

funds for the next 30 to 40 years until the system matures.

- ◆ Growth Enterprises Market (GEM): Venture capital and fund management should get a boost from the forthcoming second board, which offers easier exits for venture investments.

Market Opportunities

Although competition is intense, there are excellent market opportunities.

- ◆ Internet services open new opportunities for service providers in stock trading on the Internet, real-time stock quotes and on-line financial news.
- ◆ In view of the volatility of financial markets causing major risk to banks and security companies, effective risk management techniques will become increasingly important.
- ◆ To further develop Hong Kong into a state-of-the-art international financial centre, technological innovations are needed. New systems will be required for the merger of the Hong Kong Stock Exchange with the Hong Kong Futures Exchange, as well as for such developments as bank and securities transactions via the Internet, etc.
- ◆ Hong Kong is the most important centre for raising capital for the Chinese mainland. As the Chinese mainland continues to liberalize its financial sector, opportunities open up for Hong Kong financial institutions in the local currency (RMB) business, fund management, venture capital and the Asian bond market. Joint ventures with major Hong Kong financial institutions offering unique financial services would enjoy market access advantages.



Money World Asia, held in May every year in Hong Kong, promotes financial services to retail investors in Hong Kong. Check <http://www.tdc.hk.org> for details.

Health Industries

Business Environment

Mainland China

As both China's economy and its middle class grow, demand for improved health care will continue to increase dramatically. Coupled with the impact of the "one child" policy, which will mean two parents and four grandparents for each child, demand will also increase in all aspects of the health-care sector. This includes advanced medical equipment, pharmaceuticals, private hospitals, homes for the elderly and funeral services.

China has an established pharmaceutical industry to produce Chinese medicines for domestic use, as well as to generate foreign exchange revenue through exporting. Local manufacturers in China have a total market share of 75 percent. The remaining 25 percent is shared by a large number of suppliers from various countries. No specific country dominates the market, but Japan, the United States and European countries take the lead.

Due to Chinese restrictions in the sector, many foreign health-care investments are possible only in the form of a joint venture. Regulations also require that certain types of technology transfer, and certain activities be undertaken in China (such as clinical trials).

Financing is frequently the greatest barrier, however, and foreign suppliers must contend with the fluctuations of an increasingly regulated market.

Hong Kong

Health-care equipment and services present high growth opportunities in Hong Kong. The demand for health-care products will keep expanding in line with population growth, rising expectations for quality hospital services, an aging population, and advancing medical sciences and health-care services. By mid-1999, Hong Kong's population stands at 6.8 million, and this figure is expected to reach 8.2 million by 2016.

To a very great extent, the market is government-driven. Over 90 percent of medical services are provided by the Hospital Authority (HA), a statutory body responsible for the management of the 44 public hospitals and institutions. According to the HA's 1999-2000 annual plan, more new facili-

ties will be opened, and a total of 973 beds will be added to meet the escalating needs of the community. The budget allotted by the government to the HA (\$5.4 billion) will comprise the following:

- ◆ \$84 million for the commissioning of completed capital projects;
- ◆ \$19.4 million for IT development in support of clinical service delivery;
- ◆ \$54.6 million for the purchase of additional or replacement equipment and vehicles; and
- ◆ about \$384.6 million for the purchase of medical instrument and drugs.

The market is well developed, open and highly competitive, and is dominated by imported products. There is great demand for advanced medical equipment (electro-medical, radiological, surgical, clinical laboratory and instruments); diagnostics; IT systems; generic pharmaceuticals (human drugs, biological, veterinary); health supplements; over-

the-counter drugs; rehabilitation and home care products. Local production of medical equipment and pharmaceuticals occurs on a very small scale, chiefly limited to low-end surgical products such as syringes and needles, non-prescription drugs and traditional Chinese medicine. Telemedicine is new to Hong Kong, and is developing slowly. Hong Kong's compact geography and very high quality medical infrastructure mitigate the rapid expansion of this promising Canadian area of expertise.

In addition, traditional Chinese medicine has been identified by the Hong Kong government as one of the top priorities for the turn of the century. This emerging market will lead to potential alliances with Canada on technology transfers, joint ventures and collaborative R&D. A local presence and good after-sales services are vital to success. Using the well-established routes into China taken by Hong Kong companies, Canadian medical equipment and pharmaceutical firms can gain access to both markets through agency and distributorship agreements.