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24 October 2002

By Fax & By Hand

(Fax: 2121 0420)

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
Report of the Panel on the Penny Stocks Incident

Thank you for the letter of 15 October 2002 from the Clerk of the Legislative Council, inviting our comments on the above Report.

The SFC's position is clear. As I reported to the LegCo Panel on Financial Affairs on 20 September 2002, the SFC fully accepts the findings of the Report of the Panel of Inquiry on the Penny Stocks Incident, including its recommendations. Moreover, the SFC is fully committed to working with the Administration, Hong Kong Exchanges and Clearing Limited and other parties to implement these recommendations. As to the incident itself, we consider that the Report clearly sets out all relevant facts, both in the main body of the Report and in the chronology of events, and fairly reflects all information provided by the Commission to the Panel.

The Commission welcomes the appointment of the Expert Group to look at wider issues concerning the structure of listing regulation touched on the Panel Report and will ensure that the Expert Group is given all relevant information available to the Commission.

Yours sincerely,

cc: Ms Anita Sit, Clerk to Panel