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BY HAND

7 November 2007

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

Your Ref:

Our Ref:

Direct Dial: 852 2905 7688

Dear Sirs

Consultation Paper on Periodic Financial Reporting (the "Consultation Paper")

We are instructed by Quam Limited, Somerley Limited and Taifook Capital Limited to respond to the proposals relating to periodic financial reporting set out in the Consultation Paper. We therefore enclose the Questionnaire on Periodic Financial Reporting on behalf of such companies.

Please accept our apologies for the late submission of this response.

Yours faithfully

CHARLTONS
Encl.

RECEIVED - 8 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.

Most small and mid-sized companies which do not have large accounting departments will find it extremely difficult to meet the proposed reporting deadline. It will also place considerable burden on the Hong Kong accounting and auditing profession which already faces a serious shortage of accountants. A principal difficulty already faced by small and mid-sized companies is that auditors tend to give priority to large clients. This adversely affects the ability of such companies to carry out the negotiation of auditors' reports which has become inevitable with the introduction of fair view accounting. This situation will only be exacerbated by tighter deadlines. 60% of "large companies" are apparently already meeting the proposed deadline. Early reporting should therefore continue to be optional rather than mandatory. This would allow those companies which are able to meet the tighter deadline to do so, without imposing an unnecessary burden on those companies which cannot.

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.

Early reporting should continue to be optional. It is unlikely that the position for small and mid-sized companies will change and the two year grace period will not therefore improve their position.

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.

Early reporting should be optional for all companies.

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 answer to Question 3 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.

Compliance with the shortened deadline would require a significant commitment of corporate resources, which small and mid-sized companies in particular can ill afford. We also note that the annual reporting deadline on the London, Shanghai and Shenzhen Stock Exchanges is four months. If listing on the Main Board is to remain attractive, its requirements should not be made more onerous than those of its major competitors. As for half-year reporting, it is considered that early reporting should remain optional for those companies with the resources to achieve it.

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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.

Early reporting should continue to be optional for all companies. It is unlikely that the position for small and mid-sized companies will change and the two year grace period will not therefore improve their position.	
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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 the response to Question 6 above.	
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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 the answer to Question 6 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.

The proposals would prove unduly costly and burdensome particularly for small and mid-sized companies which do not have large accounting departments. It is likely that many such companies would require their auditors to review their quarterly reports which would increase the costs, notwithstanding that this will not be a Listing Rule requirement. In addition quarterly reporting encourages short-termism both on the part of companies' management and investors.

The already stringent disclosure regime, particularly the Rules on disclosure of price-sensitive information and notifiable transactions, should be sufficient to ensure that the market is kept informed of significant information without imposing a quarterly reporting requirement. Companies with dual listings on exchanges requiring quarterly reporting (i.e. PRC A shares) are free to adopt quarterly reporting at their discretion. It should also be noted that Rule 13.09(2) already requires the release to the Hong Kong market of information released on other exchanges on which an issuer is listed.

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 consider that the perceived benefits of quarterly reporting outweigh the significant costs that it will entail, particularly for smaller companies. Accounting firms, which are already extremely stretched, are also likely to find it difficult to meet requests to review quarterly reports within the proposed deadline.

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.

If Hong Kong is to adopt quarterly reporting in some form, it should adopt the "narrative statement" approach adopted in the U.K. and Australia. This should serve purely to bring to investors' attention any material events which have occurred since the last published accounts. The London Stock Exchange is the world's most "international" stock exchange and it is also the exchange with characteristics closest to those of the Hong Kong Stock Exchange. It is therefore considered that Hong Kong should follow London Stock Exchange best practice.

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 see the answer to Question 11 above.

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 see the answer to Question 11 above.

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.

This would reduce costs and be in line with recent moves towards a web based disclosure regime.

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.

We disagree with the proposal to introduce mandatory 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.

Quarterly reporting should remain a recommended best practice only.

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.

The proposed disclosure requirements for Main Board quarterly reports are considerably more onerous than the existing requirements for GEM quarterly reports. The imposition of such onerous requirements is likely to act as a disincentive for companies to list on GEM. It should be noted that there is no quarterly reporting requirement on London's AIM market which is coming to be seen as a preferable listing venue to the Hong Kong GEM and Main Board for many Hong Kong and PRC companies.

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.

Compliance with the proposed requirements would prove too burdensome for smaller, growth companies.

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.

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.

Name : _____ Title : _____

Company Name : Charltons on behalf of Quam Limited, Somerley Limited and Taifook Capital Limited

Contact Person : Julia Charlton Tel. No. : _____

E-mail Address : _____ Fax No. : _____