Table of Contents

1. Macro Economic Trend from 2H 2010 to 1H 2011
2. Capital Markets
3. Equity Markets
4. Major Events in Hong Kong Securities Market
5. Prospects
1. Macro Economic Trend from 2H 2010 to 1H 2011
2. Capital Markets
3. Equity Markets
4. Major Events in Hong Kong Securities Market
5. Prospects
Hong Kong GDP
2H 2010 – 1H 2011

Source: Census & Statistics Department, The SAR Government
The Chinese Central Government expressed its support for Hong Kong’s development as an offshore RMB business centre. Vice Premier during his visit in Hong Kong this August announced six major policies, including the opening up of the mainland market for Hong Kong service industries, permission for the launch of Hong Kong-stock ETFs, support for Hong Kong companies to invest in the mainland using RMB.

- RMB deposit in Hong Kong kept expanding, with its amount having reached a record high of RMB550 billion by the end June 2011.
Macro Economic Trends of HK  
2H 2010 – 1H 2011

• In 2H 2010, the stock market experienced a sharp rise due to seasonal recovery. But as with other economies around the globe, HK’s market fell sharply beginning August 2011 due to US debt downgrading.

• Global economic recovery remains tough in the future. U.S. may experience a double-dip recession. In China, inflation problem still persists even under tightening policies, resulting in slow progress of certain projects under the twelve five-year plan and increased risks of hard landing.
Inflation Rate in HK
2H 2010 – 1H 2011

Source: Census & Statistics Department, The SAR Government
1. Macro Economic Trend in 2009 and 1H 2010

2. Capital Markets

3. Equity Markets

4. Major Events in Hong Kong Securities Market

5. Prospects
Hong Kong Capital Market
2H 2010 – 1H 2011

Primary Market No. of IPO

<table>
<thead>
<tr>
<th>Quarter</th>
<th>No. of IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2010</td>
<td>30</td>
</tr>
<tr>
<td>Q4 2010</td>
<td>55</td>
</tr>
<tr>
<td>Q1 2011</td>
<td>17</td>
</tr>
<tr>
<td>Q2 2011</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: HKEx
Hong Kong Capital Market
2H 2010 – 1H 2011

Primary Market Fund Raised (HK$ Billion)

Source: HKEx
## Hong Kong Capital Market
### 2H 2010 – 1H 2011

Listed shares (as at late June 2011 on the main and GEM boards)

<table>
<thead>
<tr>
<th></th>
<th>June 2011</th>
<th>June 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of listed companies</td>
<td>1,448</td>
<td>1,344</td>
</tr>
<tr>
<td>Total market value (hundred million dollars)</td>
<td>211,039</td>
<td>171,311</td>
</tr>
<tr>
<td>Number of newly listed companies</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>Number of listed equity</td>
<td>7,276</td>
<td>6,737</td>
</tr>
<tr>
<td>Number of equity warrants</td>
<td>17</td>
<td>26</td>
</tr>
<tr>
<td>Number of derivative warrants</td>
<td>4,836</td>
<td>4,114</td>
</tr>
<tr>
<td>Number of CBBCs</td>
<td>711</td>
<td>1,020</td>
</tr>
<tr>
<td>Number of mutual funds</td>
<td>87</td>
<td>72</td>
</tr>
<tr>
<td>Number of bonds</td>
<td>173</td>
<td>158</td>
</tr>
</tbody>
</table>

*including the companies shifting from the GEM board to the main board*
1. Macro Economic Trend in 2009 and 1H 2010
2. Capital Markets
3. Equity Markets
4. Major Events in Hong Kong Securities Market
5. Prospects
Hong Kong Equities Market Turnover (Main and GEM Board) Average Daily by Value (HK$mil)

Source: HKEx
Mainland Enterprises Market Capitalization and Turnover Value (% of Market Total)

Remarks: Mainland enterprises include H share companies, red-chip companies and non-H share Mainland private enterprises.

Source: HKEx
1. Macro Economic Trend in 2009 and 1H 2010
2. Capital Markets
3. Equity Markets
4. Major Events in Hong Kong Securities Market
5. Prospects
Major Events in HK Securities Markets  
2H 2010 to 1H 2011

• On 20 July 2010, The People’s Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA) signed agreements on RMB businesses, further boosting the city’s status as an offshore RMB financial hub. The amendments includes:
  - allow companies to buy or sell RMB in Hong Kong without limits,
  - allow all authorized institutions to open and maintain RMB accounts at local banks to facilitate the transfer of RMB funds between banks,
  - Companies can purchase or borrow RMB for non-trade settlement purposes.

• In August 2010, Hai Tong Asset Management (HK) Ltd, an indirect subsidiary of the mainland’s Haitong Securities Co, officially launched HK’s first ever RMB-denominated investment fund, named “Haitong Global RMB Fund”.

Major Events in HK Securities Markets
2H 2010 to 1H 2011

• On 13 August 2010, Mainland insurance companies were given the green light to invest in all shares on the main board of the Hong Kong stock exchange. Previously, mainland insurers can only trade in red-chips and H shares in Hong Kong. The China Insurance Regulatory Commission also allows insurers to raise their investment ratio in equities and funds from the previous cap of 20% to 25%.

• On 29 April 2011, the first RMB-denominated IPO outside mainland China - Hui Xian Real Investment Trust - was listed on the HKEx Main Board.
HKEx extended the trading hours of its securities market from 4 hours to 5 hours in March 2011.

In late May, HKEx published a consultation paper seeking views on its proposal to introduce after-hours futures trading to align the local market with operation hours of other major global exchanges.

HKEx proposed that the trading of its flagship products - Hang Seng Index futures, H-shares Index futures - be extended by 6 hour 30 minutes by introducing an additional evening session from 4:45 pm.
1. Macro Economic Trend in 2009 and 1H 2010
2. Capital Markets
3. Equity Markets
4. Major Events in Hong Kong Securities Market
5. Prospects
Prospects

• On 17 Aug 2011, Vice Premier while visiting HK, announced a series of new policies and measures for supporting Hong Kong’s development as an offshore RMB business centre:
  ➢ To encourage Hong Kong to create and develop offshore RMB financial products;
  ➢ To allow QFII using RMB deposits in Hong Kong to invest in mainland securities markets with an initial quota of RMB 20 billion (RQFII);
  ➢ To allow foreign institutions to invest directly in RMB in China (RMB FDI);
  ➢ To support ETF on HK’s stocks to be developed in the Mainland
Prospects

• On 18 Aug 2011, HKEx has agreed in principle to enter into detailed discussions with Shanghai Stock Exchange & Shenzhen Stock Exchange with a view to establish a joint venture company to be incorporated in Hong Kong to develop new financial products.

• HKEx is working on details of the funding and operational model of the RMB Equity Trading Support Facility (TSF). TSF supports secondary market trading of RMB equity by serving as a back-up facility to enable investors to buy RMB-traded Shares in the secondary market with HK dollars if they have difficulty obtaining RMB.
The second phase of extension of stock trading hours is schedule to start on 5 March 2012, to further increase trading hour by 30 minutes.

HKEx has upgraded its trading system capacity and speed to cater for future expansion. Also its new data centre is expected to come into operation next year, providing co-location services.

HKEx is studying the feasibility on dual-currency IPO tranches and dual-currency counters for HK$ and RMB trading on the same stock.
Prospects

• HKEx has decided to establish a clearing house by the end of 2012 for derivatives traded in Hong Kong’s over-the-counter (OTC) market to support global regulatory initiatives and take advantage of business opportunities in OTC derivatives clearing.

• In summary, RMB has been the theme for the whole financial sector in HK throughout 2011 and will certainly remains as the focus in the years to follow. We will be seeing more policies from the Government, regulators and HKEx aiming towards strengthening Hong Kong’s position as “the” offshore RMB centre.