

HK as China's global financial centre

Hong Kong, where Chinese and global opportunities converge, has a distinctive role as an international financial centre, said the Secretary for Financial Services and the Treasury, Professor K C Chan, at the London Conference held on November 16.

Hong Kong witnessed 45.4% year-on-year growth of assets under management to US\$1,091 billion in 2009 and continues to attract new asset managers to the region.

As China's top source of Foreign Direct Investment, Hong Kong is a testing ground for new ideas in the

opening of China's financial market, Professor Chan pointed out. "A new phase of market reform in China is the internationalisation of RMB and the gradual opening-up of the capital account. There is no better place than Hong Kong to become the offshore RMB centre."



Professor K C Chan promotes Hong Kong as China's Global Financial Centre.

First of a series of conferences targeted at the global financial services communities, the London Conference presented the promising prospect that Hong Kong offers to the asset management industries and the lucrative opportunities brought about by the gradual internationalisation of renminbi (RMB). A New York Conference will follow in early March 2011.

A high standard of regulation, a free and open economy, sophisticated infrastructure, abundant pool of professional talent, unique relationship with China and proximity to the rest of Asia all work in favour of Hong Kong's growing importance as an international financial centre.

Updates on RMB business in Hong Kong

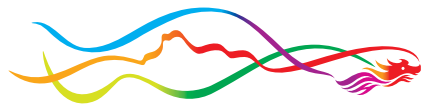
The Chinese Central Government issued RMB sovereign bonds totaling eight billion yuan in Hong Kong on November 30. This is the second issue of RMB sovereign bonds in Hong Kong since the first issue in September 2009, in larger scale and with longer tenor. It clearly demonstrates the Central Government's support for the further development of Hong Kong as China's global financial centre and offshore RMB centre.

The Asian Development Bank (ADB) and the International Finance Corporation (IFC) of the World Bank Group announced in October their issuance of RMB bonds in Hong Kong. The ADB 10-year issue is the longest tenor RMB bonds issued in Hong Kong, whereas the IFC has launched an on-going RMB bond programme for the purpose of financing projects in the Mainland China. These issuances demonstrate the importance attached by international financial institutions to the development of an offshore RMB platform in Hong Kong and their interest in using Hong Kong to raise RMB funding.



Launching ceremony of the second issue of RMB sovereign bonds in Hong Kong.

The RMB bond market was launched in 2007 as part of the on-going efforts to develop RMB business in Hong Kong. The amount of bond issuance has increased from 10 billion yuan in 2007 to 16 billion yuan in 2009. The issuers include the Chinese Ministry of Finance, the China Development Bank, China Export and Import Bank, Bank of China, Bank of Communications, China Construction Bank, HSBC (China), Bank of East Asia (China), Hopewell Highway Infrastructure, McDonald's, ADB and IFC. ◇



CE targets housing and livelihood issues in Policy Address

Strategies to stabilise the property market, support low income families and strengthen links with the Mainland were the foci of the Chief Executive's Policy Address on October 13.



Mr Donald Tsang explaining his Policy Address at a press conference.

The Chief Executive (CE), Mr Donald Tsang, said Hong Kong's economy had progressively stepped out of the shadow of the global financial crisis and was on track to achieving GDP growth of between 5% and 6% this year. However, he also warned of increasing risks of asset-price bubbles in Asia due to the fragile recovery in the US and the on-going sovereign debt crisis in Europe.

Mr Tsang singled out Hong Kong's volatile property market as the city's most immediate and pressing challenge, and announced new measures to boost the supply of flats and help potential home buyers enter the housing market.

Land would be made available to enable the supply of some 20,000

private residential flats each year over the next 10 years. In addition, a new 'My Home Purchase Plan' will be launched to assist first-time home buyers from the sandwich class. Eligible participants could rent a flat under the Plan for up to five years and receive a subsidy equivalent to half of the total rent paid, which they could then use to buy their own rental flat or another flat under the Plan.

The Chief Executive also pledged to enhance transparency of property sales and to strengthen support for the maintenance of old buildings and urban renewal. To avoid fuelling home price rises, he announced the temporary removal of real estate from the investment asset classes under the Capital Investment Entrant Scheme with effect from October 14.

Another priority of the Chief Executive is to ease the plight of low-income families. Apart from new measures and subsidies to support needy students, low-income workers and the elderly, a Community Care Fund will be set up with the Hong Kong Special Administrative Region Government (HKSARG) and the business sector each contributing HK\$5 billion to help people in need.

To ensure better leverage of its unique advantages and functions during the National 12th Five-Year Plan period, the Chief Executive said Hong Kong should strive to enhance its status as an international centre for financial services, trade, shipping and logistics, and to develop the six

industries where Hong Kong enjoys clear advantages. The six industries are medical services, education services, environmental industries, testing and certification services, innovation and technology, and cultural and creative industries.

Turning to the environment, Mr Tsang highlighted new measures to reduce emissions from franchised buses, with the target of having only low-emission buses in busy districts by 2015. A HK\$300 million Pilot Green Transport Fund will also be established to encourage the transport trade to test out more environmentally-friendly technologies.

Saying that the passage in June of draft amendments to the methods for selecting the Chief Executive and for forming the Legislative Council in 2012 was a critical step forward in constitutional development, Mr Tsang remarked that in the remaining term of his government, efforts will be focused on promoting economic development, improving people's livelihood and maintaining the prosperity, stability and development of the society.

"Hong Kong must ride on the opportunities brought about by the rise of our country, and make giant strides in our political, social, economic and cultural development in the coming decade," Mr Tsang said.

Details of the Policy Address are available at <http://www.policyaddress.gov.hk/>. ◇



IMF: HK's economy on robust growth

An International Monetary Fund (IMF) Staff Mission to Hong Kong projected that the Hong Kong economy would expand by 6.75% in 2010 before moderating to 5-5.5% in 2011, confirming that Hong Kong was back on a robust growth trajectory. Publishing its report on December 3, the IMF Mission commended Hong Kong's fiscal policy for rightly providing support to the economy amid the global financial crisis. The Mission maintained its support of the Link Exchange Rate System, which has

proven to be a robust anchor of Hong Kong's monetary and financial stability even in very difficult circumstances. The report pointed to the significant potential that Hong Kong could leverage as an international financial centre with strong links to the Mainland by further developing its offshore RMB business. Moreover, the Mission welcomed the graduated policy response of the HKSARG to property price inflation as essential and appropriate.

FS on economic growth, inflation and property speculation

Economic growth

The Hong Kong economy remained robust in the third quarter of 2010. Real GDP expanded briskly further by 6.8% year-on-year, following a strong growth of 7.2% in the first half of 2010. Briefing legislators on the latest economic performance of Hong Kong, the Financial Secretary (FS), Mr John Tsang, said on November 29 that the GDP growth forecast for 2010 as a whole was revised upwards to 6.5% from the August forecast of 5-6%.

Inflation

Mr Tsang explained that Hong Kong benefitted from the booming economy of the Mainland China and other Asian countries. Its economy continued to see robust recovery from the global financial crisis, with improving labour market, firm consumer sentiment and positive business confidence. However, rising inflation goes along with strong economic expansion. The increasing pressure for RMB appreciation and the recent surge in Mainland food prices will inevitably affect the prices in Hong Kong.

Meanwhile, the Financial Secretary cautioned that the new round of quantitative easing (QE2) in the US, which could trigger further funds influx into the region, will also pose upside risks to inflation. Underlying consumer price inflation, which averaged at 1.4% in the first three quarters of 2010, is now forecast at 1.7% for the year as a whole. Mr Tsang said the the HKSARG would closely monitor the changes in consumer prices, particularly their impact on low-income families.

Property speculation

Property prices in Hong Kong have shot up by over 20% compared to the pre-financial crisis levels. In the first nine months of this year, the number of resales within 12 months of acquisition increased by 114% compared to the same period last year.

Referring to the further measures introduced in November to curb property speculation, the Financial Secretary said the HKSARG was resolute in maintaining economic stability and stabilising the property



Mr John Tsang says Hong Kong should study ways to maintain its long-term economic growth.

market. Residential properties resold within 24 months will now be subject to an additional Special Stamp Duty at regressive rates up to 15%. In addition, the Loan-to-Value ratio for mortgages will be further lowered.

Mr Tsang said these initiatives were extraordinary measures under exceptional circumstances, aimed to curb short-term speculative activities and reduce the risk of asset bubbles forming. The HKSARG will introduce further measures if circumstances so warrant in the future. ◇



Successful Expo experience



The curtain came down on Shanghai World Expo 2010 on October 31 - and with it the end of Hong Kong's biggest, longest and most varied external publicity and promotional campaign for a single event.

The Hong Kong Pavilion, themed "Hong Kong - Potential Unlimited", and Hong Kong's Urban Best Practices Area (UBPA) Exhibition, themed "Smart Card. Smart City. Smart Life", welcomed over 3.3 million visitors during

the six-month period from May 1 to October 31. During Hong Kong Week, from October 18 to 22, about 200,000 Expo visitors enjoyed the performances, the daily parade and other activities staged by 12 Hong Kong organisations inside the Expo Park.

If you missed the chance to visit the Expo in Shanghai, you may still experience the Hong Kong showcase at www.hkexpo2010.gov.hk. ♦



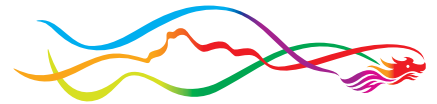
HK grabs 40 medals at Guangzhou Asian Games

The Hong Kong, China delegation achieved their best-ever results at the Guangzhou 2010 Asian Games that successfully concluded on November 27. Together, the team bagged a total of 40 medals, comprising eight gold, 15 silver and 17 bronze.

Speaking at a celebration ceremony, the Chief Executive, Mr Donald Tsang, congratulated the Hong Kong athletes on their brilliant achievements, in which the people of Hong Kong all took pride. He also commended the Hong Kong athletes for their whole-hearted efforts and indomitable spirit in striving for the best.

Mr Tsang said the HKSARG would continue to attach importance to the long-term development of sports, adding that any bid for the Asian Games will complement the allocation of government resources to sports growth.





Photos at the Guangzhou Asian Games 2010 printed by courtesy of Sports Federation & Olympic Committee of Hong Kong, China

Should HK bid for 2023 Asian Games?

A public consultation on whether Hong Kong should bid for 2023 Asian Games closed on December 1. The Secretary for Home Affairs, Mr Tsang Tak-sing, said the bid for the Games was part of Hong Kong's overall strategy of sports development. There are three clear strategic directions for the long-term development of sports in Hong Kong - to help elite athletes achieve excellence; to develop a strong sporting culture in the community; and to raise the city's profile as a centre for international sports events. Hosting the Games would also help to promote Hong Kong's spirit of perseverance and enhance social cohesion. It will stimulate economic activities, create job opportunities and help strengthen Hong Kong's status as Asia's World City, thus bringing intangible long-term benefits, he added. A detailed report will be submitted to the Legislative Council to seek its support before a formal bid can be made to the Olympic Council of Asia by February 15, 2011. ◇



SJ promotes HK as international dispute resolution centre

The Secretary for Justice (SJ), Mr Wong Yan Lung, made his first official visit to Malaysia and Singapore on November 25 and 26 to meet his counterparts and members of the legal profession in both countries.



Mr Wong Yan Lung (left), and Dato' Seri Mohamed Nazri bin Tan Sri Abdul Aziz.



Mr Wong Yan Lung speaking at the luncheon in Kuala Lumpur.

In Kuala Lumpur and Putrajaya, Mr Wong had fruitful exchanges with Dato' Seri Mohamed Nazri bin Tan Sri Abdul Aziz, Minister in the Prime Minister's Department responsible for Law and Parliamentary Affairs; Tan Sri Dato' Seri Alauddin bin Dato' Mohd. Sheriff, President of the Court of Appeal; Tan Sri Arifin bin Zakaria, Chief Judge of the High Court in Malaya; and Datuk Idrus bin Harun, Solicitor General. He also called on the Malaysian Bar, Malaysian Mediation Centre and the Kuala Lumpur Regional Centre for Arbitration.

Continuing his trip to Singapore, Mr Wong met with Minister for Law

Mr K Shanmugam, Chief Justice Mr Chan Sek Keong and Attorney-General Mr Sundaresh Menon to share views on issues of mutual interest. He also visited the Supreme Court, Singapore Mediation Centre, Singapore International Arbitration Centre and Maxwell Chambers.

HK an ideal platform for international arbitration

One of the objectives of Mr Wong's visit was to promote Hong Kong as an international dispute resolution centre.

Speaking at a business luncheon in Kuala Lumpur jointly organised by the Asian Strategy and Leadership Institute (ASLI) and the Hong Kong Economic and Trade Office (HKETO) in Singapore, the Secretary for Justice explained why Hong Kong was an ideal place for international businesses to conduct arbitration. Among its strengths are Hong Kong's mature and trusted legal system that is based on the common law, its highly qualified arbitration professionals, openness to professionals from elsewhere and excellent facilities.

Mr Wong stressed that such advantages were further strengthened by the fact that Hong Kong arbitral awards are enforceable in more than 130 countries, including Mainland China. In addition, Hong Kong has just enacted a new Arbitration Ordinance, making its arbitration law more user-friendly to the international business community.

Last year, the 25-year-old Hong Kong International Arbitration Centre handled over 300 international arbitration cases, which put Hong Kong, in terms of caseload, No.2 in Asia. In addition, the International Court of Arbitration



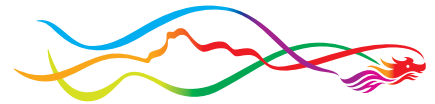
Mr Wong Yan Lung (left) and Minister K Shanmugam.



Mr Wong Yan Lung touring Singapore Supreme Court.

of the International Chamber of Commerce, which is based in Paris, has opened its first ever branch of Secretariat in Hong Kong. Mr Wong said this was a significant move by an international arbitration institution of high repute and a show of confidence in Hong Kong's position as a centre of dispute resolution.

Furthermore, China and Hong Kong have signed a co-operation arrangement on arbitration and mediation services, which was another confirmation of the role of Hong Kong in providing legal services for, and fostering legal co-operation with the Mainland. "Taking advantage of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) to tap into China's service markets, Hong Kong lawyers as well as other professionals are well suited to assist the foreign business community to expand into the Mainland market," Mr Wong added. ◇



SFH attends WHO meeting in Malaysia

The Secretary for Food and Health (SFH), Dr York Chow, visited Malaysia from October 10 to 12, leading a government delegation to attend the 61st session of the World Health Organisation (WHO) Regional Committee for the Western Pacific held

in Putrajaya, Malaysia. During his stay in Malaysia, Dr Chow met with the Malaysian Minister of Health, Dato' Sri Liow Tiong Lai to share experience on health policies. ◇



Dr York Chow (right) meeting with Dato' Sri Liow Tiong Lai (left).



Dr York Chow (fourth from right) and his delegation at the WHO meeting.

Activities in brief



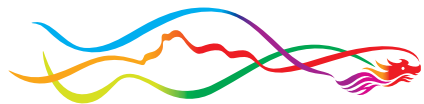
HKETO Deputy Director, Mr Law Kin-wai, attended a meeting with the Ministry of Foreign Affairs of Thailand in Bangkok on November 19. He gave a briefing on Hong Kong's advantages as the gateway to the Mainland of China, highlighting the importance of CEPA.



HKETO organised a Christmas Party on December 14 to celebrate the joyous season with more than 100 friends and guests in Singapore. HKETO Director, Ms Subrina Chow, took the opportunity to thank all the participants for their continuing support to the work of HKETO.



Hong Kong Singapore Business Association (HSBA) organised a movie night featuring Hong Kong movie "Bruce Lee, My Brother" on November 26. HKETO sponsored the event and arranged a pre-screening cocktail for the guests. Photo shows HKETO Director, Ms Subrina Chow (centre), and HSBA's council members.



Upcoming event: Asian Financial Forum 2011

January 17-18, 2011 | Hong Kong Convention & Exhibition Centre



Asia: Reshaping the Global Agenda

The role of Asia is becoming increasingly important as the world economy edges towards a long-term recovery, creating a new interconnected global financial landscape.

In Asia's international financial centre, the countdown to the fourth Asian Financial Forum (AFF) has begun. AFF 2011, to be held in Hong Kong on January 17 and 18, is jointly organised by the HKSARG and the Hong Kong Trade Development Council (HKTDC).

Under the theme "Asia: Reshaping the Global Agenda", this high-profile event will gather the most distinguished members of the global business and financial community and the region's government leaders, offering a platform for insightful exchanges and intelligence gathering. AFF 2011 will cover a variety of financial issues, including Asia's role in the global financial markets, the implications of China's domestic market, the internationalisation of RMB and how green technologies can be an engine for growth.

The January 2010 event drew more than 1,500 participants, a new record, including more than 60 high-profile speakers. AFF 2011 promises again to feature many of the world's most influential financial and business leaders, including:

- ♦ **Anthony Bolton**, President, Investments, Fidelity International
- ♦ **Chen Yuan**, Chairman, Board of Directors, China Development Bank
- ♦ **Victor Chu**, Chairman, First Eastern Investment Group
- ♦ **Perry Kaufman**, President, Perry J Kaufman, LLC
- ♦ **Liu Chuanzhi**, Chairman and President, Legend Holdings Ltd., Chairman, Board of Directors, Lenovo (*Invited*)
- ♦ **Robert Mundell**, Professor, Columbia University (*Nobel Prize Laureate in Economics*)
- ♦ **Patrick Raafaub**, CEO, Swiss Financial Market Supervisory Authority, FINMA
- ♦ **Song Lin**, Chairman, China Resources Enterprise
- ♦ **Rintaro Tamaki**, Vice Minister, Finance for International Affairs, Japan
- ♦ **Wang Jianzhou**, Executive Director and Chairman, China Mobile Limited; Chairman, China Mobile Communications Corporation (*Invited*)
- ♦ **Xiao Gang**, Chairman, Bank of China Limited
- ♦ **Levin Zhu**, CEO, China International Capital Corporation Limited



Who should attend?

- ♦ Financial institutions: Investment and commercial banks, professionals in asset management, securities, venture capital, insurance, financing, capital & equity markets, direct investments, pension funds, fund houses and hedge funds
- ♦ Heads, treasurers and senior executives of corporations
- ♦ Investors and high net-worth individuals
- ♦ Regulators and government representatives
- ♦ Financial intermediaries
- ♦ Associations, chambers of commerce and multipliers

Please visit <http://www.asianfinancialforum.com> for more information and registration.

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Mail or fax back to the Editor, HK FILES.
Hong Kong Economic & Trade Office,
9 Temasek Boulevard #34-01 Suntec City Tower Two, Singapore 038989

Tel: (65) 6338 1771, Fax: (65) 6339 2112

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