



December 23, 2003

Hong Kong Exchanges and Clearing Ltd
7/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kng

By email: scp@hkex.com.hk

Dear Sir,

Re: Consultation Paper on a Proposed Operational Model for a Scripless Securities Market

We are not in favor of the scripless model for the following 2 main reasons amongst others:

1. We believe that the real benefit or efficiency gain to the market under the scripless model would be marginal as over 99% of exchange trades settled in CCASS today did not involve scrips given that 60% of the stocks in share quantity (or 30%) in value of the total market capitalisation had been immobilized in CCASS. This situation of immobilization will only increase over time as more and more shares are being deposited at CCASS.
2. Furthermore, a change to a scripless environment will involve significant upfront costs which will be passed on to the participants or users. Each participant will also have to bear the costs of re-programming all its current computer system in order to cope with the changes. Under the current environment where our industry is just recovering from a long recession; we question whether this change is really necessary in view of the fact that we are already operating in an immobilized environment and the real benefit is marginal.

Therefore, Tung Tai Securities Co Ltd and Tung Tai Futures Ltd would prefer to see that there are no changes made to the present scrip environment.

Yours faithfully,
For and on half of
TUNG TAI SECURITIES CO LTD
TUNG TAI FUTURES LTD

Vincent M Lee
Managing Director