



新富證券有限公司
SANFULL SECURITIES LIMITED

Registered Dealer of The Securities & Futures Commission (CE No. AAC648)

30th September 2004

By Fax 2868-5223

The Stock Exchange of Hong Kong
11th Floor, One International Finance Centre,
1 Harbour View Street,
Central, Hong Kong

Dear Sirs/Madam,

Consultation Paper on the Reduction of Trading Spreads

Our company has been operating in the industry for over 38 years, and our clientele consists of local and oversea investors, retail as well as institutional clients. Recently, we have conducted a limited survey with our clients on the captioned consultation, and have reached a conclusion that majority of our sampled clients DO NOT favor any changes to the current trading price spread.

As an exchange participant, we are concern about the consequences of the proposed change. We believe any reduction in trading spread may lead to lower market depth, higher price fluctuation, heavier data traffic to our trading data lines with HKEx, increase in trading tariff, and possibly more conflicts between client and ourselves in communication, as well as trade disputes.

From our experience, we believe that day trading is a major business component of Hong Kong brokers, and thus contributes significantly to the liquidity of the market as well as brokerage firms' income. Narrowing the trading spread will hard hit the industry and substantially impact our business. Therefore, our company DO NOT supports any changes to the current spread table in business viewpoint.

While the HKEx is trying to maintain competitiveness in the market, it also has an obligation to ensure a fair and orderly market to investors and its participants. Therefore, HKEx should consider and respect the interest, preference and decision of the local investors and brokerage industry.

We totally disagree with some proposal supporters who package its own interests by exaggerating the benefit of the trade spread reduction. e.g. (1) Front running is a criminal offense and is also a consequence of poor internal control; (2) Obligation to provide reasonable price quote by derivative market maker is clearly mentioned and accepted on its application. HKEx should not be misled by those market maker(s), who failed to fulfill its duty, by imposing any infrastructure changes, at the expenses of the whole market.

After the removal of minimal commission and the new SFO became effective since April 2003, the operating and compliance costs increased substantially. Along with the poor economy, low market turnover and increasing competitiveness, it is very difficult to survive or maintain a profitable business in this industry. No matter the final outcome of the consultation will be, we urge the HKEx not to pass the cost of implementing any changes in the trade spread to the brokerage community directly or indirectly.

Thank you for your attention.

Yours truly,
For & on behalf of
Sanfull Securities Limited

Mr. Billy Chan
Executive Director

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