



證券商協會有限公司
THE INSTITUTE OF SECURITIES DEALERS LTD.

BY FAX (2121 0420) and BY HAND

Your ref: CB1/PL/FA

July 30, 2002

Financial Affairs Panel
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Attn: Ms. Anita Sit

Dear Sir/Madam,

LegCo Panel on Financial Affairs

Special meeting on 31 July 2002

**Proposals relating to the delisting mechanism announced by
Hong Kong Exchanges and Clearing Limited**

The Institute of Securities Dealers in principle supports the Government and HKEx in their effort to introduce delisting mechanism and to improve the quality of listed companies to attract more investors and maintain Hong Kong as one of the financial centres of the world.

However, we have great reservation in the consultation documents published by HKEx on July 25. Perhaps enough has been said about the demerits of 50 cents/30 days criteria and we do not wish to ponder over it at this point. What is more worrying to us is the manner in which these proposals were conceived and executed. It is absolutely apparent that HKEx has put a great deal of time and resources in preparing this consultation secretly behind closed doors. The doors in question are so tightly shut that not even the Board of Directors of HKEx and other officials had any inkling of the details of the proposals, let alone market participants like us. We only wished that some effort had been made by HKEx in sounding out experienced and sophisticated market participants before introducing the proposals.

Also, the timing of things cannot be worst. Given the depressed market Hong Kong has been experiencing for such a long period of time, coupled with the spate of recent scandals unearthed in the States, the last thing we need at this moment is proposals like these which further dampen what is already very fragile investors' confidence.

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Although we applaud HKEx and the relevant departments in quickly withdrawing the offending section of the consultation documents; we must, for the sake of the securities market, urge HKEx to carefully review the effect brought about by this consultation and constructively improve its method and procedures employed in communicating with all outside parties concerned.

Yours faithfully,

The Institute of Securities Dealers Limited
Chen Po Sum (*Chairman*)

Encl: Translation of contents in Chinese

- c.c. The Hon. Frederick Ma Si-hang *Secretary for Financial Services and the Treasury*
Mr. Andrew L.T. Sheng *Chairman of Securities and Futures Commission*
The Hon. Henry Woo
Mr. Charles Lee Yeh-kwong *Chairman of Hong Kong Exchanges and Clearing Limited*