

BY FAX (2868 5223) AND BY POST

25 April 2007

Hong Kong Exchanges and Clearing Limited  
12/F 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 are writing in respond to the Exchange invitation to provide comments on the proposals contained in the Consultation Paper on the Introduction of a Closing Auction Session.

We support the proposal to introduce a closing auction session. We think that this will improve liquidity and reduce price volatility at the close. It also helps to reduce the opportunity for market manipulative behaviour at the close of the market.

We believe that the proposed 1-minute pre-order matching period is not needed. We recommend that during the proposed 5-minute order input period, all orders with all order types can be input, modified and cancelled.

Following the order input period, we recommend that the closing auction is done on a random basis that is adopted by the London and Australian Stock Exchanges and the Deutsche Bourse. We think this model will increase participation and reduce the opportunity for market manipulative behaviour.

We also support the extension of the closing time of the derivatives market from 4:15 pm to 4:30 pm. This will maintain the current window of 15 minutes between the closing of the cash market and the derivatives market.

We are of the view that the final settlement price for derivatives such as Hang Seng Index Futures should be determined by the closing auction as opposed to the current EAS mechanism which we believe is prone to abuse by market participants.

If you have any questions in relation to the comments set out above, please do not hesitate to contact Mr. Andy Chan on [REDACTED] or Ms. Clara Au on [REDACTED].

Yours faithfully,



Andy Chan  
Asian Equities



Clara Au  
Legal & Compliance