

**SWS****SHENYIN WANGUO (H.K.) LIMITED**

31 March 2010

The Securities and Futures Commission
8/F Charter House
8 Connaught Road Central
Hong Kong

Attention : Supervision of Markets Division

Dear Sirs,

**Joint Consultation Paper on A Proposed Operational Model for Implementing a
Scripless Securities Market in Hong Kong (the "Consultation Paper")**

Comments from

**Shenyin Wanguo (H.K.) Limited (the "Company") (Listed Issuer, stock code: 218) and
Shenyin Wanguo Securities (H.K.) Limited ("SWS") (CCASS Participant)**

For the implementation of a scripless market, the Company and SWS, its wholly-owned subsidiary, generally welcome the benefits of enhancing corporate governance and promoting environmental friendliness. Since the cost implications have not been addressed in the Consultation Paper, we would remain our neutral position before a clear budget or cost calculation is brought up in the coming future.

After reviewing the Consultation Paper, our comments are as follows:

1. Transparency provided under the Consultation Paper

This would unlikely be achieved as CCASS Participant Account remains to be an option for investors. Under this arrangement, investors can still choose CCASS Participants as their nominees to hold securities. Thus, the ultimate beneficiaries cannot be shown on the register of members of a listed company.

2. Operation of a scripless system together with the existing system

Under the Consultation Paper, the viability of scripless system for securities of non-Hong Kong companies and the transition period from existing system to overall scripless system are uncertain. As a result, CCASS Participants need to maintain two systems in their operations. Definitely the cost of running two systems would be higher than the cost of running only the existing system.

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3. Cost benefits provided under a scripless system

i. recurrent costs

As a CCASS Participant, we identify two costs which will be reduced under a scripless system – share certificate withdrawal and forge transfer. However, the money and time we spend in handling share certificate withdrawal and forge transfer are minimal in our daily operations. Since trading securities over electronic platforms becomes popular in Hong Kong, we can foresee that the demand for share certificate withdrawal as well as the relevant costs will decrease.

ii. start-up costs

The cost issues for establishing the infrastructure of a scripless system in Hong Kong is not mentioned in the Consultation Paper. How much would the cost be? Would that cost be borne by the government, share registrars, issuers, investors or anybody else? Would it be shared by different parties? Given the start-up costs are still uncertain, it is hard for us to make a decision to support the Consultation Paper.

After comparing the minimal recurrent costs to the uncertain start-up costs and the operating cost in running an additional system as mentioned in paragraph (2) above, it does not seem to be cost effective to adopt the scripless system.

4. Extra value provided under a scripless system

According to the Consultation Paper, the trading of securities would be facilitated under a scripless system. As mentioned in paragraph 3(i), the demand for physical share certificate withdrawal will diminish in the existing system. The scripless function provided by the scripless system would soon be achieved under the existing system. In other words, the extra value provided by the scripless system would not be so significant and revolutionary when comparing to the existing system.

In addition, the existing system covers securities of all listed companies and does not involve complicated amendments in law and operations which would be triggered under the scripless system.

Yours faithfully,

For and on behalf of

Shenyin Wanguo (H.K.) Limited and Shenyin Wanguo Securities (H.K.) Limited