan	15	16
UK	5	18
<b>HK</b>	<b>6</b>	<b>32</b>

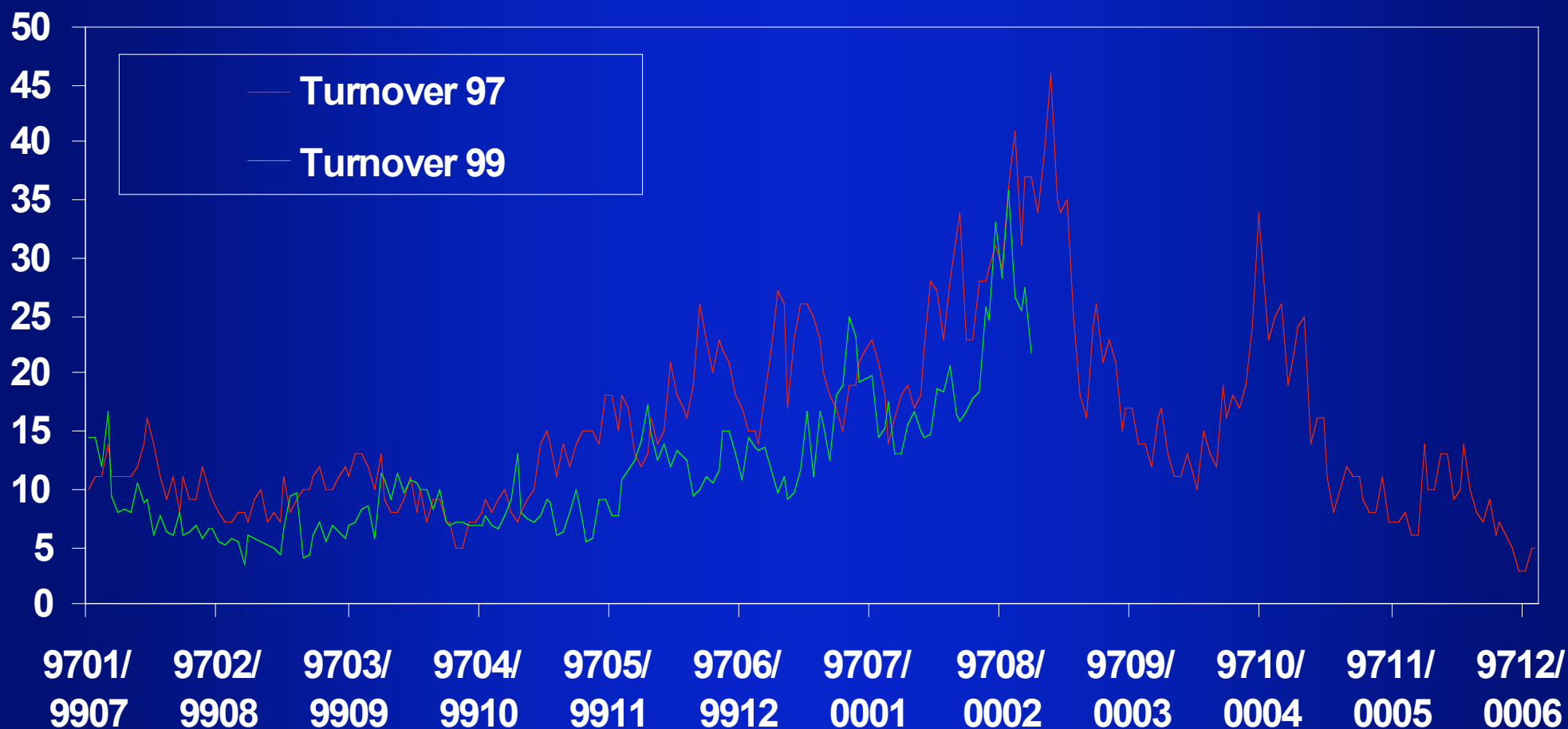


# Hang Seng Index





# Market Turnover (HK\$bnn)





# SEHK Market Cap Will Increase Significantly in Year 2000 (US\$ billion)

	As of	Proposed	
	end-Jan	Listings	Listings
	2000		
<b>Proposed</b>			
<b>Completed</b>			
<b>TOTAL</b>	<b>574.2</b>	<b>50.4</b>	<b>624.6</b>
<i>Red-Chips + China Telecom (a)</i>	<i>111.2</i>	<i>13.9</i>	<i>125.1</i>
<i>H-shares (b)</i>	<i>5.0</i>	<i>21.0</i>	<i>26.0</i>
<b>China-related shares (a) + (b)</b>	<b>116.2</b>	<b>34.9</b>	<b>151.1</b>
<b>Non-China-related companies proposed to be listed (HKEC, MTRC and GEM)</b>	<b>1.0</b>	<b>15.4</b>	<b>16.4</b> <sup>12</sup>



## Exchange Alliance - Nasdaq 7

- ◆ Shares of 7 companies listed on the Nasdaq will be traded in SEHK in Q1 of 2000
- ◆ If 5% of the turnover is carried out in Hong Kong, turnover of SEHK would have increased by about 30%

	Market Cap (end-99, US\$ bn)	Avg. Daily Turnover (Dec 99, US\$ bn)
Microsoft	602.4	3.1
Intel	275.0	1.5
Cisco	366.5	1.9
Applied Materials	47.9	0.6
Dell Computer	130.8	1.3
Amgen	61.4	0.4
Starbucks	4.4	0.05
<b>TOTAL</b>	<b>1,488.4</b>	<b>8.8</b>



# Potential Asian Alliance

- ◆ Market cap of Asia 65 is more than 3 times that of the SEHK at end-1999

(At end-1999, US\$ billion)

		Market Cap
Japan	(Top 5)	1,073.4
Hong Kong	(Top 5)	324.8
Australia	(Top 5)	133.9
Taiwan	(Top 5)	97.4
South Korea	(Top 5)	133.5
Singapore	(Top 5)	86.7
China	(Top 5)	20.2
Thailand	(Top 5)	16.6
India	(Top 5)	52.6
Philippines	(Top 5)	14.7
Malaysia	(Top 5)	37.0
Indonesia	(Top 5)	26.4
New Zealand	(Top 5)	13.7
<b>TOTAL</b>	<b>(ASIA-65)</b>	<b>2,030.9</b>



# The Three-Prong Reform Programme

- ◆ To date,
  - **Market reform:** in progress and on track
  - **Infrastructure reform:** implementation started
  - **Legislative reform:** Composite Bill being finalized
- ◆ In 2000, the Programme will continue until full implementation
  - **Market reform:** merger in Q1 and listing in 2000
  - **Infrastructure reform:** quickwins by Q1/Q2
  - **Legislative reform:** maintain the momentum



# 1999/2000 From Crisis Management to Management of Opportunities

- ◆ With economic recovery, priorities in 2000/2001 need to shift:
  - **Implementation of three-pronged reforms**
  - **Post-crisis resolution**
  - **Market Development Strategy**
  - **Mainland Strategy**
  - **Global Positioning Strategy**
  - **Implications**



## Great development potential for bond market (% of GDP 1998)

	Bank Assets	Equity Market	Bond Market
<b>Hong Kong</b>	<b>214</b>	<b>206</b>	<b>32</b>
<b>China</b>	<b>139</b>	<b>25</b>	<b>12</b>
Singapore	220	112	20*
US	65	158	141
Japan	145	64	101
Germany	273	51	97
S. Korea	233	35	53
Thailand	176	30	21#

Remark: \* figure for Singapore includes government bonds only; # 1997 figure  
Sources: FIBV, IFC, World Bank and various central banks



## Upgrading for the e-Economy

- ◆ Intermediaries need to re-evaluate their own roles in a **CYBER world**
- ◆ Global investors in a hi-tech world view different financial markets as one single market
- ◆ Provision of an one-stop high value added financial supermarket (i.e. the **linking up of different financial markets**)
- ◆ Provision of an efficient and low risk settlement platform (i.e. the **linking up of trading and settlement systems**)
- ◆ Provision of a 24-hour trading environment (i.e. the **linking up of different financial centres**)



**End of Presentation**