

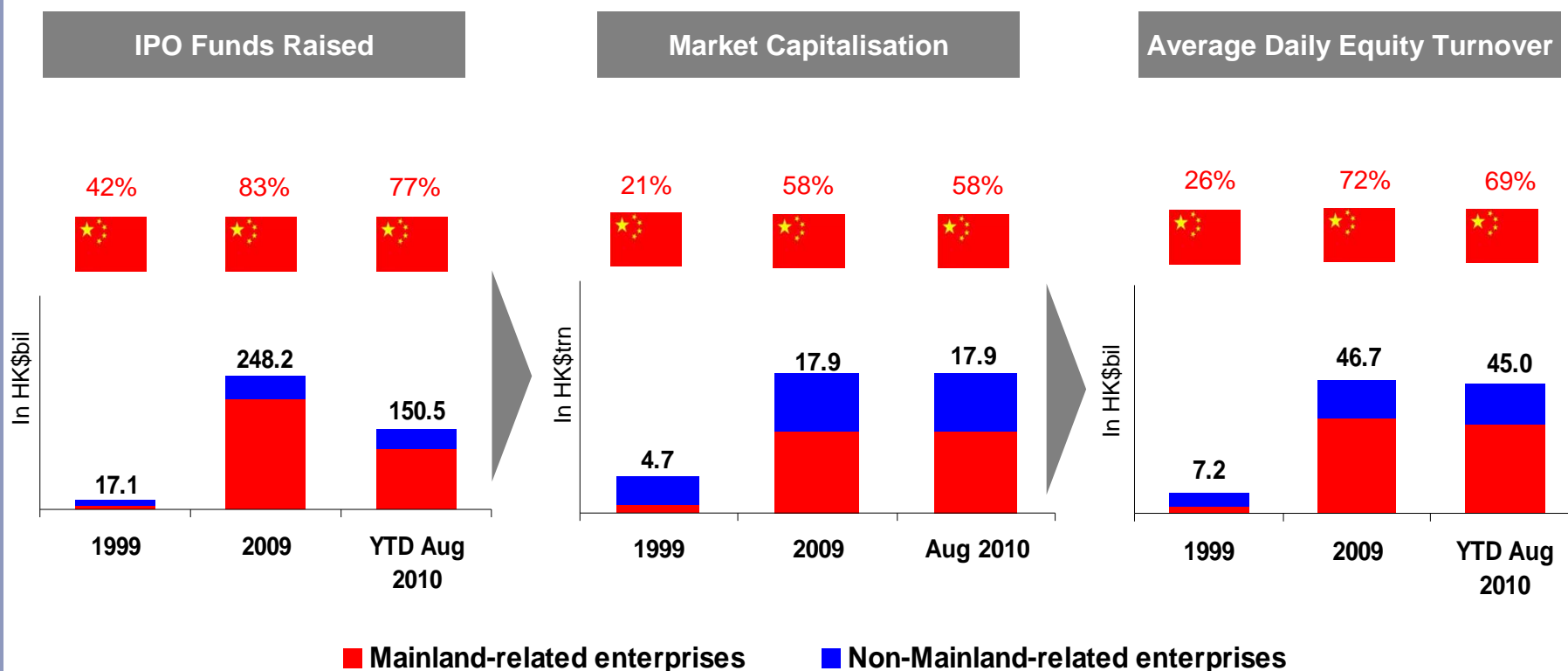
# Leveraging China and RMB Internationalisation

Goldman Sachs Luncheon Presentation

Charles Li  
Chief Executive, HKEx

28 September 2010

## First Phase: Primary Market Has Driven Growth – Fuelled by Mainland Listings



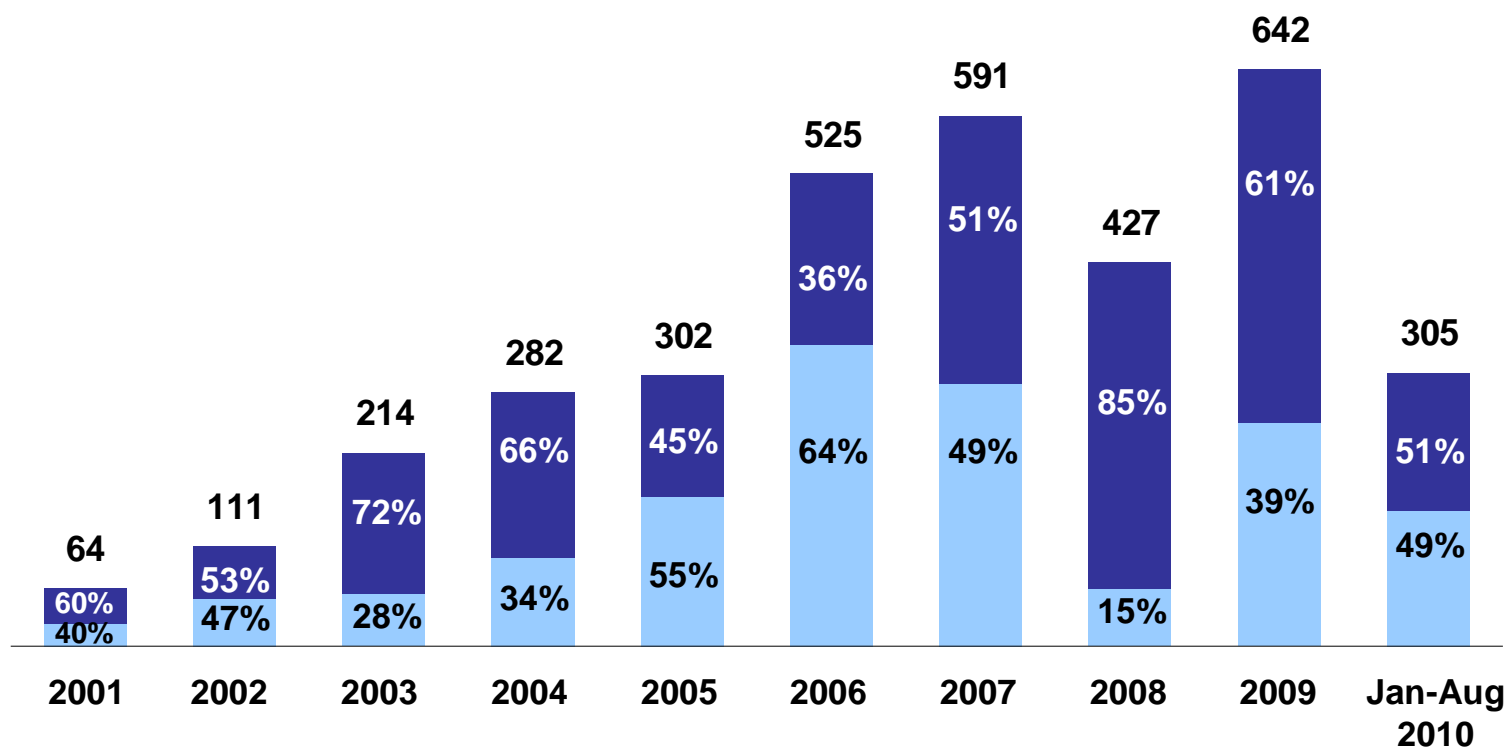
**Continued Mainland IPO Flow Expected**



## International Listings – A New Growth Driver

Key Drivers	Examples	
<p><b>China / Asia Nexus</b></p>	 <p><b>RUSAL</b> US\$2.2bil Russia</p>	 <p><b>SouthGobi</b> Energy Resources US\$393mil Canada</p>
<p><b>Becoming a Global Natural Resources Listing Centre</b></p>	 <p><b>Sands 金沙</b> US\$2.5bil US</p>	 <p><b>Wynn</b> MACAU US\$1.9bil US</p>
<p><b>Spin-offs of Chinese / Asian Subsidiaries</b></p>	 <p><b>L'OCCITANE</b> EN PROVENCE US\$783 mn France</p>	 <p><b>PRUDENTIAL</b> UK</p>
<p><b>Growing Regional Investor Base</b></p>		
<p><b>Transparent and Efficient Listing Regime</b></p>		

## Follow-on Offerings Consistently Increase Float

(HK\$ billion)



 IPO	26	52	59	97	166	334	292	66	248	151
 Follow-on	39	59	155	185	136	191	298	361	394	154

Source: HKEx

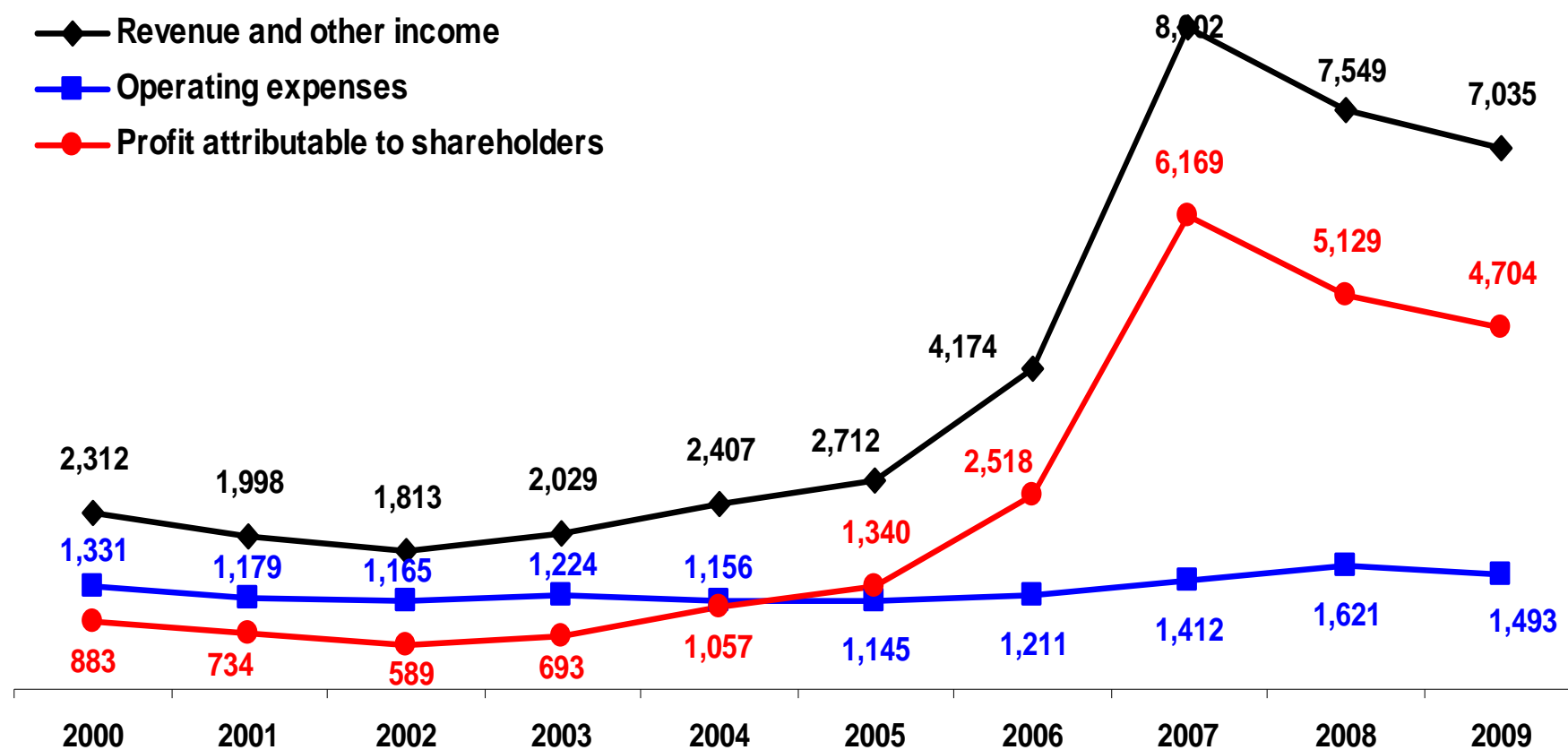
## Stable Cost Base Provides High Operating Leverage

(HK\$ million)

◆ Revenue and other income

■ Operating expenses

● Profit attributable to shareholders



Note 1: Results of prior years have been restated to comply with the latest HKFRSs.

Note 2: Includes one-off gains on disposal of an associate and properties, and share of profits less losses of associates.

Source: HKEx Annual Reports

## Second Phase: Internationalisation of the RMB and Hong Kong's Role

---

1. Why does China want to internationalise the RMB?

2. Why is Hong Kong the Offshore RMB Centre?

3. What are the three critical steps?

4. How big is the opportunity?

5. What does it mean for HKEX?

## 1. RMB Internationalisation - Objectives and Issues

### Objectives

- Aspiration to global reserve currency
- Encourage use of RMB offshore
- Reduce growth of foreign currency reserves
- Redenominate a portion of current account (trade finance) into RMB



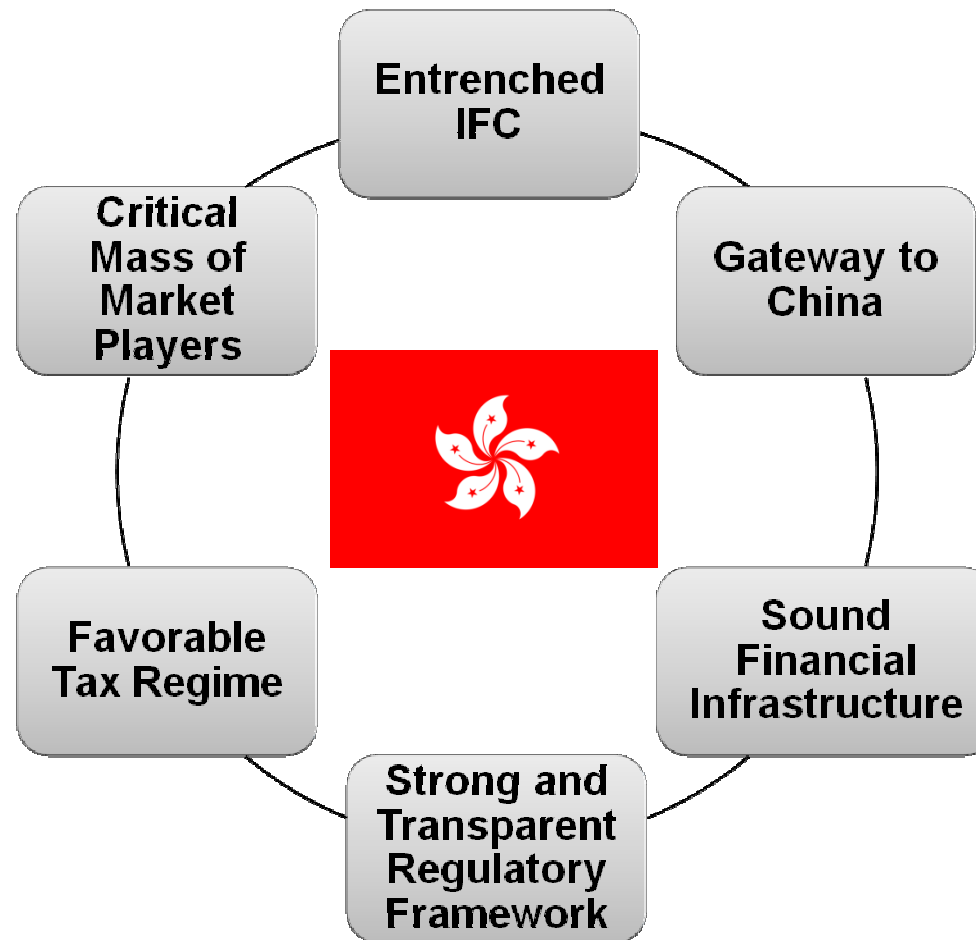
### Issues

- Capital account and convertibility constraints
- Potential impact on domestic economy



**Controlled Internationalisation of RMB is a landmark experiment**

## 2. Rationale for Hong Kong's Role



**China has designated Hong Kong as the official offshore RMB Centre**



### 3. Three Critical Steps

---

Step 1

- RMB flows out of the Mainland

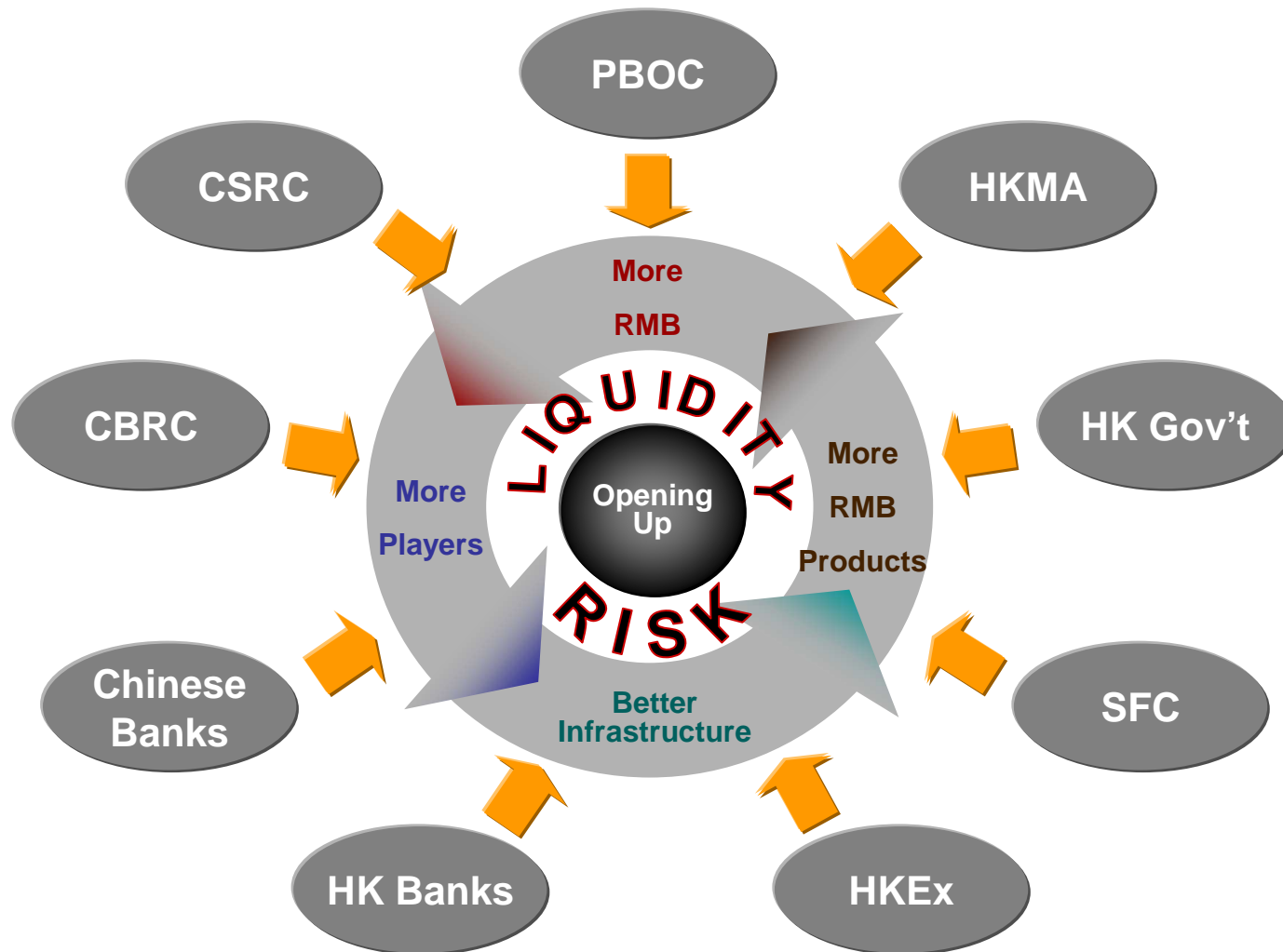
Step 2

- RMB circulates offshore

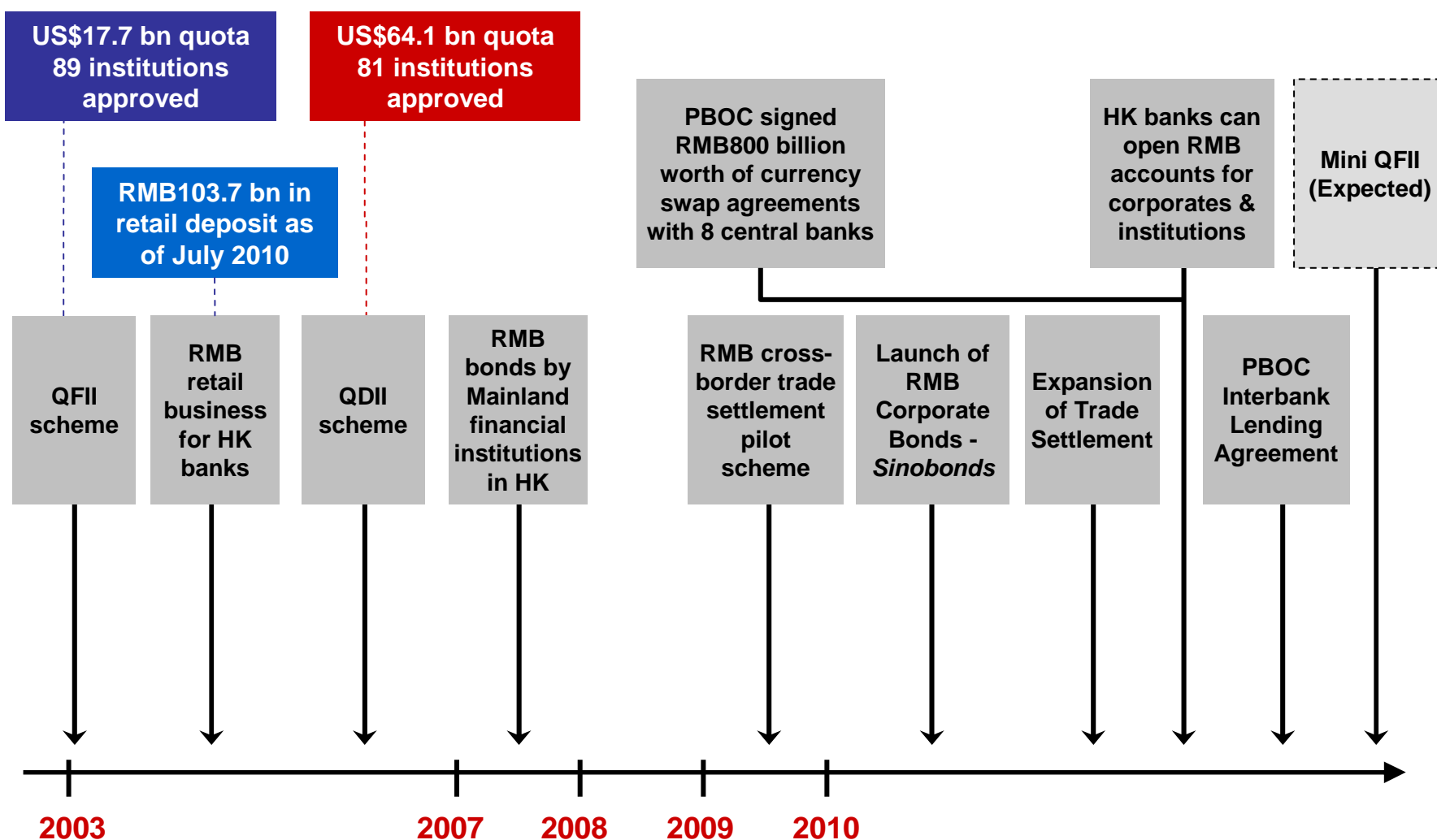
Step 3

- RMB flows back onshore

### 3. How Do We Build Critical Mass?

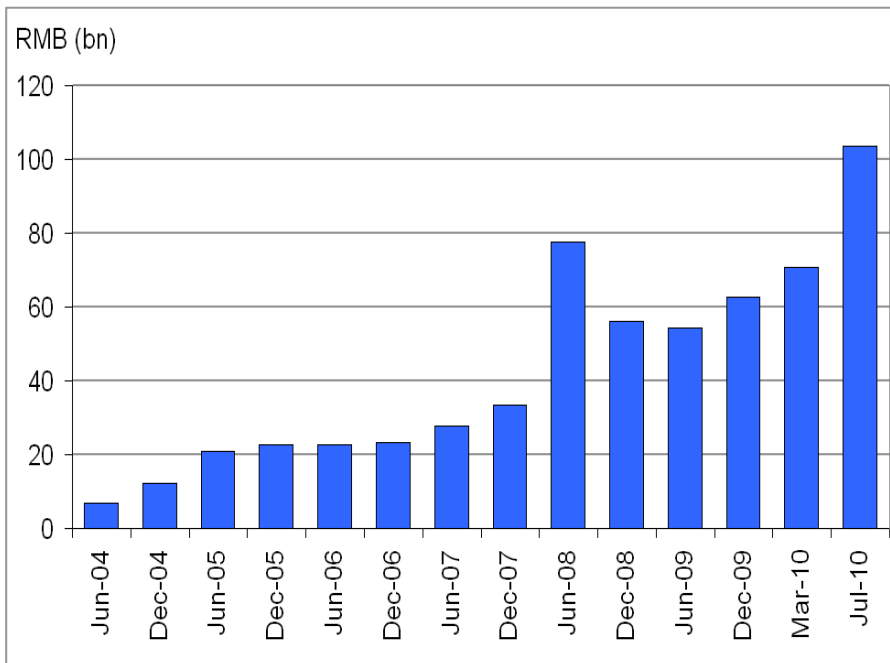


### 3. RMB Internationalisation - Policy Change Accelerating



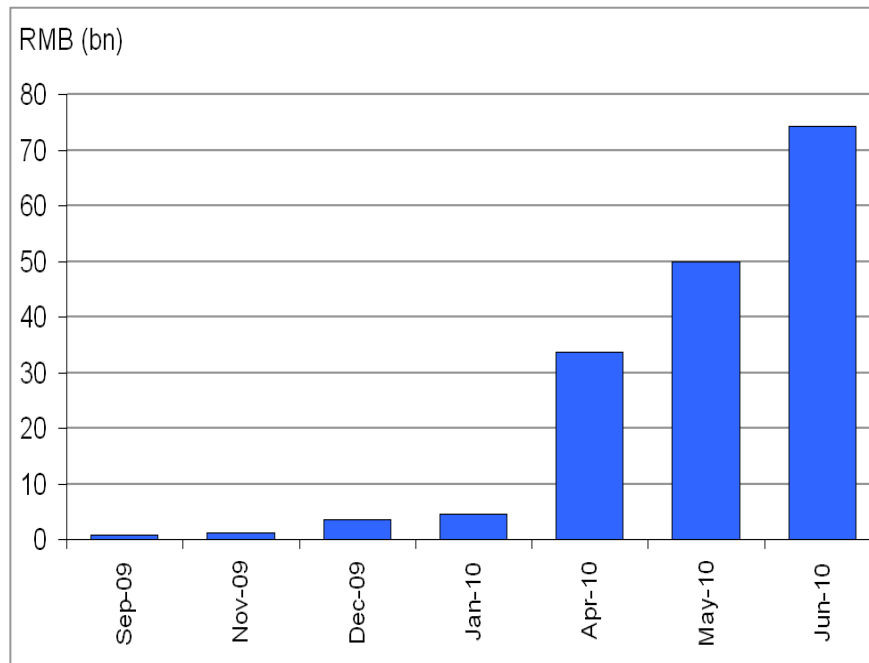
### 3. Offshore RMB Liquidity Gaining Momentum

#### RMB Deposits



Source: HKMA

#### Cumulative RMB Trade Settlement

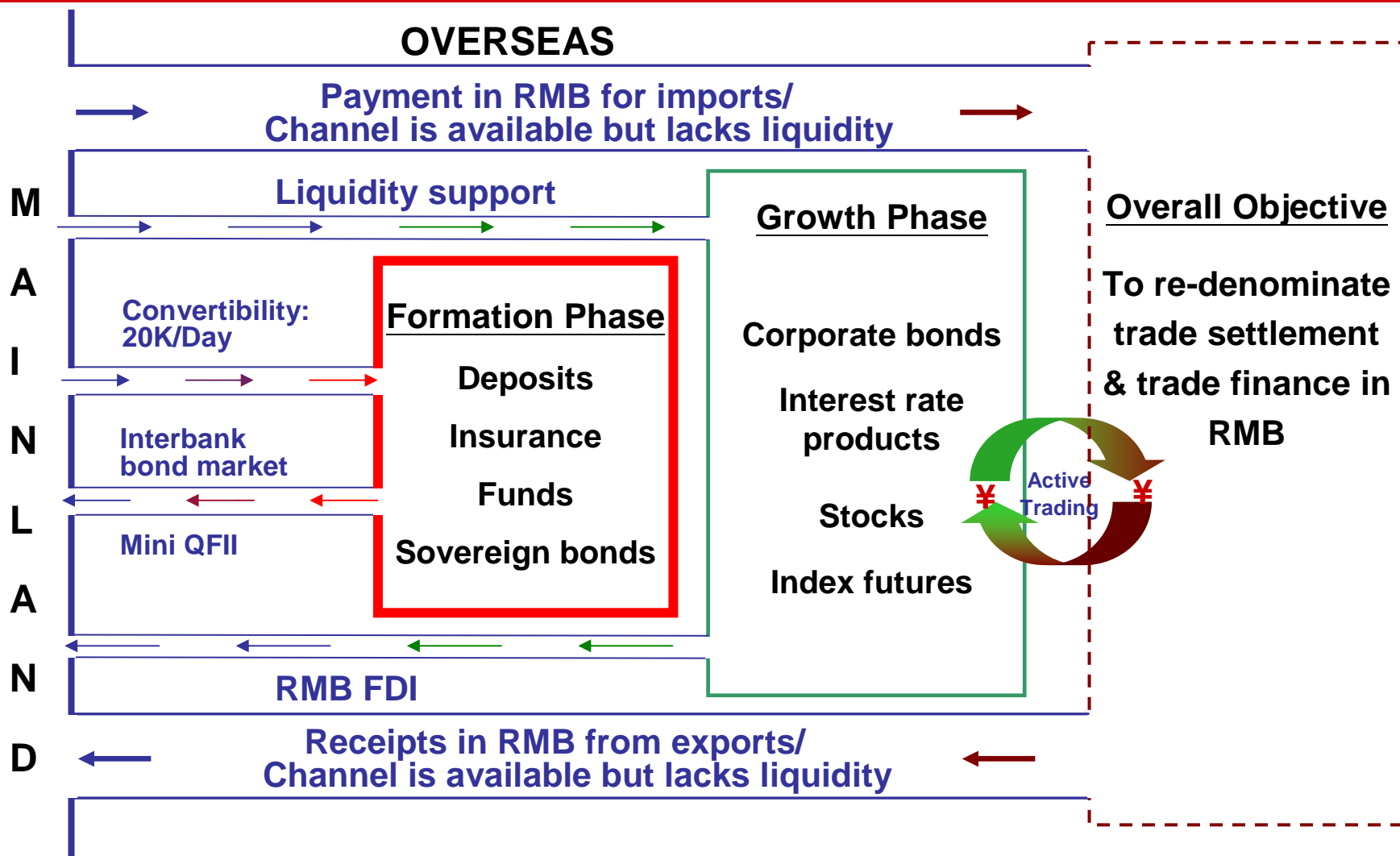


Source: PBOC

**...yet less than 2% of total Hong Kong deposits**

**...and less than 1% of China's 2009 trade**

### 3. Roadmap of Internationalisation of RMB



## 4. Potential Size of the Opportunity

---

**Phase 1:**  
Redenomination  
of Hong Kong  
Capital and  
Trade Flow

**Phase 2:**  
Attract regional and  
global trade flows into  
Hong Kong RMB market

**Phase 3:**  
Mainland investors permitted to  
send RMB offshore

## 5. HKEx RMB Strategy

*HKEx is laying the foundation to capture a second transformational opportunity*

---

Lobby for policy change

Set up RMB infrastructure

Expand Mainland Market Data

Develop RMB Products

Facilitate Mainland Connectivity

Pursue OTC Clearing