



30/01/2007 11:12
Urgent
Return Receipt

To: raymond tam@cpu.gov.hk
cc:
Subject: re: y'day meeting

Raymond,

What Mr Feng Xiao Zeng's mentioned y'day matched some of my previous concerns on the 11-5 action plans,

1. Insurance- Mr Feng mentioned that the Financial Works Conference mandated Shanghai to build a Reinsurance Centre, that is exactly what I think HK should go for in my previous note, if HK cannot be China's Insurance Risk Exchange (Reinsurance Centre), we should start to lobby for membership admittance to the future Reinsurance Centre in Shanghai for Hong Kong incorporated commercial insurance operators, should be under CEPA or not.

2. H-share listing- What Mr mentioned is a real issue. Technically, H-share IPO Mainland companies may not get SAFE (State Administration of Foreign Exchange) approval to sell their HKD for RMB immediately after IPO, and the FX derivative market has discounted 3-5 pct appreciation already and thus hedge is not realistic. This may deter large IPO issuers to choose H-share and refer A-share listing or other alternatives as HKD depreciation versus RMB becomes an almost certain trend in the next 2 years as we decide to hold the current peg level, ignoring RMB appreciation impact completely. We should try to think of some solution.

Please share my view with other members.

Regards,
Andrew Fung

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Winner of 'Best Retail Bank in Asia', 'Best Retail Bank in Hong Kong' and 'Excellence in Wealth Management' awards at The Asian Banker's Excellence in Retail Financial Services Awards in 2006.

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