

2 November 2007

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Dear Sirs,

Re: Consultation Paper on Periodic Financial Reporting

In response to the Consultation Paper on Periodic Financial Reporting published by Hong Kong Exchanges and Clearing Limited on 31 August 2007, we are writing to give our comments thereon as follows:

1. Competitive Advantage
 - 1.1 New listing candidates generally prefer big exchanges without excessive reporting requirements, as evidenced by increase in new listing on London Stock Exchange following the imposition of Sarbanes Oxley and quarterly reporting by New York Stock Exchange and Nasdaq Stock Market.
 - 1.2 The Hong Kong Stock Exchange is no doubt one of the world's well established stock exchanges with its daily turnover reaching new highs. Its current listing rules allowing all Main Board listed companies a choice of quarterly reporting or biannual reporting work very well for both the issuers and the investors. The proposed mandatory quarterly reporting, representing a substantial change to the current reporting requirements, may deprive the Hong Kong Stock Exchange of its competitive advantage over the other stock exchanges and may affect Hong Kong's economic development as a worldwide financial centre.
2. Timing Clash with Revolutionary Changes of Accounting Standards
 - 2.1 Currently, there are 2 new/revised Hong Kong Financial Reporting Standards ("HKFRSs") which will take effect in January 2009 and more than 20 exposure drafts which have already gone through the consultation process. It is expected that many more HKFRSs will be issued in 2008 and gradually come into effect in 2009.
 - 2.2 Adopting these new/revised accounting standards by issuers will require in-depth study, detailed evaluation and careful implementation (including restatement of prior period comparable figures, etc.) in 2009. Coping with the already vigorous financial reporting work for the period/year ended 31 December 2008 in the first quarter of 2009, directors, audit committee members and corporate financial reporting professionals of all issuers will face tremendous pressure if they are required to meet the proposed deadline of 15 May 2009 for the first quarterly reporting in 2009.

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- 2.3 The tight time frame and pressure faced by these people will increase the risks and errors in financial reporting to an unprecedented level.
3. Increased Costs Burden
- 3.1 In order to cope with the proposed reporting requirements and to mitigate the increased risks and errors in financial reporting, issuers may need to increase the number of professional staff responsible for the corporate financial reporting function, raise their required competence level and engage independent auditors to perform more in-depth review on financials in order to provide comfort to directors and audit committee members.
- 3.2 Professional valuers for properties, financial assets and derivatives, etc., need to be engaged on quarterly basis for preparation of accounts and to fulfill the proposed reporting requirements.
- 3.3 Given the current shortage of trained and experienced corporate financial reporting and other professionals in the market, financial reporting costs for issuers will be brought to new height.
4. Dubious Benefits to Investors, Shareholders or Issuers
- 4.1 The current biannual reporting requirements, together with other listing rule requirements, provide sufficient and efficient timely dissemination of financial information to investors and shareholders.
- 4.2 No studies have revealed that the current requirements are insufficient or inefficient and no studies have managed to quantify the additional tangible benefits that can be brought by quarterly reporting to investors, shareholders or issuers.
- 4.3 It is doubtful whether quarterly reporting can be considered as an effective tool for enhancing corporate governance or for protecting the interest of shareholders and investors, particularly when quarterly reporting leads investors as well as issuers to focus undue attention on short term rather than long term financial performance.
5. Practicality
- 5.1 Paragraphs 17 and 31 of the Consultation Paper stated that "... issuers should therefore be able to comply with the shortened reporting deadline without much difficulty as they are currently meeting this standard on a voluntary basis." This cannot be agreed because the proposed reporting requirements are not the same.

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- 5.2 According to the Consultation Paper, approximately 60% and 68% of the Main Board issuers with market capitalization of more than HK\$10 billion managed to make announcement of their half-year results and annual results within 2 and 3 months respectively in 2006. However, the proposed change of reporting timeline requires publication of half year reports and annual reports within 2 and 3 months respectively. This imposes a very aggressive time frame for issuers as lots of work, including Chinese translation, typesetting and printing of reports, etc. need to be done before the reports can be published.
- 5.3 The time frame for quarterly reporting is even tighter when financial closing, board approval, result announcement and publication of report etc. are all required to be accomplished within 45 days, 15 days fewer than that of half-yearly reporting. Based on our experience, this is stretching limits to the extreme.

6. Alternative

- 6.1 As an alternative to strike a balance between timely release of financial information for investors and shareholders and sufficient time allowed for quarterly reporting, the time frame for half-year and annual result announcement can be shortened to 2 and 3 months respectively while time frame for publication of half-year and annual reports can be maintained at the current 3 and 4 months respectively.

7. Other Observation

7.1 It is noted that:

- (a) Profit and loss items required to be disclosed for quarterly reporting in the Consultation Paper are different from those required by Paragraph 4(1) of Appendix 16 of the Listing Rules;
- (b) Reconciliation from profit/(loss) before taxation to net cash from operating activities is currently not required for interim reporting but is required for quarterly reporting in the Consultation Paper; and
- (c) Specific explanatory statement is required under paragraph 44A (3) of Appendix 3 of the Consultation Paper for quarterly reporting but is not required for interim reporting under paragraph 46 of Appendix 16 of the Listing Rules.

Yours faithfully,

For and on behalf of

CHEUNG KONG (HOLDINGS) LIMITED

Simon Man

Director, Corporate Strategy Unit &
Chief Manager, Accounts Dept.