

The Hong Kong Capital Markets Association  
2006 Annual General Meeting  
Chairman's Report

Dear Members and guests,

Good afternoon. I'm pleased to report to you as the Chairman of the Association at this year's annual general meeting.

In accordance with the Association's tradition, I'd like to begin with a quick overview of the activities in our home market last year. The Hong Kong dollar bond market had a record year in 2005. Total new issues volume (excluding Exchange Fund Bills and Notes) reached **HK\$187.3bn**, up about 10% from the HK\$170.8bn level recorded in 2004. The number for 2005 was almost HK\$7bn higher than the previous record of HK\$180.6bn recorded in 2000, and was almost HK\$115bn or 2.6 times more than the HK\$72.4bn for 1996. The volume of fixed rate issues reached another record high of **HK\$138.5bn** last year, which was almost HK\$5bn higher than the previous year's HK\$133.7bn. The volume of floating rate issues registered an even bigger increase last year of **HK\$11.7bn** to reach HK\$48.9bn due mainly to the rising interest rate environment.

In terms of the Association's activities last year, a number of the events are especially noteworthy. In October, the Education Subcommittee organised a very successful seminar called "Treasure Re-hunting in Hong Kong". In November, we participated in the Financial Services Expo organised by the Trade Development Council in Shanghai. In December, we held our second golf day at the Discovery Bay Golf Club, which was again generously sponsored by Reuters, one of our Associate Members.

The biggest event for the year was probably the Global Bond Summit which was held in November at the newly opened Four Seasons Hotel. The summit was arranged by the Bond Market Association ("BMA") of the U.S. and the HKCMA was one of the key co-organisers.

As you are all aware, the Executive Committee ("EXCO") spent a considerable amount of time discussing the future of the Association in the past year in the light of the latest developments in the market. We have weighed the various options and have concluded after the extraordinary general meeting ("EGM") last month that more time and reflection are needed to chart a more definitive course for the Association. One of the action points arising from the EGM was that the EXCO agreed to amend the Association's constitution. The amendments will be tabled shortly for endorsements and we hope that they will allow the Association to be run with wider participation from different members and more flexibility in the future.

Taking this opportunity, I'd like to thank all the EXCO members and Subcommittee Convenors and members for their tireless efforts in promoting the work of the Association and the debt market in general. The HKCMA is celebrating its 20<sup>th</sup> anniversary this year. My best wishes go to the incoming EXCO in keeping the Association's traditions alive and well. Thank you very much.

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Chairman  
The Hong Kong Capital Markets Association  
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