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**BY FAX (Total 2 pages)**

Ms Anita Sit  
Clerk to Panel on Financial Affairs  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Ms Sit,

**LegCo Panel on Financial Affairs  
The Penny Stocks Incident**

Thank you for your letter of today's date.

The Expert Group has been appointed by the Financial Secretary to review the following matters, and to recommend changes and improvements relating thereto where appropriate –

- (a) the roles and functions of the Government, the Securities and Futures Commission (SFC), and the Hong Kong Exchanges and Clearing Limited (HKEx) and its subsidiaries over matters relating to listing of securities and issuers with listed securities;
- (b) the operation of the regulatory structure as regards listing matters; and
- (c) the line of communication among Government, SFC and HKEx.

We believe that the terms of reference of the Expert Group have covered the two issues raised by Members of the Financial Affairs Panel and referred to in your letter.

In fact, the Panel of Inquiry on the Penny Stocks Incidents has already made a number of recommendations for immediate improvements regarding these two issues. The review by the Expert Group will not affect the implementation of these recommendations in the interim.

The terms of reference of the Expert Group have also required that in conducting its review, the Expert Group should invite submissions from interested parties and the public, including Members of the Legislative Council.

Yours sincerely,



(Miss Vivian Lau)  
for Secretary for Financial Services and the Treasury