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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.*

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## 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 financial information contained in the interim report is no less exacting than that of an annual report. The interim results need to incorporate information from independent external third parties such as property valuers and actuaries. Even if the issuer is able to complete its own consolidated results within a relatively short period of time because of available technology or software as agreed by the Stock Exchange, it takes time for the third party advisers to produce their reports following review of both the company's internal information as at the reporting period end and external business factors which, in our business cannot be done prior to the reporting period end. In addition, our external auditors would also need time to review the company's financial statements as well as the third party reports prepared by the independent valuers and actuaries. Accordingly, we feel that the current reporting deadline of three months should be retained.

*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 new reporting requirements, if adopted, should apply to all listed companies regardless of the size of market capitalization or business turnover. The presumption that "large companies" have more resources to comply with the new requirements is inappropriate and an over generalisation, as it is also the case that "large companies" have more complex corporate structures covering diverse geographical operations, and arguably would need an equal amount, if not more, time to prepare themselves for the new changes.

*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.

The size of a company should not be judged by its closing price (or market capitalization) which is subject to high volatility. Therefore, we are of the view that all issuers should be subject to the same rules and implementation schedule.

*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 see our response to Questions 2 and 3. In addition, companies tend to set board meeting dates one year in advance and prepare budgets by the last quarter before year end. We note that the consultation conclusions will not be published until the first quarter of 2008. To commence the accelerated reporting deadlines as early as 30 June 2008 would be unduly onerous on timing for Main Board issuers to arrange (or re-arrange) and co-ordinate the relevant resources to comply with the new rules. If the proposal to accelerate reporting deadlines is to be adopted, we would propose for the new rules on half-year accounting periods to commence on or after 30 June 2010.

### **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.

Releasing annual results announcement and reports within a three-month period is reasonable and achievable.

*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 see our response in Question 2.

*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 see our response in Question 3.

*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 see our response in Question 4, save for the fact that we would propose for the new rules on annual accounting periods to commence on or after 31 December 2010.

### **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 recognise the arguments for quarterly reporting in increasing transparency.

To meet the proposed requirement of publishing quarterly reports within 45 days of the quarter end, Main Board issuers must overcome the practical difficulties in terms of incurring significantly more financial and human resources to producing additional two sets of accounts per year, and diverting management's attention and time away from the business and strategy. These practical difficulties are genuine and exist particularly for issuers with complex corporate structures and diverse geographical operations, like ours, notwithstanding the availability of advance technology or software. The additional cost to be incurred by the issuers would not generate additional shareholder value. Quarterly reporting would lead investors and management of issuers to focus on short-term rather than long-term financial performance, and for businesses like ours, which are subject to cyclical fluctuations throughout the year, publishing quarterly financial results will be misleading and result in increased volatility of the issuer's shares.

We are of the view that the existing half-year and annual reporting requirements, together with the

rules on price-sensitive information and notifiable transactions, are sufficient for the timely dissemination of material information to investors. In conclusion, we do not recommend the proposal on quarterly reporting to be adopted.

*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 do not recommend the proposal on quarterly reporting to be adopted.

*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 disclosures are excessive and unnecessary. We would like to point out that different content requirements for quarterly, half-year and annual reports are unduly complex. This is confusing for shareholders and issuers alike. We urge that a thorough re-examination of the nature and extent of quarterly reporting be undertaken and in this context, it would be noteworthy that quarterly reporting requirements in the U.S. is basically statistical in nature.

*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.

If the proposed quarterly reporting requirements are adopted, both current quarter results and cumulative year-to-date results should be disclosed for meaningful comparison.

*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.

Comparing the third quarter results against that of the first quarter and immediate preceding quarter would not be meaningful particularly for our business which is subject to seasonal fluctuation. The inclusion of first quarter results and immediate preceding quarter results will result in information-overload and confusing for readers to understand.

*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 the printing and mailing of hard copies of quarterly reports to all shareholders should not be required for environmental reasons. With the introduction of online notification of price sensitive information and notifiable transactions in place of traditional media dissemination, we believe that listed issuers should only be required to publish their quarterly reports on the

HKEx website and the listed issuer's own website. However, hard copies of the reports should be mailed to those shareholders who request for them.

*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.

Please see our response to Question 2.

*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 see our response to Question 4, save for the fact that if quarterly reporting is to be adopted, we would propose for the new rules to commence on or after 30 September 2010.

#### **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.

No comment.

*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.

No comment.

*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.

No comment.

*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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