

**BY FAX (2121 0420)
& BY HAND**

Your Ref: CB1/PL/FA

28 October 2002

The Hon Ambrose LAU Hon-chuen, GBS, JP
Chairman - Panel on Financial Affairs
Legislative Council
c/o Legislative Council Building
8 Jackson Road, Central
Hong Kong

**LegCo Panel on Financial Affairs ("Financial Affairs Panel")
Report of the Panel on the Penny Stocks Incident ("Penny Stock Panel Report")**

I refer to the letter dated 15 October 2002 from the Clerk to the Financial Affairs Panel to Mr Charles Lee, our Chairman, inviting our comments on the Penny Stock Panel Report. Mr Lee has asked me to reply on behalf of Hong Kong Exchanges and Clearing Ltd. (HKEx).

The position of HKEx with regard to the Penny Stock Panel Report has been clearly stated in its press release of 10 September 2002, as supplemented by my remarks at the Financial Affairs Panel Meeting on 20 September 2002. We have no further comments or submission to make in relation to that report.

HKEx is fully committed to working with the Government, the SFC and other parties to implement the Penny Stock Panel's recommendations. As in the past, HKEx will continue to work closely with the Government and the SFC to further improve the operation of the three-tiered regulatory system.

Yours sincerely

K C Kwong
Chief Executive

c.c. Ms Anita Sit, Clerk to the Financial Affairs Panel

Corporate



News Release

HKEx News Release

10 September 2002

HKEx statement on the report of the Independent Inquiry Panel

Hong Kong Exchanges and Clearing Limited (HKEx) welcomes the publication of the report of the Panel of Inquiry on the Penny Stocks Incident. It acknowledges that there is room for improvement in a number of areas and accepts in principle the Panel's recommendations. It will work on their implementation following consideration by the HKEx Board and the Listing Committees. HKEx will continue to work closely with the Government and the Securities and Futures Commission to improve the operation of the three-tiered regulatory system.

Once again, HKEx wishes to extend its apologies to the public for the adverse market reaction to the publication on 25 July of its consultation paper on *inter alia* the penny stocks.

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