

CHATERON
CORPORATE FINANCE LIMITED
SUITE 20B, 20TH FLOOR,
9 QUEEN'S ROAD CENTRAL,
HONG KONG
TEL : (852) 2868 2828 FAX : (852) 2868 0390

華夏融資有限公司

30 July 2003

BY FAX (22953599) AND BY HAND DELIVERY

Hongkong Exchanges and Clearing Limited
Listing Division
11th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

073198

BY FAX (28105385) AND BY HAND DELIVERY

Securities and Futures Commission
Corporate Finance Division
8th Floor
Chater House
8 Connaught Road Central
Hong Kong

THE SECURITIES AND FUTURES COMMISSION
OF HONG KONG
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Dear Sirs,

We refer to a consultation paper entitled "The Regulation of Sponsors and Independent Financial Advisers" (the "**Consultation Paper**") which was jointly issued by the Securities and Futures Commission ("**SFC**") and the Hong Kong Exchanges and Clearing Limited ("**HKEX**") in May 2003. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Consultation Paper unless the context herein otherwise requires.

Having read the various proposals raised in the Consultation Paper, we wish to submit our following major comments on the proposals put forward for the introduction of (i) the idea of 'approved sponsors' for IPOs; and (ii) the idea of 'Eligible Supervisors' in the context of an approved sponsor for IPOs.

1. Eligibility for 'approved sponsor' for IPOs

We noted that in the Consultation Paper, SFC and SEHK have proposed that in order to qualify as an approved sponsor for IPOs either on the Main Board or GEM of the Stock Exchange, such sponsor will need to have at least 4 Eligible Supervisors. Each Eligible Supervisor must possess no less than 4 years of relevant corporate

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finance experience, during which period such Eligible Supervisor must also have completed one IPO in a substantive role.

In relation to the above proposal, we consider that in order to be registered as an approved sponsor under the new regime, it would be extremely costly for a sponsor to employ at least 4 Eligible Supervisors having the requisite years of corporate finance experience and there is no assurance that such sponsor may be able to generate sufficient fees to cover its high operating costs, given the prevailing weak stock market sentiment which often imposes limitations on the successful launch of IPOs in the market. We further consider that the resultant high operating costs for most investment advisers / sponsor firms would, in the long run, put those who do not have the benefit of ample resources support out of the market.

2. *Qualification for 'Eligible Supervisor' in the context of an 'approved sponsor' for IPOs*

On this subject matter, we do not agree with the proposal under which only an IPO experience completed within the last 4 years of an individual's application would constitute relevant experience for the purpose of considering such individual's application as an Eligible Supervisor.

The reason is that we consider it is the same Listing Division of HKEX who handled the vetting, clearance and approval processes of a listing application, be such listing application within or more than the period of 4 years from the date of an individual's application as an Eligible Supervisor. Therefore, we completely fail to understand the logic behind the introduction of a 4-year period as a dividing threshold in this regard. Instead, for the purpose of determining whether or not an applicant qualifies as an 'Eligible Supervisor', we consider that it would be more appropriate and practicable to give regard to (i) the quality of the IPO handled by the applicant; and (ii) whether or not appropriate procedures have been followed by the applicant in the course of handling the listing application with HKEX, regardless of the time when the IPO transaction actually took place (whether within or more than the period of 4 years from the date of an individual's application as an Eligible Supervisor).

Yours faithfully,
For and on behalf of
Chateron Corporate Finance Limited



Authorised signatory