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23 December 2003

Hong Kong Exchanges and Clearing Ltd.
7/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong


Attention: The Scripless Project Team

Dear Sirs,

Re: The Consultation Paper issued by HKEx on a Proposed Operational Model for a Scripless Securities Market

I refer to your letter dated 24 October 2003 and attach copy submissions prepared by the Law Society's Securities Law Committee for your further action.

Yours sincerely,

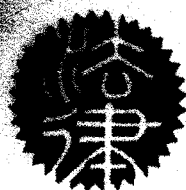

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Encl.

BY FAX

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**RESPONSE TO THE HONG KONG STOCK EXCHANGE CONSULTATION
PAPER ON THE PROPOSED OPERATIONAL MODEL FOR SCRIPLESS
SECURITIES MARKETS**

**GENERAL COMMENTS ON PROPOSALS CONTAINED IN THE
CONSULTATION PAPER**

As stated in the consultation paper, the operational proposals only briefly touch upon legal issues which the Hong Kong Stock Exchange expect will be discussed more thoroughly under the IWG and various focus groups led by the SFC. The implementation of the scripless securities market model is subject to legislative amendments which will be the subject of separate consultation. We therefore only have limited comments from a legal perspective.

**COMMENTS ON SPECIFIC PROPOSALS CONTAINED IN THE CONSULTATION
PAPER**

Chapter 1

No comment.

Chapter 2

No comment.

Chapter 3

Para 3.3

If both CCASS Register and Issuer Register are recognised as the register of members, we believe that both registers should be available for public inspection, although we agree that a full register should be kept by the registrar.

For investor protection, regardless of whether the court retains the power to rectify the register of members or if suitable investor compensation remedies are made available to an aggrieved shareholder, information is critical to a shareholder seeking redress.

Para 3.5

We re-emphasize that the maintenance of a scripless register by share registrars should build in a suitable investor compensation regime.

Para 3.7

The last sentence which states "where these overseas jurisdictions do not allow the issue of uncertificated shares, so long as they are deposited into the CCASS Depository, they will continue to be registered in the name of HKSCC Nominees" raises the issue of the difficulty of matching Hong Kong's aims with the law in other jurisdictions which will have to be changed to accommodate us. We reiterate that if changes are not possible for foreign laws, then some of the benefits of the proposals could be achieved by enforced, rather than voluntary, immobilization. In particular consideration must be given regarding the movement of securities across the principal and branch registers, especially in the context of the dual-listed overseas-incorporated company.

Paras 3.14/3.15/5.10

We welcome the appearance of holders of CCASS Participant Sponsored Accounts on the CCASS Register. It is important for corporate governance purposes that these account holders should be able to attend shareholders meetings personally to vote if they so wish and note that under para. 5.10 that they will have such right.

Paras 3.16 - 3.1

Although this is really an issue for the share registrars, we think that the concept of Registrar Participants is clumsy as most of the participant rules are inappropriate for share registrars.

Paras 3.25 - 3.27

Does this imply that for lost certificates, shareholders must first obtain share certificates before going scripless? We feel that may give better protection to the market as all dematerialised shares will have been backed up by physical certificates.

To encourage conversion into scripless securities, share registrars should be urged to shorten the dematerialisation process, so that investors who deliver physical certificates to their brokers at the time of order placing will have their shares available for settlement in time.

Para 3.29

In order to avoid disputes we recommend that the "on-hold" arrangement be covered by legislation.

We assume that lost scrip will need to be replaced before dematerialisation.

Chapter 4

No comment.

Chapter 5

We believe that registered shareholders should choose whom they wish (either CCASS or Issuer Register) to provide corporate action processing services.

Chapter 6

Agree.

Chapter 7

No comment except that registered shareholders should be able to choose whether CCASS or the Registrar should be providing corporate action procession services.

Chapter 8

Para 8.1 - 8.5

The difficulties with the SRNs is one reason why we would prefer no scripless registration on the Issuer registration. It would be worth exploring whether there are technical means of encrypting the SRNs so that the SRN does not need to be disclosed to a third party.

Para 8.6

Insofar as the costs will be borne by the issuer, it is important to rationalise fees so as not to make Hong Kong an uncompetitive place to list.

Chapter 9

No comment.

**The Law Society of Hong Kong
Securities Law Committee
23 December 2003
73513**