

May 2, 2007

Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

Re: Consultation Paper on the Introduction of a Closing Auction Session

We refer to the above and are pleased to provide our comments, which are set out below.

Benefits of the Proposed System

In general we support the proposal to implement the closing auction as it helps to address the problem of the current closing mechanism in terms of its randomness and its tendency to be more easily subject to manipulative efforts. We also believe the closing auction mechanism will facilitate the reflection of a more transparent, easy to understand and more indicative closing price system than the current one. In addition, the use of a closing auction mechanism should help to reduce trading volatility. This is particularly important for many of our institutional customers who are asset managers who wish to track market trading patterns more closely.

We also believe that the adoption of a closing auction mechanism would bring greater liquidity over time, particularly with respect to the less liquid securities. This would enable us to execute Market On Close ("MOC") orders for our clients without having to adjust the executed prices. It is also our belief that a closing auction mechanism would facilitate to overcome the problem of order imbalance and help to complete unfinished orders for our clients in an orderly manner.

We note similar mechanisms have been adopted by other major overseas markets and it is sensible to bring the Hong Kong market in line with them as this will no doubt strengthen its profile as one of the major international stock markets.

Other Factors for Consideration

1. It was noted in the Consultation Paper (point 24, page 6) that "it is anticipated that the cost and change to Exchange Participants' systems and operations would not be

significant". In this respect we believe it is useful if the Exchange could provide with more information on its study over this area for the Market Participants' reference and consideration as "significant" might pose different meanings to different classes of market players.

2. We believe it is useful if the consultation is also conducted with key market information providers such as Bloomberg and Reuters as the suggested closing mechanism might have implications to their modus operandi.
3. Based on previous experience with respect to the implementation of the pre-opening mechanism, we would suggest the Exchange to give ample lead time to participants to implement the proposed mechanism as most brokers will need to check internally if any significant enhancement or work is needed to be done to their own trading systems.
4. We urge the Exchange to engage in early educational programs for the public in relation to this exercise so that the latter is more aware of the advantages of adopting such closing mechanism. Appropriate training before the implementation is also essential to all relevant market participants.

We trust this is useful. In the meantime, should you have any questions regarding the above, please do not hesitate to contact our Calvin Wong at [REDACTED].

Yours faithfully,
For and on behalf of
BOCI Securities Limited



Barbara Shiu
Chief Risk Officer