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5 November 2007

By fax and by e-mail

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 refer to the Consultation Paper on Periodic Financial Reporting issued by the Exchange in August 2007.

We support the Exchange's initiatives to promote timely disclosure of information to shareholders and investors. Please note our responses to the specific questions raised in the Consultation Paper as set out in the attached questionnaire.

We welcome the opportunity to comment on the Consultation Paper. If you have any questions on our comments or wish to discuss any of the responses, please contact me on telephone _____ or Mr. Peter C. K. Tse, our Director – Group Financial Control, on telephone _____

Yours sincerely,

RECEIVED - 5 NOV 2007

April Chan
Company Secretary

Encl.



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 that the establishment of an efficient financial reporting system and the production of timely and accurate financial information are indicators of good corporate governance. It is the quality of information disclosed, not the speed of the disclosure, that counts.

Although CLP currently announces and despatches its half-yearly results and interim report within two months of the relevant financial period end, we expect that this timetable would be difficult to maintain given the increasing complexity of the Hong Kong Financial Reporting Standards (HKFRS) and the need to reconcile the accounting standards and treatments of the Group's overseas investments in subsidiaries and jointly-controlled entities with HKFRS in the Company's reports before publication. CLP is not alone in this challenge. Many Main Board issuers are carrying on businesses through associated companies and jointly-controlled entities in different countries where such companies/entities are subject to a different reporting timetable and accounting standards.

In addition, more time is required for companies to produce interim/annual reports if a major acquisition takes place during the relevant financial period. It is time consuming to collect and understand relevant accounting information from the acquired entity and this is particularly so if the acquired entity does not use the same accounting standards.

Sufficient production time for financial reports is required to ensure its accuracy and quality, which is important in upholding Hong Kong's reputation as a financial centre. Two months for production and despatch of an accurate and quality interim report to shareholders is not sufficient for many companies.

The information provided by the Exchange in the Consultation Paper to justify the proposal to shorten the reporting deadline is incomplete. It only shows the pattern of release of half-year (or annual) results announcements by Main Board issuers and does not include the statistics on the timing of release of interim (or annual) reports.

Furthermore, Hong Kong has a special requirement to despatch reports in English and Chinese to shareholders. This is not common in many other places in the world and it takes time to produce a quality translation of the reports.

We have no serious concern about the shortening of the time to release half-yearly results to two months. However, we disagree that the time for despatch of the printed English and Chinese versions of interim reports to shareholders should be shortened from three to two months after the relevant financial period end.

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.

Should the new reporting deadlines be introduced, they should be introduced in phases and should be applicable to all the Main Board issuers at the same time after a reasonable transitional period.

Any distinction between issuers on the Main Board for the purpose of subjecting to the new reporting deadlines would create confusion and an impression of unfairness to those companies which have already exceeded the existing requirements of the Listing Rules.

In determining the transitional period, the Exchange should have regard to the burden imposed by other changes as required of Main Board issuers, such as the new and revised International Financial Reporting Standards (IFRS) to take effect from financial period beginning on 1 January 2009.

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 above.

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 above.

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.

Please refer to the similar comments in Question 1 above with respect to the release of annual results announcements and despatch of annual reports.

Although CLP currently announces and despatches its annual results and annual report within three months of the relevant financial period end, we expect that this timetable would be difficult to maintain for the same reasons as set out in Question 1 above.

We have no serious concern about the shortening of the time to release annual results to three months. However, we disagree that the time for despatch of the printed English and Chinese versions of annual reports to shareholders should be shortened from four to three months after the relevant financial period 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.

Please refer to the answer to Question 2 above.

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 2 above.

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 2 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 disagree that mandatory quarterly reporting should be introduced for the Main Board issuers.

Our objections to this do not rest on any particular sensitivity to increased disclosure to shareholders – CLP has for many years been one of the very few Hong Kong listed companies to publish, on a voluntary basis, a quarterly statement - which sets out key financial and business information such as revenue, electricity sales, dividends and progress in business activities. CLP does not issue quarterly financial results.

However, we do not believe that the mandatory introduction of quarterly reporting is necessary or, when viewed as a whole, will benefit listed companies and their shareholders.

Our reasons are as follows : -

- Preparation of quarterly reports to the extent of the details required/expected by the Stock Exchange costs money – both in terms of internal cost (including the opportunity cost of board and management time spent on this) and the external costs of printing, distribution etc. These costs are borne by the shareholders – none of whom, in CLP's case, has asked to receive the additional reporting whose cost they will be bearing.
- Quarterly reporting may be both misleading and encourage a short term view of a listed company's business performance – our activities do not run and should not fall to be disclosed and judged on a three month cycle.
- Information produced and maintained to assist management in monitoring the day to day financial status and performance of the company's business will be very different (format, content, detail, scope etc.) from the disclosure required to be made in a quarterly report.
- Public disclosure imposes quite different standards, in terms of regulatory compliance, content and liability, as compared with internal management reports. It is one thing to produce management reports to assist management in running its business – it is quite another to put that information out to shareholders in circumstances where the company and its directors face regulatory and criminal sanction for any shortcomings in that information.
- The balance sheet and profit & loss accounts in quarterly reports will, absent auditing or audit review, be in essence "pro forma accounts". We understand that experience from the US is that pro forma accounts lead to abuses, in that shape of overstatement and subsequent correction. There is no advantage to shareholders if quarterly reporting increases the quantity of information, but reduces its quality.

- The Exchange has provided a comparison of the quarterly disclosure requirements in overseas markets in Table 7 of the Consultation Paper. It would be helpful if statistics of restatements in those jurisdictions where quarterly reporting is mandatory as compared to the number of restatements in Hong Kong where quarterly reporting is voluntary, could be provided.

- In light of the one-month prohibition period to deal in the shares of listed companies before announcement of its interim and annual results, quarterly reporting will unduly increase the "black-out" periods for share dealings by directors and the listed issuer itself.

- The absence of mandatory quarterly reporting does not diminish Hong Kong's standing in governance terms. There is no requirement for quarterly reporting in leading jurisdictions, such as the UK.

- There is no evidence that quarterly reporting enhances corporate governance. If a listed company has poor governance, inadequate financial systems and controls and produces inadequate accounts, the requirement to issue quarterly reports changes nothing.

- We question whether the introduction of quarterly reporting responds to any clearly identified demand or need expressed by the shareholder community. CLP has a standing invitation to shareholders to let us know if their views differ. Up to the date of this response, we have received no request from any shareholder to introduce quarterly reporting. Perhaps, instead of making quarterly reporting mandatory, it might be desirable to leave it to the decision of shareholders (for example, by asking shareholders to vote once every three years at their annual general meeting on whether quarterly reports should be produced.).

- The proposal to introduce mandatory quarterly reporting should be considered in the context of other existing and increasing regulatory requirements. The Rules already provide for issuers to disclose significant events intervening between the interim and annual reports. Moreover, the disclosure requirements for interim and annual reports have increased significantly in recent years. In other words, the argument for quarterly reporting would be stronger if there were weaknesses in the half-yearly and annual reports – but this is not the case. Disclosure should be reviewed in its totality. The increasing scope of the half-yearly and annual reports, coupled with tighter deadlines for the publication of half-yearly and annual results must be a relevant consideration in assessing the need for quarterly reports.

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.

Quarterly reporting will be unduly burdensome to listed issuers with joint venture interests, substantial operating subsidiaries and business outside Hong Kong. In order to produce a consolidated quarterly report the financial information must be cascaded upwards to the holding company. This will involve preparation of accounts and their review and approval by the respective boards of joint ventures and subsidiaries before those accounts are submitted to the

holding company for consolidation, review and approval. This will be extremely challenging if it is to be done on a quarterly basis and completed within 45 days after the quarter end. The undesirable alternative, if deadlines are to be met, will be a sacrifice in the time available for preparation and critical review of the data, with attendant loss of quality.

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.

Please refer to the answer to Question 9 above.

In addition, the proposal to provide in quarterly reports an indication of future developments in the business of the Group, including prospects for the current financial year, will bring practical difficulty to companies in determining what prospects should be reported for the third quarter and what should be left for the year end.

Although there will not be a requirement for mandatory audit or review of the proposed quarterly results, the amount of work, management time and diligence to be expected of issuers on mandatory quarterly results and reports will not be less to those on interim results.

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.

Please refer to the answer to Question 9 above.

In addition, the inclusion of current quarter results will present a short term view and could be misleading, in particular for those companies whose businesses are subject to seasonal fluctuations. Cumulative year-to-date results together with prior period comparatives will be more meaningful.

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.

Please refer to the answer to Question 9 above.

In addition, the inclusion of the first quarter results and immediately preceding quarter results together with their prior year comparatives in the condensed consolidated income statement in the proposed quarterly report for a third quarter unnecessarily complicates the reporting presentation. This is also confusing to shareholders as and when restatements are required in the preceding quarter results.

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.

Notwithstanding our views in response to Question 9 above, we support that, for environmental and costs reasons, printing and mailing of hard copies of quarterly reports to all shareholders should not be 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.

For similar reasons as set out in our response to Question 2 above, we disagree that there should be a distinction between issuers on the Main Board for the purpose of new reporting requirements.

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 above.

In addition, the proposed timetable is overly aggressive and increases the risk of errors to reported results. The moratorium on adoption of new and revised IFRS expires at the end of 2008. Effective for years beginning on or after 1 January 2009, new and revised IFRS will be required to be adopted. Together with the need to address the new and revised IFRS, the prescriptive requirements for quarterly reporting would put extra burden and pressure on directors and auditors to a stretching and possibly unacceptable level, both in terms of time and resources.

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.

Notwithstanding our views in response to Question 9 above, we believe that the market would not expect the companies on the GEM Board to produce quarterly reports on the lines proposed. In general, companies on the GEM Board have less resources supporting prescriptive company reporting.

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 17 above.

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 17 above.

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.

We believe that there is an array of reasons for the view that quarterly reporting does not have the merits that instinctive judgment might suggest. We recognise that the motivation behind the proposal is legitimate, but have serious reservations as to the wisdom of such a change and the benefits of this for shareholders and potential investors.

Our preference would be for ongoing and critical review of the scope, content and quality of half-yearly and annual reporting, such that Hong Kong listed companies are encouraged and, where necessary, obliged to produce disclosure which exceeds that in other Asia-Pacific jurisdictions and matches wider global standards.

Name : April Chan Title : Company Secretary
Company Name : CLP Holdings Limited
Contact Person : April Chan Tel. No. : _____
E-mail Address : _____ Fax No. : _____