

12 November 2007

## **HKIoD's Response to Consultation Paper on Periodic Financial Reporting**

With reference to the captioned consultation paper, The Hong Kong Institute of Directors has gone through the processes of consulting our members and conducting focused review by our Corporate Governance Committee. The Institute is pleased to present members' views as follows:-

### **Half-year reporting**

The Institute believes that the proposed shortening of release time from three months to two months should be feasible.

### **Annual reporting**

The Institute supports the proposed shortening of release time from four months to three months as it will allow investors to obtain financial information in a timely manner.

However, the Institute would like to point out that, if the announcement period in Hong Kong has to be shortened, that will put those companies dually listed in Hong Kong and the Mainland in a difficult position as they will be compelled to announce their annual results one month earlier in Hong Kong than the current Mainland requirements. In order to attract potential Mainland companies to list in Hong Kong, the annual results announcement periods should be in line between the HKEx and the Mainland exchanges.

### **Mandatory quarterly reporting for Main Board issuers**

The Institute strongly supports a mandatory quarterly reporting for all listed companies to bring Hong Kong on a par with the US and the PRC, where mandatory quarterly reporting requirement is already in place.

Regarding the proposed quarterly report publishing time within 45 days after the period end, the Institute believes that such rule may not be feasible for some companies with less efficient financial reporting systems. The Institute therefore proposes the adoption of "comply-or-explain" approach.

On the proposed required information in quarterly reports, the Institute believes that the requirements as set out in Table 8 of the Consultation Paper should provide investors with the necessary information to assess the financial performance of a listed company on a continuous basis, along with the information from the annual and interim accounts.

On the condensed consolidated income statement, the Institute believes that it should contain both the current quarter results and cumulative year-to-date results, together with prior year comparatives. Such presentation format will facilitate investors in immediately grasping a company's financial performances. The lack of a cumulative year-to-date results will make the quarterly results alone incomplete and biased.

The Institute also agrees that the condensed consolidated income statement in the quarterly report in the third quarter should contain the first quarter results and the immediately preceding quarter results,

together with prior year comparatives. HKIoD believes that recapping the first quarter and the immediately preceding quarterly results will enable investors with a more efficient and direct comparison of the third quarter results with that of the previous quarters.

**Introduction of new reporting requirements with different timeline for large and small listed companies**

The Institute believes that there need not be a different treatment for large and small companies, on the grounds that the definition of company size is arbitrary and subject to the year-to-date stock price performances.

**Alignment of GEM Rules to Proposed Main Board Rules on quarterly reporting**

The Institute agrees that the same disclosure and publication requirements for quarterly reporting should apply to Main Board and GEM Board issuers. However, the Institute believes that GEM issuers should be allowed some time to get prepared for the new requirements owing to their resource limitations in general.

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Released by: The Hong Kong Institute of Directors.

The Hong Kong Institute of Directors is Hong Kong's premier body representing professional directors working together to promote good corporate governance and to contribute towards advancing the status of Hong Kong, both in China and internationally.

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