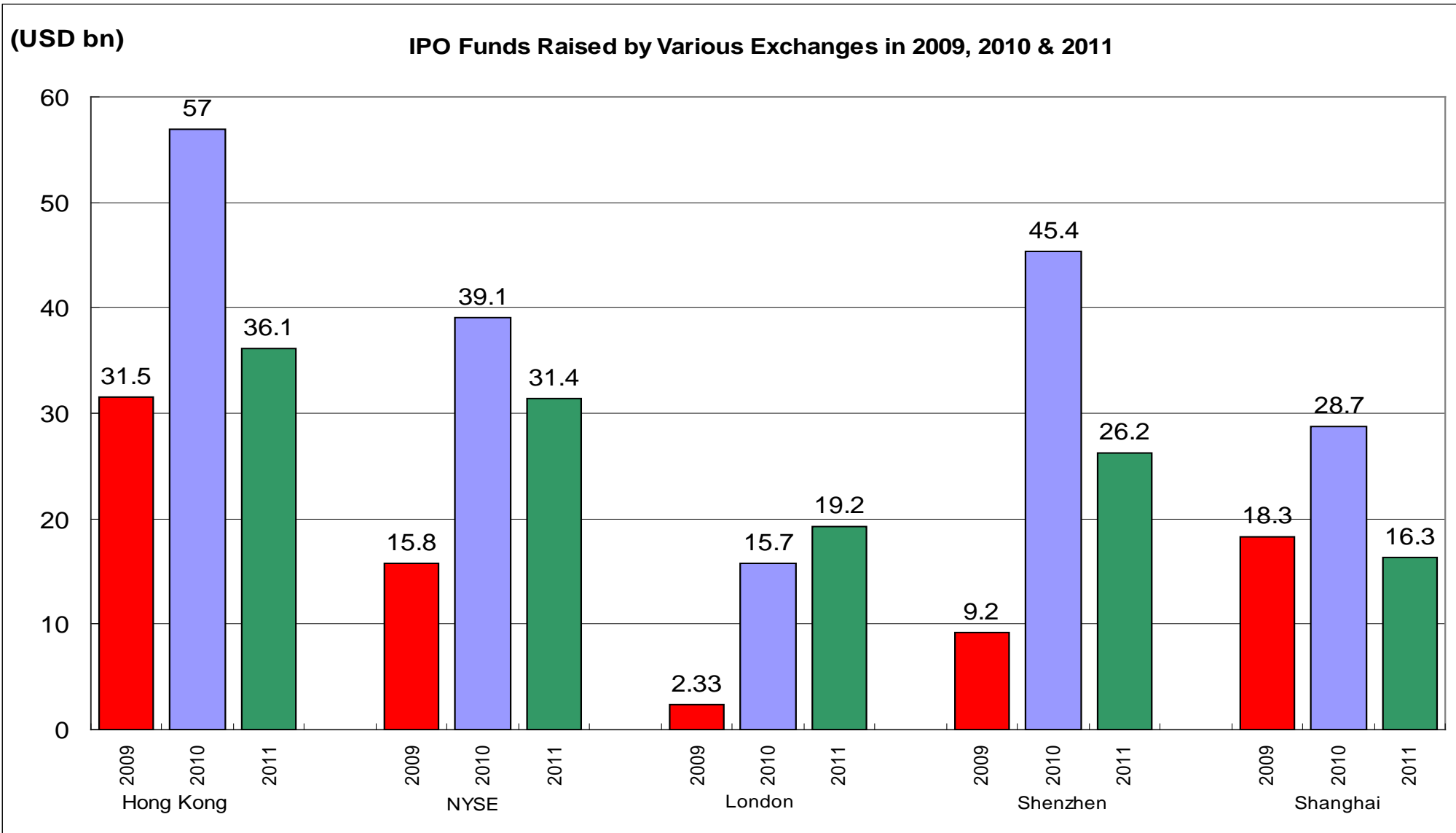


Hong Kong, Shanghai, Shenzhen and Taipei – is it collaboration or competition?

18th May, 2012

Hong Kong is The Leader in Equity IPOs



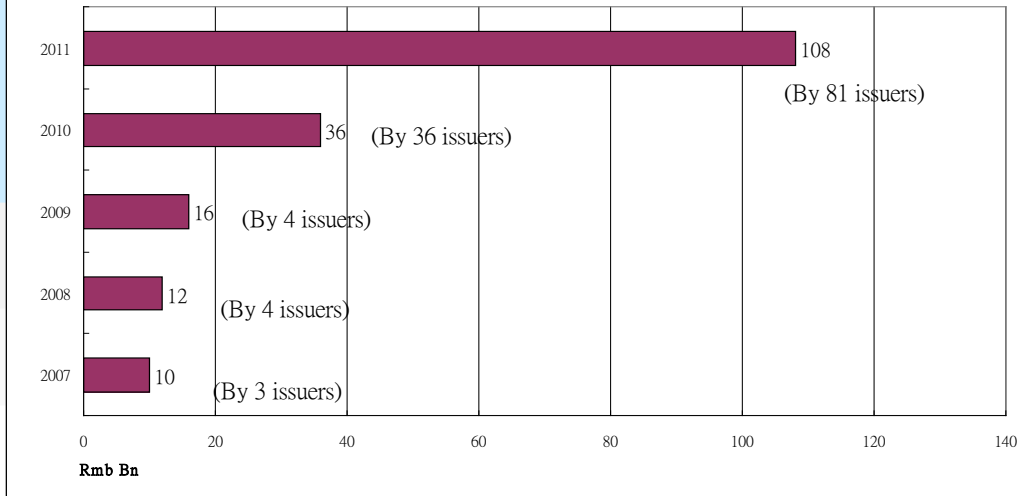
Hong Kong is Growing Rapidly as an Offshore RMB Centre

- First mover advantage

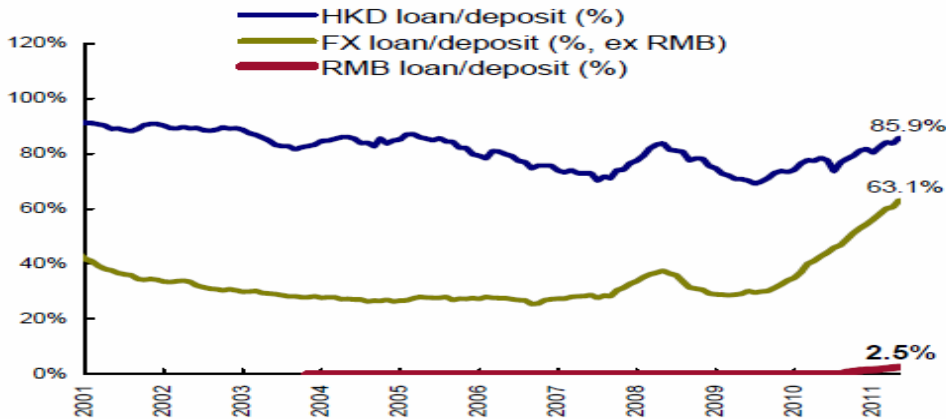
Renminbi deposits in Hong Kong



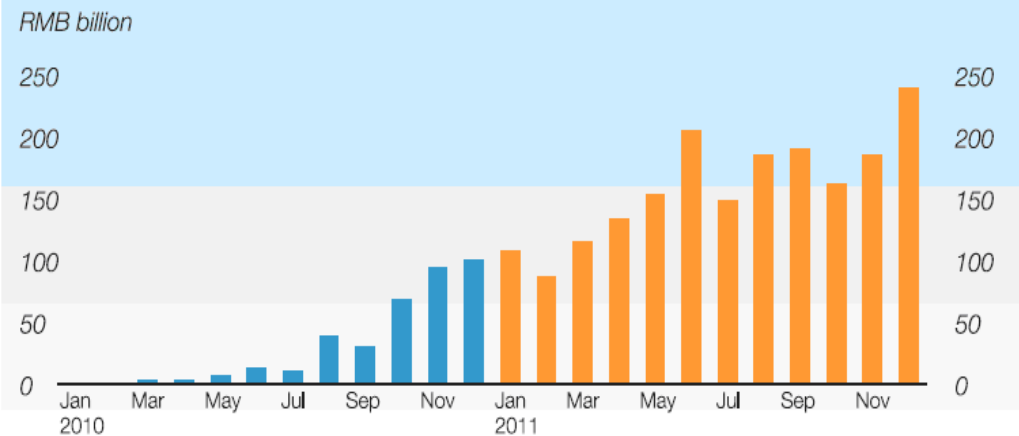
RMB Bond Issuances in HK



RMB loan-to-deposit ratio is still very low at around 2.5%



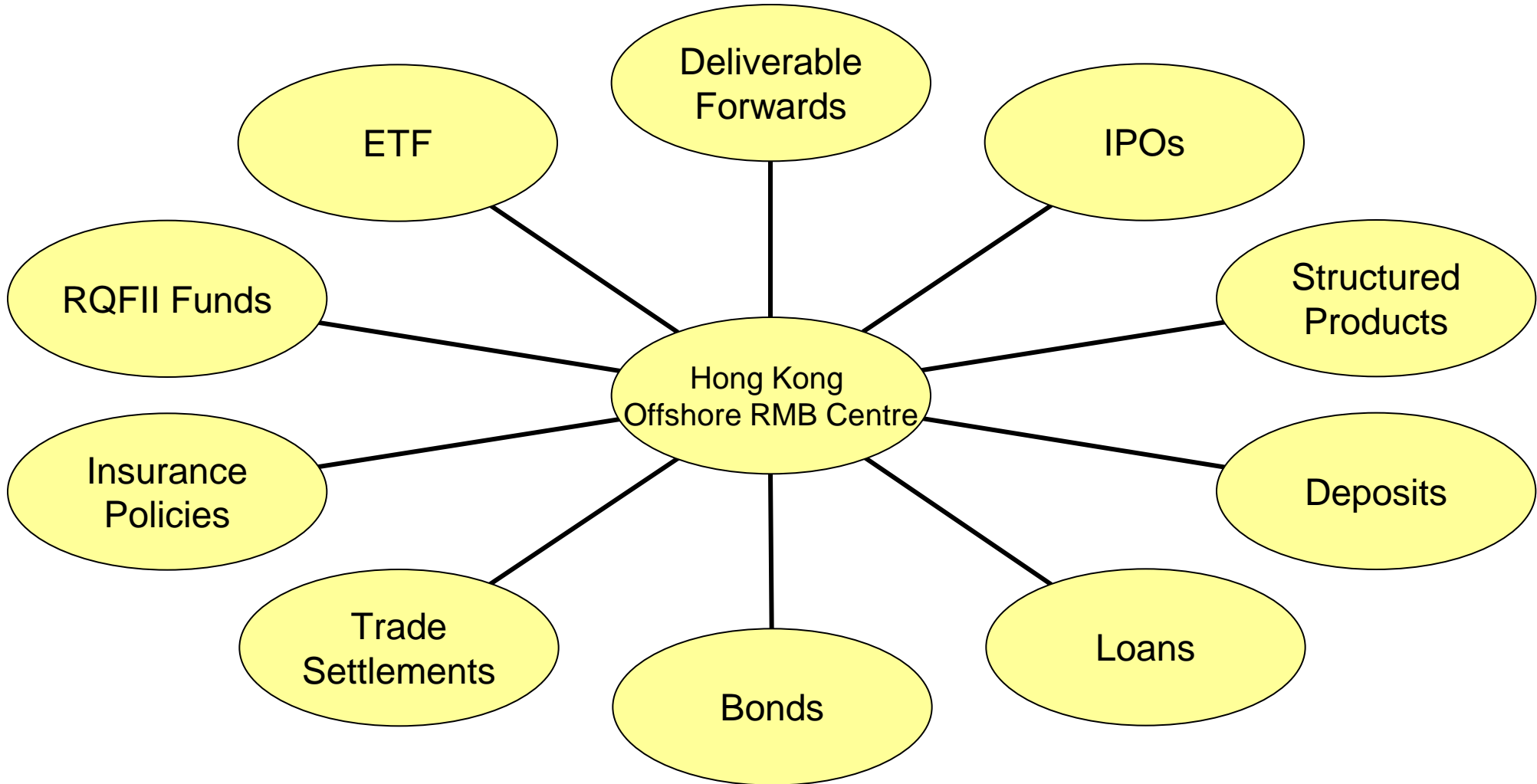
Renminbi trade settlement in Hong Kong



More Banks Have Registered in Hong Kong to Conduct RMB Business Worldwide

		<u>2010</u>	<u>2011</u>	<u>Change</u>
1	No. of participating banks of Hong Kong's RMB clearing platform	153	187	+ 22%
	Of which: Branches and subsidiaries of overseas banks and overseas presence of Mainland banks	132	165	+ 25%
2	No. of RMB correspondent accounts set up by overseas banks at Hong Kong banks	187	968	+ 418%
3	Amount due to overseas banks (RMB billion at year-end)	19.6	116.4	+ 494%
4	Amount due from overseas banks (RMB billion at year-end)	10.9	121.7	+ 1,017%

Hong Kong is Developing a Wider Spectrum of RMB Products



Hong Kong Plays a Strategic Role in the Internationalization of RMB

- A proving / testing ground
 - Low risk
 - Withstand financial shocks
- Beijing retains initiative and control
 - Separate the trails from the opening of the capital account
 - Adjust the pace according to policy needs and market development
- Sound risk management of RMB businesses
 - More trials

Hong Kong and Shanghai are Comparable in Terms of Market Capitalization

Market Capitalization of the World's Top Stock Exchanges (as at end Mar 2012)

		Worldwide Ranking 世界排名	Ranking in Asia 亞洲排名	Market Capitalization (US\$ billion) 市值(以10億美元計)
US (NYSE Euronext)	美國 (紐約泛歐交易所集團)	1		13,358.35
US (Nasdaq OMX)	美國 (納斯達克 OMX)	2		4,540.58
Japan (Tokyo)	日本 (東京)	3	1	3,625.48
London Stock Exchange Group	倫敦交易所集團	4		3,505.65
Europe (NYSE Euronext)	歐洲 (紐約泛歐交易所集團)	5		2,710.31
Hong Kong	香港	6	2	2,547.05
China (Shanghai)	中國 (上海)	7	3	2,460.18
Canada (Toronto)	加拿大 (多倫多)	8		2,033.83
Brazil (BM&FBOVESPA)	巴西 (巴西交易所)	9		1,401.00
Germany (Deutsche Borse)	德國 (證券及衍生工具交易所)	10		1,400.03
Australia	澳洲	11	4	1,306.48
India (Bombay)	印度 (孟買證券交易所)	12	5	1,219.93
Switzerland	瑞士	13		1,190.22
Korea	韓國	14	6	1,119.49
China (Shenzhen)	中國 (深圳)	15	7	1,107.69

Both Hong Kong and Shanghai Possess Unique Strengths Respectively

Hong Kong

- A recognized Asia Pacific trans-continental financial centre
- A freely convertible currency
- Free capital flows
- Openness of capital account
- Higher market liquidity, more competitive pricing
- Rule of law
- Effective financial supervision
- World-class financial infrastructure
- Optimization of technology and information flow
- Low and simple tax regime
- A full range of financial services and products

Shanghai

- A domestic financial centre
- National policy support
 - International financial centre by 2020
- Access to strong industrial base
 - Growth of the Yangtze River Delta economy
- Competitive advantages in absorbing mainland capital and talents
- Innovative technology
- Strong commodity markets
 - Copper and steel

There is Ample Room for Cooperation with Shanghai

- Focus on cooperation, avoid excessive competition and complement each other's inadequacies
- Practical cooperation amid the gradual realization of RMB convertibility and capital account liberalization
 - A+H or “First A, then H”
 - Cross border establishment of financial institutions and trainings for financial talents
 - Cooperation in listing, product development and information exchange
 - Co-establishment of market indices ETF
- Overseas competition from London and Singapore

The Real Challenge will Come When RMB Becomes Freely Convertible

