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15 October 2002

Mr Andrew SHENG
Chairman
Securities and Futures Commission

Dear Mr SHENG,

LegCo Panel on Financial Affairs

The Penny Stocks Incident

At the meeting of the LegCo Panel on Financial Affairs on 8 October 2002, the Panel discussed whether and how it should follow up various issues arising from the Penny Stocks Incident. The Panel noted that since the release of the report of the Panel of Inquiry on Penny Stocks Incident (the Report), the Panel had convened two meetings on 16 and 20 September 2002 to discuss the Report with the parties involved in the incident. In response to our Panel's invitation, representative of the Securities and Futures Commission (SFC) attended the meeting on 20 September 2002.

The Panel considers that although the representatives of the concerned parties, namely the Government, SFC and the Hong Kong Exchanges and Clearing Limited, provided some comments on the Report at the meetings on 16 and 20 September 2002, the Panel is not yet in a position to ascertain, on the basis of these comments, whether and to what extent these parties agree or disagree with the content of the Report. The Panel is particularly concerned that if any of the parties concerned have dissenting views on the content of the Report, whether such views would have significant implications on the validity of the conclusions and recommendations contained in the Report. To facilitate the Panel's further deliberation on the Penny Stocks Incident, the Panel has agreed that the three parties concerned should be consulted as to

whether they have further relevant information to provide.

In this regard, I write on behalf of Hon Ambrose LAU, Chairman of the LegCo Panel on Financial Affairs, to invite SFC to provide the following information -

- (a) SFC's comments on the content of the Report, including the findings of facts, chronology of events, conclusions and recommendations contained therein; and
- (b) copies of the written submissions and/or other written information which SFC has provided to the Panel of Inquiry on the Penny Stocks Incident.

I should be grateful if you would let me have the above requested information on or before **30 October 2002**.

Please note that in line with our usual practice, the written information you provide to the Panel will also be made available to the media and the public unless you advise otherwise. Please also note that the written information are not covered by the protection and immunity provided under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382).

With best regards,

Yours sincerely,

(Ms Anita SIT)
Clerk to Panel

c.c. Hon Ambrose LAU Hon-chuen, Panel Chairman