



**港華燃氣有限公司**  
Towngas China Company Limited

To : Hong Kong Exchanges and Clearing Limited  
Corporate Communications Department

Fax No. : 2524-0149

From : Ms. Grace Ho  
Company Secretarial Manager  
Towngas China Company Limited (Stock Code: 1083)

Date : 2 November 2007

Total Pages : 11 pages (include this covering page)

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Dear Sir,

**Re: Consultation Paper on Periodic Financial Reporting**

Please find attached the Questionnaire on Periodic Financial Reporting duly completed by us for your handling. We look forward to receiving the consultation conclusions when they are available.

Please call the undersigned at Tel. No. \_\_\_\_\_ if any question.

Regards

Grace Ho  
Company Secretarial Manager

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## QUESTIONNAIRE ON PERIODIC FINANCIAL REPORTING

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The purpose of this questionnaire is to seek views and comments from market users and interested parties regarding the issues discussed in the Consultation Paper on Periodic Financial Reporting published by The Stock Exchange of Hong Kong Limited (the Exchange), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEx), in August 2007.

Amongst other things, the Exchange seeks comments regarding whether the current Main Board Listing Rules and Growth Enterprise Market (GEM) Listing Rules (together, the Rules) should be amended.

A copy of the Consultation Paper and this questionnaire can be obtained from the Exchange or at <http://www.hkex.com.hk/consul/paper/consultpaper.htm>.

Please return completed questionnaires no later than **5 November 2007** by one of the following methods:

By mail or  
hand delivery  
to: Corporate Communications Department  
Re: Consultation Paper on Periodic Financial Reporting  
Hong Kong Exchanges and Clearing Limited  
12th Floor, One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

By fax to: (852) 2524-0149

By email to: [pfr@hkex.com.hk](mailto:pfr@hkex.com.hk)

The Exchange's submission enquiry number is (852) 2840-3844.

*Please indicate your preference by ticking the appropriate boxes.*

*Where there is insufficient space provided for your comments, please attach additional pages as necessary.*

## Half-year reporting

*Question 1:* Do you agree that the time allowed for the release of half-year results announcements and reports should be shortened from three months to two months after the relevant financial period end?

Yes

No

Please state reasons for your views.

The shortened reporting deadline will impose practical difficulties on preparation works and may lead to compromising quality of financial reporting.

*Question 2:* Do you agree that the new reporting deadlines should be introduced in phases; specifically:

(a) "large companies" (as defined pursuant to Question 3 below) being required to comply with the new Rules first; and

(b) to allow a transitional period of two years for other companies to meet the new deadlines?

Yes

No

Please state reasons for your views.

The transitional period for "other companies" operating on smaller scale may help to alleviate the potential problems arising from the shortened reporting deadlines. Supposedly "large companies" should have more resources to tackle the increased costs and workloads brought about by the shortened deadlines and new reporting requirements.

*Question 3:* Do you agree that "large companies" should mean companies with a market capitalisation of \$10 billion or more as at 31 December 2006 and, in the case of issuers that are newly listed after 1 January 2007, those with an initial market capitalisation of \$10 billion or more on the date of listing? (For more detail, please see paragraph 21 of the Consultation Paper.)

Yes

No

Please state reasons for your views.

If the objective of such arrangement is to minimize the initial adverse impact arising from the new reporting requirements (as implied in paragraphs 15 to 18 of the Consultation Paper), it seems that

fixing the threshold at \$10 billion market capitalisation may not fulfill the objective as there is still 40% of listed issuers falling within such category being obligated not on voluntary basis to accelerate their reporting timetables.

*Question 4:* Do you agree that the commencement dates for the accelerated reporting deadlines for half-year reporting for Main Board issuers should be:

- (a) "large companies" – half-year accounting periods ending on or after 30 June 2008;
- (b) other companies – half-year accounting periods ending on or after 30 June 2010?

Yes

No

Please state reasons for your views. Please also comment, including reasons, if you have other suggested commencement dates.

We suggest to revise the commencement dates as follows;

- "large compnaies" - half-year accounting periods ending on or after 30 June 2009
- "other companies" - half-year accounting periods ending on or after 30 June 2011

for the reasons that:

(1) Since the conclusion of this Consultation is expected to be available in the 1<sup>st</sup> quarter of 2008 and the amendments to the relevant Listing Rules will only take place thereafter, it will be too hasty for implementation on a short notice of only 3 months after the new reporting requirements being concrete and finalized; and

(2) It will be chaotic to implement changes in reporting requirements in the middle of a financial year because work plans (including work schedule with auditors) would have been fixed on a full year basis prior to the beginning of a financial year.

## Annual reporting

*Question 5:* Do you agree that the time allowed for the release of annual results announcements and reports should be shortened from four months to three months after the relevant financial period end?

Yes

No

Please state reasons for your views.

The shortened reporting deadline will impose practical difficulties on preparation works and may lead to compromising quality of financial reporting.

*Question 6:* Do you consider that the new three month reporting deadline should be introduced in phases such that:

- (a) "large companies" (as defined pursuant to Question 7 below) would be required to comply with the new Rules first; and
- (b) there would be a transitional period of two years for other companies to meet the new deadline?

Yes

No

Please state reasons for your views.

The transitional period for "other companies" operating on smaller scale may help to alleviate the potential problems arising from the shortened reporting deadlines. Supposedly "large companies" should have more resources to tackle the increased costs and workloads brought about by the shortened deadlines and new reporting requirements.

*Question 7:* Do you agree that, for these purposes, "large companies" should have the same meaning set out in Question 3 above (and paragraph 21 of the Consultation Paper)?

Yes

No

Please state reasons for your views.

We agree that the meaning "large companies" should be unified throughout different sections so as to avoid complexity and confusion.

*Question 8:* Do you agree that the commencement dates for the accelerated reporting deadlines for annual reporting for Main Board issuers should be:

(a) "large companies" – annual accounting periods ending on or after 31 December 2008;

(b) other companies – annual accounting periods ending on or after 31 December 2010?

Yes

No

Please state reasons for your views. Please also comment, including reasons, if you have other suggested commencement dates.

We suggest to revise the commencement dates as follows:

- "large companies" - annual accounting periods ending on or after 31 December 2009

- "other companies" - annual accounting periods ending on or after 31 December 2011

for the same reasons as stated in our response to Question 4 above.

### **Mandatory quarterly reporting for Main Board issuers**

*Question 9:* Do you agree that mandatory quarterly reporting should be introduced for Main Board issuers?

Yes

No

Please state reasons for your views.

We believe that the increased costs to listed issuers will outweigh the benefits that can really bring to the investors.

*Question 10:* Do you agree that Main Board issuers should publish their quarterly reports within 45 days after the period end?

Yes

No

If you believe that a reporting deadline for quarterly reporting other than 45 days is more appropriate, please state your preference. Please also state reasons for your views.

We suggest that the reporting deadline for quarterly reporting should be no less than 60 days from the end of the quarterly accounting period. We believe that it is more appropriate to align the deadline for quarterly reporting with the one for half-year reporting. Notwithstanding that the financial statements will be required in condensed format only, the quarterly reporting requirements under proposal (as stated in Table 8 of the Consultation Paper) are no less stringent than those for half-year reporting and therefore the preparation works involved and leadtime required in quarterly reporting will be more or less the same as in half-year reporting.

*Question 11:* Do you agree that quarterly reports of Main Board issuers should include as a minimum all the information set out in Table 8 of the Consultation Paper?

Yes

No

Please state reasons for your views. Please also comment, together with reasons, on those items which you believe may be considered to be added to Table 8.

We doubt that the proposed disclosure requirements may overkill indeed. As admitted by the Exchange itself in para 65 of the Consultation Paper, "there are more extensive disclosures required in the new quarterly reports than in the current GEM quarterly reports". It is illogical that the Main Board's disclosure requirements are the same or more stringent as compared with the ones of GEM, which by definition operates on "Buyers Beware" principle and targets at professional investors. We suggest that the Exchange should conduct more in-depth analysis on what benefits that the proposed disclosure requirements can really bring to the market users of the Main Board.

*Question 12:* Do you agree that a condensed consolidated income statement in a quarterly report should contain the following information, together with prior year comparatives:

- (a) current quarter results; and
- (b) cumulative year-to-date results?

Yes

No

Please state reasons for your views.

We agree because it is a format preferable than the one suggested in Question 13 below.

*Question 13:* Do you believe that the following information, together with prior year comparatives, should also be provided in the condensed consolidated income statement in the quarterly report for a third quarter (see paragraphs 60 and 61 of the Consultation Paper):

- (a) the first quarter results; and
- (b) immediately preceding quarter results?

Yes

No

Please state reasons for your views.

Such presentation format may shift market focus to cyclical performance during a financial year, rather than to provide a meaningful comparison illustrating trends.

*Question 14:* Do you agree that printing and mailing of hard copies of quarterly reports to all shareholders and holders of the company's other securities should not be required but listed issuers should be required to publish their quarterly reports on the HKEx website and the listed issuer's own website?

Yes

No

Please state reasons for your views.

We agree that such measures will alleviate the problem of increased costs to listed issuers if the



proposal of quarterly reporting is adopted.

*Question 15:* Do you agree that the new quarterly reporting requirements should be introduced in phases with:

- (a) "large companies" (as defined pursuant to Question 3 above) being required to comply with the new Rules first; and
- (b) other companies allowed a transitional period of two years to meet the new deadlines?

Yes

No

Please state reasons for your views.

We agree for the same reason as stated in our response to Question 2 above.

*Question 16:* Do you agree that the commencement dates for the new quarterly reporting requirements for Main Board issuers should be:

- (a) "large companies" – three months quarterly accounting periods ending on or after 30 September 2008; and
- (b) other companies – three months quarterly accounting periods ending on or after 30 September 2010?

Yes

No

Please state reasons for your views. Please also comment, including reasons, if you have other suggested commencement dates.

We suggest to revise the commencement dates as follows:

- "large compnaies" - three monhts quarterly accounting periods ending on or after 31 March 2009
  - "other companies" - three months quarterly accounting periods ending on or after 31 March 2011
- for the same reasons as stated in our response to Question 4 above.

**Alignment of GEM Rules to proposed Main Board Rules on quarterly reporting**

*Question 17:* Do you agree that the same disclosure and publication requirements for quarterly reporting should apply to Main Board and GEM issuers?

Yes

No

Please state reasons for your views.

In principle, GEM Rules should provide a more sophisticated disclosure regime in light of the nature of its target investors. It is difficult to see how GEM can differentiate itself from the Main Board if it merely affords the investors the same standard of disclosure and publication requirements as compared to the Main Board

*Question 18:* Do you agree that GEM issuers should be required to comply with the new disclosure requirements starting from their three months quarterly accounting periods ending on or after 30 September 2010?

Yes

No

Please state reasons for your views.

*Question 19:* Do you agree that the reporting deadline for the new GEM quarterly reports should be the same as the reporting deadline for Main Board quarterly reports even if that means extending the reporting deadline for GEM quarterly reports?

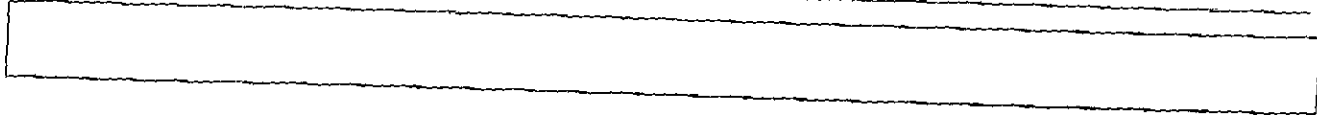
Yes

No

Please state reasons for your views.

As explained in our response to Question 17 above, we believe that GEM should provide a more sophisticated disclosure regime as compared to the one of the Main Board.

*Question 20:* Do you have any other comments in respect of the issues discussed in the Consultation Paper? If so, please set out your additional comments.



Name : Ho Hon Ming, John Title : Executive Director & Company Secretary

Company Name : Towngas China Company Limited

Contact Person : Grace Ho Tel. No. : \_\_\_\_\_

E-mail Address : \_\_\_\_\_ Fax No. : \_\_\_\_\_

