

23 DEC 2003

December 22, 2003

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

Attention: The Scripless Project Team

Dear Sirs,

**Consultation Paper on a Proposed
Operational Model for a Scripless Securities Market**

After careful consideration and extensive consultation amongst our members, we are of the opinion that the proposed operational model as set out in the captioned consultation paper should not be adopted.

It is a fact that the initial costs of implementation and subsequent costs of maintenance of a scripless system will be substantial, so will the cost of dematerialisation. We believe that these costs will inevitably be borne by investors in the form of higher charges and that cost of operation of brokers will also increase. Mindful of the fact that Hong Kong is only just coming out of a prolonged period of depression, every care must be taken to avoid policies that may adversely affect market sentiment.

We are also concerned with the lack of safeguards to prevent multiple orders given to brokers by investors to sell with insufficient quantity on account; a matter that may well be aggravated by the introduction of Registrar Participants.

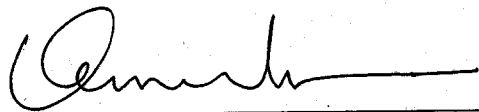
Furthermore, we are given to understand that already 56% of all issued shares are deposited into the CCASS Depository, a figure that will only increase in time. In addition, almost all SEHK trades already involve immobilised stocks. Given that the present system is already functioning with efficiency, we are not convinced that we require adopting a model which is drastically different to what we have.

There also appears to be insufficient arguments for a complete dematerialisation of shares. Notwithstanding the above, the proposed dematerialization programme of 12 months also appears to be over optimistic.

In conclusion, we do not believe that the proposed system is appropriate for Hong Kong at this moment in time.

What we think of as more of an urgency, however, would be the review of the charging scale by CCASS, which fee scale was set out a few years back, should be reviewed and reduced.

Yours faithfully,
For and on behalf of
Quam Securities Company Limited



Kenneth Lam
Managing Director

c.c. Hon. Henry Wu