
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.

We agree to shorten the time allowed for results announcement from three to two months. However, three months time should be allowed for despatch of printed interim report.

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.

This will allow smaller companies to elevate their human and system capability to meet the new deadlines.

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.

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.

Large companies:

Hang Seng used to announce its interim results and issue its interim report with two months after period end.

However, a transition period of less than 9 months is not sufficient for large companies since this will involve a huge amount of efforts and coordination to accelerate the reporting timetables. In particular for those large companies with operations in different parts of the world. It will be a challenge for companies, no matter large or small, to gear up their human resources, system and technology capacity and implement workflow improvement in order to meet the tight reporting deadlines.

Moreover, it is a general understanding that most of the listed companies in Hong Kong are operated in an optimal mode with high efficiency, they have to compete heavily for additional human resources and professional services while there is a serious shortage of accounting professionals under current market condition. It is unlikely for large companies to get themselves well-prepared within the coming 6 months to accelerate the 2008 half-year results announcement. Alternatively, the acceleration of 2009 half-year announcement is more feasible.

Other companies:

Agreed

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 agree to shorten the time allowed for announcement of annual results to three months but the deadline for despatch of printed results should be four months after financial year end.

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.

See response to Q2.

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.

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.

As elaborated in our response to Q4, a longer preparation period for large companies will be required. A more feasible timeline is likely to be 31 December 2009.

For other companies, 2010 should be achievable.

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.

Whilst it is appreciated that quarterly reporting will improve the transparency in financial results, the costs may outweigh the merit.

It is our understanding that the European Union, through the Transparency Directive (Directive 2004/109/EC) decided not to require listed companies to announce their earnings in the first and third quarters. Only several countries of the EU required compulsory quarterly reporting. Empirical study also upholds the fact that there is an increase in volatility following earnings announcements. Quarterly reporting might encourage undesirable short-termist attitudes in the investors community. It might also encourage the undesirable culture of short-termism in corporate strategy to produce good quarterly results by sacrificing strategic long term growth of the company.

To support good corporate governance and appropriate transparency, we believe the good practice in issuing "trading statement" or announcing "profit warning" would be better alternatives than

quarterly reporting.

We anticipate the process to prepare quarterly report will exert considerable burden on companies. As elaborated in our response to Q4, the acceleration of reporting deadline and increase in reporting frequency will demand orchestrated efforts between the holding companies and subsidiaries in different parts of the world, and heavy investment in human resources and technology in order to make it happen. This will be particularly challenging under the current market conditions. Even the proposal does not require the quarterly announcement to be audited or reviewed by external auditors, we believe many audit committees and boards may request, as a minimum, for limited reviews. This will impose additional costs to companies. The availability of independent non-executive directors and audit committee members to review the quarterly results is also a concern.

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.

In view of the challenges and the resources constraints for the timely and frequent preparation of quarterly reporting as elaborated in our responses to Q4 and Q9, we believe a deadline of 60 days after quarter end will be the minimum turnaround time to produce a set of reliable financial results without trading off the quality. This will take time for companies to build up their capability to accelerate the quarterly reporting, if mandatory.

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.

The information set out in Table 8 of the Consultation Paper is in our views excessive.

The EU type of "Interim Management Statements" with a general description of the financial position of the issuer and focusing on explaining material events and transactions and their impact on the financial position is more appropriate. Financial figures should be limited to a condensed balance sheet and condensed income statement and key ratios.

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.

It is in line with the requirements of IAS 34 and other exchanges.

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.

It is inconsistent with the requirements of IAS 34 and is out of line with the practice of most overseas markets.

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 fully support environmental friendly initiative and believe high accessibility of e-channels. Nevertheless, hard copies will be made available on demand for specific stakeholders, if required.

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.

Agreed only if it becomes a mandatory requirement.

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.

With similar reasons elaborated in Q4, we believe it may not be feasible for most of the companies to get themselves ready in the coming 6 - 12 months to prepare quarterly reports. The earliest

possible date for implementation would be 30 September 2009.

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.

We do not see the need the change the current reporting requirement for the GEM listed companies in light of their relative size and resources constraint.

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.

See response to Q17.

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.

See response to Q17.

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.

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