



Hong Kong General Chamber of Commerce
香港總商會1861

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China Committee

Helping Business since 1861

Minutes of a meeting of the above Committee held at 11:00am on Wednesday, October 31, 2007,
at the Chamber Boardroom.

Present

Mr Lau Wai Yip	Guest speaker	Ms Yvonne Law	
Mr Alan Wong	Chairman	Mr Eric Man	(rep of Ms Ellen Lau)
Mr Stanley Chak		Mr Fred To	
Ms Ava Cheung		Mr Andy Woo	
Ms Lilian Ho		Mr Thomas Yeung	
Mr Albert Lam		Mr Emil Yu	

Chamber Executives

Mr Alex Fong	CEO
Ms Wendy Lo	Assistant Manager, International Business
Ms Fleur Liu	Manager, Chamber Services Ltd

Apologies for Absence

Mr Charles Chan	Mr Tony Fung	Mr Maurice Lee	Mr Tommy Tam
Mr Chan Chi Ming	Mr Stanley Hui	Mr Louis Leung	Ms Karen Tang
Mr Ronald Cheng	Mr Tai Hui	Ms Carol Li	Mr C C Tung
Ms Elaine Cheng	Mr Hung Hak Yau	Mr Thomas Li	Mr John Twist
Mr Hilton Cheong-Leen	Mr Michael Iesu	Mr Li Wen	Ms Robert Venn
Mr Franki Cheung	Mr Rudy Io	Mr David T C Lie	Mr Danny Wan
Ms Susie Chiang	Mr Stanley Ko	Mr Casey Lim	Mr Wang Lu-Yen
Dr Lily Chiang	Mr Johnson Kong	Mr Francis Lim	Mr Wei Dong
Mr Johnson Chien	Mr Juergen Kracht	Mr Liu Guoyuan	Mr Steven Wong
Mr Alan Chow	Mr Richard Lai	Ms Ellen Liu	Mr E K Woo
Mr Jack S L Chow	Mr Joseph Lam	Mr Bryant Lu	Mr Nature Yang
Mr Stanley Chu	Mr Calvin Lam	Mr Frank Y C Lyn	Mr Lawrence Yee
Mr Jay Chun	Mr Malcolm Lam	Mr Gerry Ma	Mrs Joyce Yeung
Ms Margaret Chung	Mr Jeffrey Lam	Mr David Ng	Mr Edmond Yew
Mr David McManus	Ms Ellen Lau	Mr Andy Pan	Mr Dominic Yin
Ms Janie Fong	Ms Rose Lee	Mr Y K Pang	Mr Raymond Yu
Mr Lawrence Fung	Mr Thomas Lee	Mr Louis Pong	Mr Desmond Yuen

Minutes of a meeting of the above Committee held at 11:00AM on Thursday, 31 Oct, 2007, at the Chamber Boardroom.

1. Discussion on China-related topics

Topic A: Implications of the 17th National Congress of the Communist Party of China on Hong Kong Financial Market

Mr. LAU Wai Yip, Manager, Development Planning Department, Bank of Communications, briefed the Committee members on the above topic :

The speaker said there would not be a big change in policy direction of the Central Government after the 17th Party Congress. Further economic liberalization will be the general trend. After developing at a fast speed for 30 years, the Chinese economy has been upgraded to a more advanced level and the next phase of development will be more focused on the third industry. The speaker mentioned that despite some obstacles in promoting the growth of the third industry, the three industries would work together to drive the general economic development of the country.

Personnel adjustment of Politburo Standing Committee

- The speaker pointed out that the two newcomers of Political Bureau Standing Committee – Mr. XI Jinping, a PhD in Law, and Mr. LI Keqiang, PhD in Economics – had different background from the old members. It is expected that the new leading group would adopt quite different problem solving styles.

China's Financial Reform and HK's Role in the Development of China's Financial Market

- The speaker explained that China has been continuously reforming its financial system since its WTO entry in 2001.
- China understands that a stable and healthy financial system is critical for its long-term development.
- Currently China's foreign exchange reserve has exceeded US\$1.4 trillion, which is the largest in the world. To improve the imbalance of its international payments and relieve the pressure of RMB appreciation, China is seeking to expand channels for capital outflow.
- The 17th Party Congress encouraged Chinese enterprises to go overseas. China has already become the world's third largest exporter.
- Hong Kong has been playing active roles in the development of China's financial market. As financial integration goes on, Hong Kong will help China further standardize its financial system.
- Some Hong Kong banks have expanded their RMB business.
- Besides, Hong Kong also works as a key offshore capital-raising center for Chinese enterprises. More and more mainland companies are getting listed in Hong Kong stock market.
- The mainland's QDII scheme has expanded to include equities, while modalities for allowing mainland individuals to directly invest in Hong Kong

markets are being worked out. Other steps could include the trading of Hong Kong financial instruments in mainland exchanges, and expanding renminbi bond issuance in Hong Kong to Chinese non-financial institutions, etc.

Impacts on Hong Kong Economy

- The advantages of Hong Kong service industry will be further strengthened and more Chinese enterprises will be attracted to get listed in Hong Kong.
- Mainland capital inflow will continue. QDII and Through-Train will attract a lot of Mainland investors to invest in Hong Kong stock market. Due to this substantial capital inflow, Hong Kong interest rate will remain lower than the US interest rate. As the US is entering the phase of interest rate cut, the interbank interest rate in Hong Kong will also be decreasing.
- Price will be adjusted continuously because of RMB appreciation. Salary as well as the price of property and consumer products has been increasing in recent years, which reflects economic boom in Hong Kong.
- Most financial products, such as funds, insurance, bonds and future goods, are to be developed and tailored for local customers in China, while Hong Kong has rich and valuable experience in financial services and risk management. Therefore, there would be huge cooperation space and business potential between Hong Kong and the Mainland.

Topic B : Guangdong High Temperature Allowance

Chairman briefed the members on the above topic. The Guangdong authorities had stipulated high temperature allowance for workers working outside under high temperature. The amount of allowance is RMB 100/150 per month from June to October, with a 20% downward buffer in under-developed areas. This regulation came into effect on 5 September, 2007.

Chairman presented the research which was done by the Chamber on allowance comparison between different Mainland cities and provinces. He maintained that the proposed amount of allowance in Guangdong Province was substantial.

Mr. Emil Yu, China Committee member, agreed Chairman's view and added that the regulation would cause manufacturers' concern. To them, the operation cost and burden of social insurance would be increased.

The secretariat responded that they would reflect members' views to related agencies.

2. **Approval of minutes of previous meeting held on May 31, 2007**
Minutes of previous meeting held on May 31, 2007 were confirmed and signed.
3. **Brief update on China related issues and forthcoming China programs**
 - The 11th Beijing-Hong Kong Economic Cooperation Symposium (Nov 5-6, 2007 in Beijing)
Chairman reported to members that HKGCC would have 7 members joining the delegation. Besides, KK Yeung, Vice Chairman and he himself would also attend the symposium.

- Joint Chamber meeting with Dongguan Government on processing trade policy
Chairman reported that Chairman himself and Wendy Lo attended the 1st meeting on Oct 18 at Federation of Hong Kong Industries. Jointly held by local major chambers and Dongguan Government, the meeting had discussions on the difficulties Hong Kong business was facing and the necessary supports from the government. The meeting would be held quarterly and the chambers would take turn to be meeting organizers.

- The 3rd meeting of HKSAR Government Task Force on Processing Trade collects views from chambers on trans-provincial outward processing (跨省外發加工), bonded logistics parks (保稅物流園區), and new categories of prohibited products under processing trade (加工貿易禁止類商品)

Alex Fong, CEO of the Chamber, briefed the members on the results of the last Task Force meeting. Under Announcement No.71 which was released on September, manufacturers were allowed to apply for credit letters from Mainland banks and as a result their financial burden would be relieved.

The Task Force consulted the chambers on three issues: trans-provincial outward processing, bonded logistics parks, and new categories of prohibited products under processing trade. Alex invited members to give comments and suggestions. He also reported that there would be over 1,000 prohibited items to be announced, probably early next year, according to the Task Force.

- 2nd CEPA Symposium organized by Trade and Industry Department, The Government of the Hong Kong Special Administration Region. (Nov. 13, 2007)
Chairman told members that Chairman himself, the Chamber CEO Alex, and Senior Director of Chamber Business Policy Dr. WK Chan would represent the Chamber to attend the Symposium. Chairman invited members to come to the secretary if they have any comments on CEPA implementation.

4. Information note

- *Report on HKGCC Mission to Tianjin (Aug 23- 24, 2007)*
(Attachment 5)
- *Report on HKGCC Mission to Xiamen for the 11th China International Fair for Investment & Trade (Sept 7-8, 2007)* (Attachment 6)
- *Opinion consultation on the regulation on supervision of bonded business*
《中華人民共和國海關保稅核查辦法》徵求意見 (Attachment 7)
- *Transformation and Upgrading Roundtable Luncheon Series: China: A Market that Changes You* (Attachment 8)

5. Other business

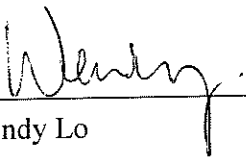
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6. Date of next meeting

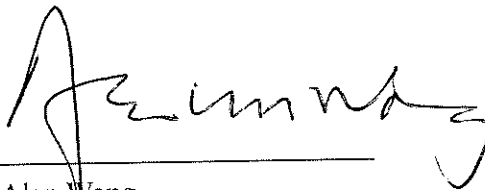
It is proposed that the next meeting will be held in December. Exact date is to be confirmed.

Prepared by

Approved by



Wendy Lo
Secretary



Alan Wong
Chairman