

F045



香港董事學會
The Hong Kong Institute of Directors

HKIOD週年
ANNIVERSARY



贊助人 Patron
曾蔭權行政長官
The Hon Donald TSANG Yam-kuen GMB

榮譽會長 Hon President
榮譽主席 Chairman Emeritus
鄭慕智 Moses Cheng GBS OBE JP

卸任主席 Immediate Past Chairman
許浩明博士
Dr Herbert H M Hui JP

榮譽顧問 Hon Advisers
劉華森博士
Dr Lau Wah Sum GBS LLD DBA JP
鄭海泉
Vincent Cheng GBS OBE JP
吳天海
Stephen T H Ng

主席 Chairman
黃紹開
Peter S H Wong MBA
副主席 Deputy Chairmen
麥理思
George Magnus GBS OBE
周光輝
Edward K F Chow
黃天祐博士
Dr Kelvin Wong
譚廣源
Edmund K H Leung OBE JP
司庫 Treasurer
文善良
Man Mo Leung
行政總裁 Chief Executive Officer
徐尉玲博士
Dr Carlye W L Tsui BBS MBE JP

理事會成員 Council Members
畢烈
Peter Barrett
陳心愉
Ms Bonnie S Y Chan
張惠彬博士
Dr Charles Cheung JP MBA DBA(Hon)
張永銳
Cheung Wing Yui, Edward
江偉
A F M Conway
范耀鈞教授
Prof Y K Fan BBS JP
何猷灝
Ronald Ho
孔啟權
Randy Hung
林潔蘭博士
Dr Cynthia Lam
劉冠倫博士
Dr Alex Lau
劉柔芬議員
The Hon Mrs Sophie Leung GBS OBE JP
林宜亮
Alfred Lin
莫建鄰
John Mok
莫兆光
Stanley Mok
潘祖明
John C Poon
譚學林
Tommy Tam JP
鄧宛舜
Ms Cynthia Y S Tang
陶榮
Christopher To
曾立基
Richard Tsang
廖華達
Jim Wardell
黃友嘉博士
Dr David Wong
黃至剛博士
Dr Lawrence T Wong
翁月華
Ms Linda Y W Yung
容永祺
Samuel W K Yung MH JP

5 November 2007

By Fax & By Hand

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12/F One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs

Consultation Paper on Periodic Financial Reporting

The Hong Kong Institute of Directors ("HKIoD") is pleased to forward our response to the captioned paper.

HKIoD is Hong Kong's premier body representing professional directors working together to promote good corporate governance. We are committed to contributing towards the formulation of public policies that are conducive to the advancement of Hong Kong's international status.

In relation to the captioned paper, we have gone through the processes of consulting our members and conducting focused review by our Corporate Governance Committee under the leadership of Dr Kelvin Wong. Hence, the response represents our consolidated collective views.

Should you require further information regarding our response, please do not hesitate to contact me on tel no. 2889 9986.

With best regards

Yours sincerely
THE HONG KONG INSTITUTE OF DIRECTORS

Dr Carlye Tsui
Chief Executive Officer

Enc

cc Mr Peter S H Wong, Chairman, HKIoD
Dr Kelvin Wong, Deputy Chairman, HKIoD

RECEIVED - 6 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.

To maintain its role as a regional financial centre, HK needs to keep abreast of its financial reporting practice with international standards. Experience from overseas has shown that the time allowed for the release of half-year results announcements within 2 months after the relevant financial period ends is both practicable and welcomed by the investment community. The HKIoD believes that listed companies should have established an efficient financial reporting and internal control system to the extent that the proposed shortening from 3 months to 2 months should be feasible.

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.

Though some members of the HKIoD support a transitional period for other companies (so that they may organize internal resources and improve the necessary financial accounting system), the majority view argue that the Listing Rules and any amendments should be generally applied to all listed companies on a fair and equitable basis. In a nutshell, there need be no distinction between large and small cap. Our members believe that it is easier for small cap companies to adapt to quarterly reporting than the large cap companies owing to the usually simpler corporate and financial structure of the small cap companies. Furthermore, the distinction between larger and small cap companies is arbitrary and subject to challenge (e.g., given the year-to-date stock price performances, a handful of companies within the "other" definition may now become "large companies").

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.

While the Consultation Paper has apparently presented some interesting statistics on the proposed definition of large companies, the majority view of our members believe that the new reporting deadlines should be introduced at the same time for all listed companies. Hence, the HKIoD believes that there should be improvement in the period of financial reporting and that such improvement has nothing to do with firm size. Firm size is not an issue as far as compliance is concerned.

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.

Again, though some members of ours favor a transitional period for other companies, the majority view of the HKIoD is that there should be one commencement date for all listed companies. And as far as the commencement date is concerned, the HKIoD believes that 30th June 2008 (the earlier date) is the preferred one.

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 majority view of the HKIoD supports the proposed shortening from 4 months to 3 months as it will allow investors to obtain financial information in a timely manner for their evaluation purpose. However, the HKIoD would like to caution the HKEx regarding the divergence of the annual results announcement period between HK and the Mainland. If the period in HK has to be shortened from 4 months to 3 months, that will put those dually listed companies in both HK and the Mainland in a difficult position as they will be compelled to announce their annual results 1 month earlier in HK than the current Mainland requirements. This would inevitably create asymmetric markets for the same company between HK and the Mainland. In order to attract potential Mainland companies to list in HK, the annual results announcement periods should be in line between the HKEx and the Mainland exchanges. Perhaps the HKEx should consult/coordinate the relevant PRC regulatory authorities on this issue as well.

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.

As stated in our answer to Q2, application of new rules and regulations should be applied fairly and equitably among all listed companies without considering the size of a firm.

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.

Again, as stated in our previous answers (in particular our answer to Q2), the HKIoD does not support an arbitrary distinction between large and small companies and believes that the proposed new rules and regulations be implemented fairly and equitably to all listed companies.

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 stated in our reasons above, the HKIoD does not agree a different treatment between listed companies by an arbitrary and subjective definition on the firm size.

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.

The HKIoD strongly supports a mandatory quarterly reporting for all listed companies as this has

become a requirement for companies listed in either the US and the PRC already. And for companies whose shares are listed both in HK and the Mainland, quarterly reporting is already being made in HK.

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.

While the HKIoD supports in principle a timely disclosure of financial accounts and the conformance of our practice with the requirements of other Exchanges, we find that strict compliance with the 45-day rule may not be possible for some companies with less efficient financial reporting system. The HKIoD therefore would like to propose to adopt the "comply-or-explain" approach so that companies which cannot release their quarterly reports within 45 days have to explain why they cannot do so.

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 minimum requirements as set out in Table 8 should provide investors with the required information to assess the financial performance of a listed company on a continuous basis with that of the annual and interim accounts.

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.

Yes! This is not only a well established presentation format in other exchanges but it also facilitates investors to have an immediate grasp on a company's financial performance both on the quarter and year-to-date basis. The lack of a cumulative year-to-date results will make the quarter results alone becoming incomplete and biased.

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.

Though some of our members argued that recapping the 1Q and the immediately preceding quarter results may be time consuming and less efficient and may cause confusion to the public, the majority view of the HKIoD is that the recap may enable investors with a more efficient and direct comparison of the 3Q results with that of the previous quarters.

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.

As shareholders have a right to ask for hard copies of the published accounts, it should be acceptable for the quarterly report to be released through internet.

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 the position of the HKIoD as stated in our answer to Q2.

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.

Again, please refer to our reasons as stated in our answer to Q2.

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.

Any difference in the new requirements may cause confusion to investors.

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.

GEM issuers tend to have less resources at their disposal and hence they may need more time to familize themselves with the new requirements. Hence, a time lag given to GEM issuers should allow them to get prepared for the new requirements.

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.

Any difference in the new requirements may cause confusion to investors.

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.

While the HKIoD fully supports the spirit of the Consultation Paper, we would like to draw the HKEx to a number of issues that HK may face in implementing the quarterly reporting. They are: (i) the insufficient number of experienced INEDs, (ii) comply-or-explain approach may give some legroom for those companies which may not be able to fully comply with the new requirements, (iii) implication to the practice of shareholders communication and investors relations (the market may need further guidelines from the HKEx).

Name : Dr Kelvin Wong Title : Deputy Chairman of Council
Chairman of Corporate Governance Committee

Company Name : The Hong Kong Institute of Directors

Contact Person : Miss Clarine Yiu Tel. No. : 2889 9986

E-mail Address : Fax No. : 2889 9982

