

F031

Hutchison Whampoa Limited



1 November 2007

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

Attention: Corporate Communications Department

Dear Sirs,

Consultation Paper on Periodic Financial Reporting

We appreciate the opportunity to provide comments on the consultation paper on periodic financial reporting issued by the Exchange on 31 August 2007.

We support the Exchange's effort to promote timely disclosure of information for shareholders and investors. However, we believe the conclusions stated in the Consultation Paper are premature and we do not support the changes proposed by the Consultation Paper to shorten the reporting deadlines for half-yearly and year-end announcements and reports for Main Board issuers, and we are not convinced that Hong Kong should introduce quarterly reporting as a mandatory requirement.

We set out our responses to the specific questions raised in the Consultation Paper in the attached Appendix.

If you have any questions about our comments or wish to discuss any of these matters further, please contact the undersigned at _____ or Don Roberts at _____.

Yours sincerely
For and on behalf of
Hutchison Whampoa Limited

Frank Sixt
Group Finance Director

RECEIVED - 5 NOV 2007

QUESTIONNAIRE ON PERIODIC FINANCIAL REPORTING

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

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.

A reporting time limit of 2 months is unreasonable given the geographical and operational diversity of the major issuers.

Major issuers tend to carry out a significant part of their business through associated companies and jointly controlled entities in many different countries in Asia with domestic currencies. The proposed requirement will place considerable time constraint on issuers who may not have direct influence over the supply of reliable financial information in such a short time frame by such associated companies and jointly controlled entities.

In addition, Hong Kong major issuers have adopted HKFRS recently and many of its business units operate in countries that have not yet adopted IFRS. The requirement to restate business units accounts and results to HK/IFRS places unrealistic time constraints on issuers and also on audit committees to review the consolidated results. If external auditors are required to review these restatements and report to the audit committee (a not unreasonable request) this time limit may not be achievable by most major issuers.

Also, Hong Kong issuers are required to translate announcements and reports into a second language unlike other exchanges in the world and the special circumstances of Hong Kong need to be considered in setting time limits appropriate for Hong Kong businesses

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 proposal is based on the assumption that the reporting timeline for the release of half-year results announcement and reports would be shortened from three months to two months after the relevant financial period end. As referred to in the answer to Question 1, we do not agree that the reporting timeline should be shortened.

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.

Please refer to the answer to Question 2.

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.

Please refer to the answer to Question 2.

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.

We disagree with proposed timing for publication and dispatch of annual reports (within 3 months of the financial year end):

- 3-month time limit is not sufficient for full year full reporting requirements as outlined in response to Question 1
- In addition, it should be kept in mind that annual reports are not in a standard, "fill in the form" format as required in other jurisdictions but normally contain pictures, management narratives, etc which require much more time to prepare and print using outside printer expertise
- A shorter reporting period puts significant burden on issuers and auditors alike and is not justified by the marginal benefit, if any, it might give to the investing public

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 proposal is based on the assumption that the reporting timeline for the release of annual results announcement and reports would be shortened from four months to three months after the relevant financial year end. As referred to the answer to Question 5, we do not agree that the reporting timeline should be shortened.

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.

Please refer to the answer to Question 6.

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.

Please refer to the answer to Question 6.

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

We disagree generally with the proposals regarding quarterly reporting and question whether these proposals are in the best interests of issuers, investors or the Hong Kong market as a whole. The specific reasons for opposition are set out below.

- Increasing the frequency with which issuers must report is likely to focus undue attention on short-term performance, results and fluctuations and distract issuers, investors and shareholders alike from considerations of long term shareholder value creation.
- Share option schemes are more common and the gains that can accrue to executives in a short time frame can unduly influence decisions to higher risk short term strategies for

personal gain which conflicts with long term value creation and sustainability of the issuers business. HKSE should not be advocating nor facilitating these types of strategies.

- Major issuers tend to carry out a significant part of their business through associated companies and jointly controlled entities. The proposed requirement will place considerable time constraint on issuers who may not have direct influence over the supply of reliable financial information in such short time frame by such associated companies and jointly controlled entities.
- In addition, Hong Kong major issuers have adopted HKFRS recently and many of its business units operate in countries that have not yet adopted IFRS. The requirement to restate business units accounts and results to HK/IFRS places unrealistic time constraints on issuers and also on audit committees to review the consolidated results. If external auditors are required to review these restatements and report to the audit committee (a not unreasonable request) a 45 days time limit will not be achievable by most major issuers.
- Also, it must be understood that quarterly reporting does not function well in an environment of constant change to accounting standards. Quarterly reporting needs steady state accounting standards to avoid constant restating of prior quarters results. With the stated intention by the IASB to adopt changes to IFRS in 2009 and to adopt further revisions that arise from the project to conform US GAAP and IFRS, IFRS accounting standards are changing constantly. Continual restatement of quarterly results will be damaging to the reputation of the HKSE and major issuers. In addition, the exercise of restating prior period quarterly results is very time consuming and complex which will make it very difficult, and in some cases impossible, to report within 45 days.
- For most major issuers, 45 days time limit is completely unrealistic due to the issues in the immediately above three paragraphs.
- Quarterly reporting would place significant demands on the resources of issuers in terms of financial cost and management time required to explain any short term fluctuations in results to the market. Such demands would increase disproportionately for groups comprising numerous significant international operations and/or a number of subsidiary and associated companies. Our estimate of the additional annual recurring costs for quarterly reporting is in the region of HK\$40 million per annum in terms of additional internal resources and third party costs such as auditors fees, independent valuers fees, printing and publishing costs. The magnitude of these costs reflects the size of our group and the large number of overseas business units from which information has to be extracted.
- One of the reasons why costs increase dramatically is due to the increased risks which require mitigation. Quarterly reporting reduces the dollar amount of "immaterial" mis-statements in amounts and disclosures and presentation formats to relate to one quarter of a company's profit, etc. Hence, significantly more time is required to ensure no "material" mis-statements in each quarter combined with less time to adequately investigate and research issues. This directly and dramatically increases Directors, Audit Committee and Auditors' risk, which we believe far exceeds the benefits, if any, of quarterly reporting.
- There have been no studies to our knowledge that quantifies tangible benefits to the issuers or investors of quarterly reporting, particularly benefits that outweigh the addition significant costs.

- The HKSE regulation clause 13.09 requires disclosure of price sensitive information as it arises. This meets the needs of investors for information between the semi-annual reports without the adverse effects, costs and questionable benefits, if any, of quarterly reporting.
- The HKSE regulations also requires the reporting of very substantial major, discloseable, share and connected transactions as they arise. This also meets investors needs for information between semi-annual reports. It is difficult to see any additional benefits to quarterly reporting considering the existing information requirements in this and the immediately above paragraphs.
- Generally, the current level of financial disclosure is too onerous for issuers without being sufficiently beneficial for investors. Any review of the reporting requirements should focus on quality of reporting, rather than its frequency.
- Excessive reporting obligations may lead to delays and errors in reporting, which would be exaggerated by more frequent reporting of results.

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.

As in Question 9, we do not agree to the introduction of mandatory quarterly reporting. Also, as stated above in Question 9, 45 days for major issuers is completely unrealistic due to obstacles in gathering, translating in HK dollars, consolidating, reviewing, arranging audit committee review and board review of the results, keeping in mind the required 3 working days prior to audit committee and board meetings to despatch of reports, and also the requirement to translate into a second language

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.

See response to Question 9.

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.

See response to Question 9.

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.

See response to Question 9.

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.

Disagree to quarterly reporting, but printing and mailing in general should be stopped for environmental and cost resources.

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.

The proposal is based on the assumption that the reporting timeline for the release of quarterly results announcement and reports would be 45 days after the relevant financial period end. As noted above, we disagree with the need for quarterly reporting.

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.

Please refer to the answer to Question 15.

In addition, the proposed implementation timetable increases the risk of errors to reported results to unacceptable levels for the directors and auditors of issuers. The moratorium on adoption of new and revised IFRSs expires the end of 2008 and effective for years beginning on or after 1 January 2009, new and revised IFRSs will be required to be adopted. New IFRS policies are being issued as a result of the program to converge US GAAP and IFRS. As a result in the period 1 January 2009 to 15 May 2009 (as proposed) issuers need to report full year 2008 results under old IFRS and 1st Quarter 2009 results under new IFRS, calculate firstly, and then restate 1st Quarter 2008 results to new IFRS. This confluence of new IFRS and new quarterly reporting requirements will stretch both issuers and audit firms' resources beyond acceptable limits and increase directors and auditors risk beyond acceptable limits during this time period.

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.

Please refer to the answer to Question 15.

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.

Please refer to the answer to Question 15.

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.

Please refer to the answer to Question 15.

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.

Currently the Exchange has a world class global reputation which has been well established over many years. It is unlike some other exchanges in the region striving to establish a reputation and therefore, arguably following the USA process. Recent history indicates USA quarterly reporting was not an effective corporate governance tool and did not increase transparency to protect shareholders and prevent history's largest corporate scandals and bankruptcies.

Many new listing candidates are attracted to exchanges that do not have quarterly reporting and HKSE can continue to be a beneficiary of this attraction compared to other exchanges in Asia. This will have a beneficial impact on the Hong Kong economy and Hong Kong's sustainability as a financial center. Increasingly Hong Kong and its citizens rely on sustainable service economy and the HKSE decision to introduce mandatory (as distinct from voluntary) quarterly reporting could damage HKSE's current competitive advantage as the exchange of choice in the region.

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