

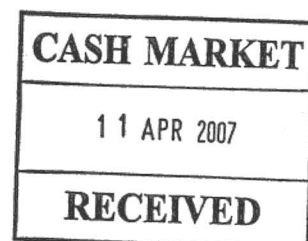
I-ACCESS INVESTORS LTD
一通投資者有限公司

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10 April, 2007

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



Dear Sir/Madam,

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

We would like to express our comments on the questions raised in consultation paper:

1. Do you have any other comments on the application of a closing auction session?
Please explain your view.

As the closing auction session is newly introduced to the Hong Kong stock market, a simpler version of trading arrangements similar to that used in the pre-opening auction session is a more proper approach for the general investing public.

2. Do you support the proposal to introduce a closing auction session? Why or why not?
Please explain your view.

We support the exchange's introduction of the closing auction session, as the mechanism will provide fairer closing prices for the Hong Kong stock market.

3. Are there any other suggestions on the proposed features / trading arrangements of the closing auction which we ought to consider? Please explain your view.

As a market maker of index options, we are concerned about the effect of the IEPs of the index constituent stocks on the index option markets during the closing auction period. If orders placed are allowed to be deleted during the Order Input Period, this may generate unnecessary fluctuations in the IEPs when a large order is placed and

withdrawn – a common scene in the pre-opening auction period presently. Although the index option markets are open during both the pre-opening auction period and the proposed closing auction period, the anticipated higher turnover in the closing auction period means that it will have more significant influence over option prices. Therefore, we suggest that either orders placed during the closing auction period cannot be removed, or the obligations of option market makers may be exempted during the closing auction period.

4. What would be the estimated lead time required for changes to systems and operations of your firm to cater for the proposed closing auction session?

The estimated time required for system modification for the introduction of closing auction session is 3 months.

5. Do you have any comments on the random closing approach? Please explain your view.

Regarding the random closing approach, we have no comment.

However, by applying a similar auction mechanism as used in the current pre-opening session to the closing session, we believe that it would be easier for market participants to understand.

6. Are there any other issues regarding the introduction of a closing auction session not mentioned in this consultation paper that we ought to consider? Please explain your view.

We have the following additional concerns regarding the closing auction session:

- (i) Substantial imbalance between the bid and ask sides during the closing auction session may generate a large gap between the last transacted price and the closing price of a stock, especially when there is a swap of index constituent stocks, or news of placement.
- (ii) Closing price of an illiquid stock may be manipulated by just matching one bid order and one ask order at the closing auction session.

- (iii) There is no mentioning about the role of liquidity providers of derivative warrants during the closing auction period. Derivative warrants may not be able to reflect their fair values based on the proposed mechanism.
- (iv) There is no mentioning of the effect of introduction of the closing auction session on the stock option market operation. Will the trading hours of stock options be extended?

Yours faithfully,



Louis Mak
Executive Director
I-Access Investors Limited