
PROSPECTS

The Cash and Derivatives Markets continued to be vigorous in the first quarter of 2007. The turnover value of the Cash Market reached \$80,859 million on 28 February 2007, the highest level ever in Hong Kong. The average daily turnover value of the Cash Market amounted to \$52,884 million for the first three months of 2007, while a total of 16.67 million contracts were traded in the Derivatives Market in the quarter.

Locally listed Mainland enterprises remained a prominent driver of growth in the Cash Market. The contribution of Mainland enterprises continued to grow notably in the first quarter of 2007. They accounted for 64.5 per cent of the total equity market turnover and 49.6 per cent of the total market capitalisation as at 31 March 2007.

With the steady growth of the Mainland economy, Mainland enterprises have continued to seek both listing and post-listing funds to bolster their business development and expansion. The progressive relaxation of RMB capital and revenue accounts provides a favourable medium to long term environment for the development of financial products in Hong Kong. The agreement by the Central Government in early 2007 to allow authorised Mainland financial institutions to issue RMB bonds in Hong Kong further provides market participants with ample opportunities to develop RMB-related business. We welcome the listing of RMB bonds on the Stock Exchange. We have also seen the opening up of channels with the QDII (Qualified Domestic Institutional Investor) and QFII (Qualified Foreign Institutional Investor) schemes arising from China's relaxation of restrictions on investments and capital movements. In particular, in April 2007 the China Banking Regulatory Commission announced a relaxation of the investment restrictions under which up to half of QDII quotas may be invested in equity funds authorised by the SFC. In addition, the China Insurance Regulatory Commission recently gave approval to a Mainland major insurance company to enter into a strategic partnership in Hong Kong for the purpose of managing the foreign currency assets of the insurance company.

It is highlighted in the Report on Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong" that Hong Kong should be further developed as China's international financial centre of global significance. We would use our best efforts to implement the recommendations in the Action Agenda of the Report to strengthen Hong Kong's status and competitiveness as an economic centre.

Looking ahead, Hong Kong will continue to play its role as the Mainland's premier fund raising centre as well as an investment centre for Mainland investors in the further liberalisation of the Mainland market. We are also proactive to capture the opportunities arising from economic development in other markets, particularly in Asia to reinforce Hong Kong's position as a major international financial centre.

In the midst of the various business initiatives which we are pursuing, we remain committed to maintaining a robust market infrastructure and enhancing market quality. We strongly believe that an orderly, informed and fair marketplace is the key to securing investor confidence and HKEx's continued success and growth.