

CONSULTATION PAPER
ON PERIODIC FINANCIAL REPORTING

August 2007



Hong Kong Exchanges and Clearing Limited
香港交易及結算所有限公司

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EXECUTIVE SUMMARY

This public consultation seeks views and comments from market practitioners, listed companies, investors, members of the public and other interested parties regarding issues relating to periodic financial reporting – specifically: the shortening of reporting deadlines for half-yearly and year-end announcements and reports for Main Board issuers; and the introduction of quarterly reporting for Main Board issuers.

In relation to the shortening of reporting deadlines, The Stock Exchange of Hong Kong Limited (the Exchange), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEx) proposes:

- (a) for half-year reporting deadlines for Main Board issuers – to shorten the time allowed for the release of half-year results announcements and reports from three months to two months. The new deadlines would commence:
 - (i) for “large companies” (as defined at paragraph 21 below) – starting from their half-year accounting periods ending on or after 30 June 2008; and
 - (ii) for other companies – starting from their half-year accounting periods ending on or after 30 June 2010;
- (b) for annual reporting deadlines for Main Board issuers – to shorten the time allowed for the release of annual results announcements and reports from four months to three months. The new deadlines would commence:
 - (i) for “large companies” – starting from their annual accounting periods ending on or after 31 December 2008; and
 - (ii) for other companies – starting from their annual accounting periods ending on or after 31 December 2010;
- (c) there would be no change to the reporting deadlines for half-year and annual reporting for Growth Enterprise Market (GEM) issuers.

In relation to quarterly reporting, the Exchange proposes:

- (a) for Main Board issuers:
 - (i) to introduce quarterly reporting for Main Board issuers. The quarterly reports:
 - will:
 - be required to be published within 45 days after the financial period; and
 - be required to include the key information set out in Table 8 below; but
 - will not:
 - be required to be audited;
 - be required to be printed and mailed in hard copy to shareholders unless shareholders make that request. Instead, listed issuers will be required to publish their quarterly reports on the HKEx website and the listed issuer’s own website;
 - (ii) the new requirement for quarterly reporting for Main Board issuers would commence:
 - for “large companies” – starting from their three months quarterly accounting periods ending on or after 30 September 2008; and

- for other companies – starting from their three months quarterly accounting periods ending on or after 30 September 2010; and

(b) for GEM issuers:

- (i) to amend the GEM Listing Rules to align the disclosure and publication requirements for GEM issuers' quarterly reporting to be the same as the proposed quarterly reporting requirements for Main Board issuers;
- (ii) the new disclosure requirements would commence with GEM issuers' three months quarterly accounting periods ending on or after 30 September 2010.

The Exchange believes that its proposals would:

- (a) increase transparency and market efficiency, and bring Hong Kong reporting standards in line with international best practices;
- (b) ensure the timely disclosure of information to shareholders and investors to enable them to make informed and timely investment decisions;
- (c) provide investors with a continuous and structured flow of comparable information;
- (d) provide for better investor protection as investors would be able to monitor the performance and financial position of a listed issuer more closely; and
- (e) with the phased introduction of the proposed changes, provide listed issuers with time to prepare for and meet the new requirements.

The background to these issues is set out in Chapter 1 of this paper. Chapter 1 also provides information regarding how to respond to this paper. The detailed consultation proposals are set out in Chapters 2 to 4.

The Exchange has also prepared and seeks comment on draft amendments to the Main Board Listing Rules and the GEM Listing Rules (together, the Rules) that would implement the consultation proposals. The draft Rule amendments are set out at Appendices 2 to 4 of this paper.

Next Steps

The Exchange will consider the comments received in response to this paper. If appropriate, the Exchange will then further progress Rule amendments to implement the final agreed conclusions. As usual the Exchange will work with the Securities and Futures Commission in developing the consultation conclusions and any relevant Rule amendments.

CHAPTER 1 INTRODUCTION

1. In the consultation paper entitled “Proposed Amendments to the Listing Rules Relating to Corporate Governance Issues” published in January 2002, the Exchange proposed, amongst other things, to amend the Main Board Rules to shorten the time allowed for the release of results announcements and reports and to introduce mandatory quarterly reporting for Main Board issuers.
2. After taking into account the diverse views of respondents to the 2002 consultation paper, in 2003, the Exchange published its consultation conclusions. Amongst other things, the Exchange reported that the introduction of mandatory quarterly reporting by Main Board issuers would be deferred. However, the Exchange stressed that it was good reporting practice. The Exchange also decided at the time that the deadlines for half-year and annual reporting would not be changed but that it would keep both matters under review.
3. Given the passage of time and in light of developments and changes in requirements in other international securities markets, the Exchange is of the view that it is appropriate to reconsider these matters.
4. Table 1 below summarises the reporting deadlines under the current Rules and the 2002 proposed changes.

Table 1: Summary of current reporting deadlines and 2002 proposed changes

Current Listing Rules	Reporting Deadlines		
	Quarterly	Half-yearly	Annually
Main Board issuers	N/A	3 months	4 months
GEM issuers	45 days	45 days	3 months
2002 Proposed Changes			
Main Board issuers	45 days	2 months	3 months
GEM issuers	No change		

5. A brief summary of the responses to the 2002 consultation paper on the shortening of the reporting deadlines and on mandatory quarterly reporting for Main Board issuers is set out in Table 2 below.

Table 2: Summary of responses to 2002 consultation paper

Responses regarding shortening reporting deadlines for Main Board issuers	
For	Against
<ol style="list-style-type: none"> 1. The proposals would promote timely disclosure of information for shareholders and investors to enable them to make informed and timely investment decisions. 2. The proposals would increase transparency and bring Hong Kong reporting standards in line with international practices. 	<ol style="list-style-type: none"> 1. The suggested deadlines were too tight and would result in practical difficulties, particularly for issuers with diverse geographical operations. 2. The suggested deadlines were too tight to enable issuers to prepare and have their annual report audited. 3. The proposals would impose a cost burden for small issuers with limited resources.

Responses regarding mandatory quarterly reporting for Main Board issuers	
For	Against
1. The proposals would increase transparency and bring Hong Kong reporting standards in line with international practices.	1. Quarterly reporting would be time-consuming and would create a significant cost burden on Main Board issuers, particularly those with complex corporate structures and diverse geographical operations. 2. Quarterly reporting would lead investors and management of issuers to focus on short-term rather than long-term financial performance. 3. Respondents engaged in businesses that were subject to marked seasonal fluctuations indicated concerns that their quarterly financial results would be misleading and would increase volatility of their company's share prices. 4. The existing half-year and annual reporting requirements, together with the Rules on price-sensitive information and notifiable transactions, were sufficient for the timely dissemination of material information to investors.

6. Detailed consultation proposals in relation to shortening the time allowed for half-year and annual reporting by Main Board issuers are set out at Chapter 2 below. Detailed consultation proposals in relation to the introduction of mandatory quarterly reporting for Main Board issuers are set out at Chapter 3 below. Chapter 4 of this paper sets out consultation proposals regarding alignment of the GEM disclosure Rules on quarterly reporting to the proposed quarterly reporting requirements for Main Board.

How to Respond to this Consultation Paper

7. The Exchange invites market users and other interested parties to submit written comments on the matters discussed in this paper no later than **5 November 2007**. Responses to the paper should, if possible, be made by completing and returning the questionnaire booklet, which is available at <http://www.hkex.com.hk/consul/paper/consultpaper.htm>, 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

8. The Exchange's submission enquiry number is (852) 2840-3844.
9. The Exchange's policy on handling personal data is set out in Appendix 5.

CHAPTER 2 SHORTENING THE TIME ALLOWED FOR HALF-YEAR AND ANNUAL REPORTING BY MAIN BOARD ISSUERS

Background

10. The disclosure requirements of the Rules seek to promote a high standard of financial disclosure. However, disclosure of financial information is only useful to shareholders and potential investors if it is communicated to them on a timely basis.
11. Main Board issuers are currently required to announce and publish their half-year results announcements and reports within three months and their annual results announcements and reports within four months of the relevant period end.
12. Under the current Rules, issuers are expected to maintain sound and effective accounting systems and internal controls, and under the Exchange's Code on Corporate Governance Practices, every year, the directors of a listed issuer are required to conduct a review of the effectiveness of the issuer's internal controls. Given today's available technology, a listed issuer should be able to produce financial information to high standards of reliability on a timely basis. The Exchange believes that the establishment of an efficient financial reporting system and the production of timely and accurate financial information are essential prerequisites for quality management decision-making. They are indicators of good corporate governance.
13. The Exchange has compared the reporting deadlines set in other jurisdictions. A comparison of the deadlines for the publication of periodic financial information of listed issuers in overseas markets is set out in Table 3.
14. To promote better corporate governance and transparency and to be in line with other international markets, the Exchange intends to shorten by one month the current time allowed for the release of half-year and annual results announcements and reports by Main Board issuers.

Table 3: Comparison of existing Rules with other international securities markets regarding deadlines for publication of periodic financial information as at 31 July 2007

Publication	Hong Kong Stock Exchange		Shanghai and Shenzhen Stock Exchanges (CSRC Notices)	New York Stock Exchange (SEC Rules)	London Stock Exchange (UKLA Rules)	Frankfurt Stock Exchange (Exchange Rules)	Toronto Stock Exchange (Listing Manual)	Tokyo Stock Exchange (Securities & Exchange Law)	Australian Securities Exchange (Listing Rules)	Singapore Stock Exchange (Listing Manual)
	Main Board (Listing Rules)	GEM (Listing Rules)								
	Proposal	Current	Current							
1. Annual results	90 days (3 months) (audited)	120 days (4 months) (audited) (Rule 13.46)	90 days (3 months) (audited) (Rule 18.49)	120 days (4 months) (audited) (Notice 2 Item 14)	Large Accelerated filers: 60 days Other Accelerated filers: 75 days Others: 90 days (audited) (Form 10-K)(Note 1)	120 days (audited) (DTR 4.1.3)	90 days (audited) (Sec. 437)	90 days (3 months) (audited) (Article 24)	60 days (audited or reviewed) (Rule 4.3.1) (Note 4)	45 days (unaudited) (Rule 705) (Note 5)
2. Interim results	60 days (2 months) (unaudited)	90 days (3 months) (unaudited) (Rule 13.48)	45 days (unaudited) (Rule 18.78)	60 days (2 months) (unaudited) (Notice 3 Item 11)	All Accelerated filers: 35 days Others: 45 days (unaudited) (Form 10-Q) (Note 1)	60 days (unaudited) (DTR 4.2.2)	45 days (unaudited) (Sec. 443)	90 days (3 months) (reviewed) by auditors (Article 24.5)	60 days (audited or reviewed) (Rule 4.1.1) (Note 4)	45 days (unaudited) (Rule 705) (Note 5)
3. Quarterly results	45 days (unaudited)	N/A	45 days (unaudited) (Rule 18.79)	30 days (1 month) (unaudited) (Notice 13 Item 3)	All Accelerated filers: 35 days Others: 45 days (unaudited) (Form 10-Q) (Note 1)	60 days (2 months) (unaudited) (Rule 63)	45 days (unaudited) (Sec. 443)	45 days (reviewed) by auditors (Note 3)	30 days (1 month) (Mining exploration entity only) (Rule 5.3)	45 days (unaudited) (issuer with market capitalisation exceeding S\$75 million) (Rule 705)

Table 3 (continued)

Note 1	<p><u>Large accelerated filer</u>: defined in the US as an issuer with an aggregate worldwide market value of the voting and non-voting common equity held by its non-affiliates of US\$700 million or more.</p> <p><u>Accelerated filer</u>: defined as an issuer with an aggregate worldwide market value of the voting and non-voting common equity held by its non-affiliates of US\$75 million or more, but less than US\$700 million.</p> <p><u>Other issuers</u> that do not meet the US Securities Exchange Act definition of an accelerated filer are permitted to continue filing annual reports under a 90 days deadline and quarterly reports under a 45 days deadline.</p> <p>An affiliate is defined as an “affiliate” of, or a person “affiliated” with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.</p>
Note 2	<p>Under the Disclosure and Transparency Rule 4.3, companies listed on the London Stock Exchange are required to produce two interim management statements during the six month period between the publication of its annual and interim results. Such statements must be made no earlier than 10 weeks after the beginning of the six month period and no later than six weeks before the end of the six month period. It shall contain information covering the period between the beginning of the relevant six month period and the date of publication of the statement. Such statements shall provide:</p> <ul style="list-style-type: none"> – an explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of the issuer; and – a general description of the financial position and performance of the issuer during the relevant period. There is no requirement to present a balance sheet or an income statement. <p>The Disclosure and Transparency Rules are effective for accounting years beginning on or after 20 January 2007. Listed issuers who do not produce quarterly financial reports should provide quarterly management statements.</p>
Note 3	<p>Based on information available from the Tokyo Stock Exchange’s website, beginning with financial years starting on or after 1 April 2008, companies listed on the Tokyo Stock Exchange will need to publish quarterly financial reports, which should include a consolidated balance sheet and a consolidated income statement.</p>
Note 4	<p>A listed entity is required to send its annual report to the Australian Securities Exchange (Rule 4.7) as well as holders of its ordinary and preference shares (Rule 4.6) within four months of the end of its financial year.</p>
Note 5	<p>A listed issuer is required to send its annual report to its shareholders and to the Singapore Stock Exchange at least 14 days before the date of its AGM but in any event not later than three months after the financial year end (Rule 707).</p>

Half-year reporting deadlines for Main Board issuers

15. By shortening the reporting deadlines for half-year financial reporting to two months or 60 days after the period end, the Main Board Rules will move towards practices adopted by other overseas stock exchanges, including the New York, London, Frankfurt, Toronto, Australian, Singapore, Shanghai and Shenzhen stock exchanges.
16. To understand the potential impact of its proposals, the Exchange has reviewed the reporting pattern of Main Board issuers for the years 2005 and 2006 with respect to how quickly they have released their half-year results announcements. The findings, analysed by market capitalisation above and below \$10 billion, are set out in Table 4 below.

Table 4: Pattern of release of half-year results announcements by Main Board issuers

Release of announcements – number of days after half-year end accounting reference date	2006		2005	
	Release of half-year results announcements			
	Market cap. over \$10 billion	Market cap. below \$ 10 billion	Market cap. over \$10 billion	Market cap. below \$10 billion
1-30	2%	0%	2%	0%
31-60	58%	22%	46%	21%
61-90	40%	76%	52%	77%
Over 90 (delay)	0%	2%	0%	2%
Total	100%	100%	100%	100%

17. As revealed in Table 4 above, in 2006 approximately 60% of listed issuers with a market capitalisation of more than \$10 billion were able to release their half-year results within 60 days (approximately two months) after the relevant period end. These issuers should therefore be able to comply with the shortened reporting deadline without much difficulty as they are currently meeting this standard on a voluntary basis. The remaining 40% of listed issuers with a market capitalisation of more than \$10 billion will be required to accelerate their reporting timetable by up to one month in order to comply with the proposed new Rule.
18. In respect of listed issuers with a market capitalisation of less than \$10 billion, Table 4 shows that in 2006 78% will be required to accelerate their reporting timetable by one to two months in order to comply with the proposed new Rule. Issuers with a market capitalisation of less than \$10 billion will require additional time to prepare for the new deadline and it is therefore proposed that they will be given an additional period of two years to prepare for the new reporting timetable.

Consultation proposals

19. To promote transparency and to be in line with other international markets, the Exchange proposes to shorten the time allowed for the release of half-year results announcements and reports from three months to two months.
20. In order to allow sufficient time for Main Board issuers to prepare for the new half-year reporting deadline, the Exchange proposes that the new requirements shall be introduced as follows:
 - (a) “large companies” (see paragraph 21 below) will be required to comply with the new Rules first; and
 - (b) other companies will be allowed a transitional period of two years to meet the new deadline.

21. The Exchange proposes that “large companies” will mean:
- listed issuers with a market capitalisation (*being the closing price at 31 December 2006 of the issuer’s shares traded on the Exchange multiplied by the total number of all issued shares of the issuer at the same date including unlisted shares and shares that are listed on other regulated markets*) of \$10 billion or more as at 31 December 2006; and
 - in the case of issuers that are newly listed on or after 1 January 2007 – those with an initial market capitalisation (*being IPO subscription price per share multiplied by the total number of all issued shares of the issuer including unlisted shares and shares that are listed on other regulated markets*) of \$10 billion or more on the date of listing.
22. It is proposed that “large companies” will be required to comply with the new Rules starting from their half-year accounting periods ending on or after 30 June 2008. The other companies will be required to comply with the new Rules from their half-year accounting periods ending on or after 30 June 2010.
23. Table 5 below sets out an analysis of Main Board issuers by market capitalisation as at 31 December 2006. Setting “large companies” at a market capitalisation of \$10 billion or more will capture 170 listed companies which represented 94% of the combined market capitalisation of all Main Board issuers as at 31 December 2006.

Table 5: Analysis of Main Board issuers by market capitalisation as at 31 December 2006

Market capitalisation as at 31 December 2006 (\$ million)	Number of listed issuers	Cumulative figures		
		Total number of listed issuers	As a percentage of:	
			total number of issuers	total market capitalisation
10,000 and above	170	170	17.4	94.4
Between 5,001 and 10,000	60	230	23.6	96.4
Between 2,001 and 5,000	126	356	36.5	98.4
Between 1,001 and 2,000	109	465	47.7	99.1
Between 501 and 1,000	146	611	62.6	99.6
Between 101 and 500	275	886	90.9	99.9
Below 100	89	975	100	100
Total	975			

24. Appendix 1 sets out the Main Board issuers that will be regarded as “large companies”, including newly listed companies up to 31 July 2007.

Consultation questions

25. *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? Please state reasons for your views.

26. *Question 2:* Do you agree that the new reporting deadlines should be introduced in phases; specifically:
- “large companies” being required to comply with the new Rules first; and
 - to allow a transitional period of two years for other companies to meet the new deadlines?

Please state reasons for your views.

27. *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 on or after 1 January 2007, those with an initial market capitalisation of \$10 billion or more on the date of listing? Please state reasons for your views.

28. *Question 4:* Do you agree that the commencement dates for the accelerated reporting deadlines for half-year reporting for Main Board issuers should be:

- “large companies” – half-year accounting periods ending on or after 30 June 2008;
- other companies – half-year accounting periods ending on or after 30 June 2010?

Please state reasons for your views. Please also comment, including reasons, if you have other suggested commencement dates.

Annual reporting deadlines for Main Board issuers

29. In respect of annual financial reporting, Table 3 above shows that there continues to be some diversity in the reporting deadlines required by overseas exchanges. Major overseas stock exchanges, including the New York, Toronto, Australian and Singapore stock exchanges require listed issuers to release their annual results no later than 90 days after the year end. The PRC, London and Frankfurt stock exchanges, however, have a longer reporting deadline of 120 days after the year end.
30. To understand the potential impact of its proposals, the Exchange has also reviewed the reporting pattern of Main Board issuers for the years 2005 and 2006 in relation to how quickly they have released their annual results announcements. The findings, analysed by market capitalisation above and below \$10 billion, are set out in Table 6 below.

Table 6: Pattern of release of annual results announcements by Main Board issuers

Release of announcements – number of days after year end	2006		2005	
	Release of annual results announcements			
	Market cap. over \$10 billion	Market cap. below \$10 billion	Market cap. over \$10 billion	Market cap. below \$10 billion
1-30	0%	0%	0%	0%
31-60	8%	2%	10%	2%
61-90	60%	17%	58%	19%
91-120	32%	79%	32%	77%
Over 120 (delay)	0%	2%	0%	2%
Total	100%	100%	100%	100%

31. As revealed in Table 6 above, in 2006 approximately 68% of listed issuers with a market capitalisation of more than \$10 billion were able to release their annual results within 90 days (approximately three months) after the financial year end. These issuers should therefore be able to comply with the shortened reporting deadline without much difficulty as they are currently meeting this standard on a voluntary basis. The remaining 32% of listed issuers with a market capitalisation of more than \$10 billion will be required to accelerate their reporting timetable by up to one month in order to comply with the proposed new Rule.
32. In respect of listed issuers with a market capitalisation of less than \$10 billion, Table 6 shows that, based on 2006, 81% will be required to accelerate their reporting timetable by one to two months in order to comply with the proposed new Rule. Issuers with a market capitalisation of less than \$10 billion will require additional time to prepare for the new deadline and it is therefore proposed that they will be given an additional period of two years to prepare for the new reporting timetable.

Consultation proposals

33. To promote transparency and to be in line with other international markets, the Exchange proposes to shorten the time allowed for the release of annual results announcements and reports from four months to three months.
34. To reduce the impact of implementation of the new requirements, the Exchange proposes that the new annual reporting deadlines will be implemented on a phased basis as follows:
 - (a) “large companies” will be required to comply with the new Rules first; and
 - (b) there will be a transitional period of two years for other companies to meet the new deadline.
35. The Exchange proposes that for “large companies” the new accelerated deadline for annual reporting should become effective from their annual accounting periods ending on or after 31 December 2008.
36. The Exchange does not propose any amendment to the reporting deadlines for half-year and annual reporting for GEM issuers because they are already more stringent and are set at 45 days and three months, respectively, after the relevant period.
37. At this stage, the Exchange also does not propose any amendments to the content of disclosures required in half-year and annual reporting for both Main Board and GEM issuers. However, the Exchange will monitor developments and keep the matter under review.

Consultation questions

38. *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? Please state reasons for your views.
39. *Question 6:* Do you consider that the new three month reporting deadline should be introduced in phases such that:
 - (a) “large companies” 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?Please state reasons for your views.

40. *Question 7:* 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? Please state reasons for your views.
41. *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?

Please state reasons for your views. Please also comment, including reasons, if you have other suggested commencement dates.

CHAPTER 3 INTRODUCTION OF MANDATORY QUARTERLY REPORTING FOR MAIN BOARD ISSUERS

42. As discussed at paragraphs 1 to 5 above, the introduction of quarterly reporting for Main Board issuers was the subject of consultation in 2002. At that time the Exchange decided that it would not be introduced but said that it would keep the matter under review.
43. In March 2004, the Exchange introduced recommended good practices in the form of the Code on Corporate Governance Practices (the Code). These, together with reporting on the practices set out in the Code, are included in Appendices 14 and 23 of the Main Board Rules. The Code, which became effective in 2005, recommends that as a matter of good practice a listed issuer should announce and publish quarterly results announcements not later than 45 days after the end of the relevant quarter.
44. In light of developments in overseas markets and in view of the increasing trend of dual “A” and “H” share listings and increased cross border capital flows with Hong Kong, the Exchange believes that it is now an appropriate time to introduce mandatory quarterly reporting for Main Board issuers.
45. There is a worldwide trend towards some form of mandatory quarterly reporting and the securities markets in the US and some markets in Asia, including the PRC, have already adopted quarterly reporting. The UK and European capital markets have also introduced similar obligations which became effective from 20 January 2007. The introduction of mandatory quarterly reporting for Main Board issuers would therefore bring our reporting standards in line with international best practices.
46. Mandatory quarterly financial information provides for better investor protection as investors would be able to monitor the performance of listed issuers more closely and would be in a better position to make more timely decisions. The provision of quarterly financial information would also contribute to increased transparency and market efficiency as capital would be allocated to companies that demonstrate that they are well managed, profitable and follow best corporate governance practices.
47. Although some respondents to the 2002 consultation indicated that quarterly reporting may lead to a short-term focus and undermine their long-term strategy, a contrary view is that quarterly reporting will provide listed issuers with an opportunity to further explain their long-term strategy and the impacts of recent events and transactions on that strategy. Concerns about short-termism are usually more pronounced when issuers also provide regular earnings guidance but such a practice is seldom witnessed in the Hong Kong market.
48. Some issuers argued in their replies to the 2002 consultation that ad-hoc disclosure of price-sensitive information would be sufficient. In other words, there is no need to enhance the frequency of interim reporting if the ad-hoc disclosure regime is well functioning. In such circumstances ad-hoc disclosure would act as an alternative to quarterly reporting and also address concerns about the development of an information asymmetry between management, insiders and the investing public.
49. The UK is generally regarded as enjoying a mature and well functioning ad-hoc disclosure regime and similar arguments were deployed by the UK government and UK institutions in the European debate about transparency and quarterly financial reporting which was in progress in 2002. In this debate the European Commission noted that cultural differences between markets mean that issuers’ practices on the means and frequency with which they disclose information to the public on an ad-hoc basis vary considerably.

50. There are comments from the market that issuers in the UK are more willing to release to the market on a voluntary basis ad-hoc financial information but in Hong Kong there is generally not a practice to do so. It has also been commented that when the issue of quarterly reporting was debated in Europe in 2002, based on statistics available for 2001, it was noted that about 170,000 notices of all types of financial information were released by approximately 4,000 companies in the UK (equating to an average of 42.5 notices per company for the calendar year 2001) whereas 700 companies in Germany issued only about 7,300 notices of financial information (an average of 10.4 notices per company).
51. The European Commission argued that relying more on ad-hoc disclosure in future might have an adverse impact as it might strengthen differences in market practices and would create barriers for investors seeking access to information across borders. Indeed, investors would not know when and what information they could expect because ad-hoc disclosure neither provides an accurate overview of the results and financial position of an issuer nor a continuous and structured flow of information about the company's activity in the course of a financial year.
52. Quarterly reporting on a voluntary basis or only for segments of a market might be appropriate in a single market where the level of cross-border capital flows is modest. However, as investors tend to measure business performance according to the industry concerned and where there are increased cross-border capital flows, the need for comparable information for all companies operating in the same sector becomes compelling.
53. The increase in capital flows between Hong Kong, the Mainland China markets (where quarterly reporting is mandatory) and other markets can be expected to further increase investor demands for comparable financial information and reinforces the need for the Exchange to address this issue by introducing mandatory quarterly reporting.
54. Furthermore, although mandatory quarterly reporting may lead to some additional costs, listed issuers should already have in place efficient financial reporting systems for half-year and annual reporting. A reliable accounting system is essential for enabling management to manage a company efficiently and effectively. The production of reliable information on a quarterly basis will be an indicator of management's ability to closely manage the company and should enhance investors' confidence in management.
55. On the question of the form and content of quarterly reporting, the securities markets in the US and some markets in Asia, including the Mainland, have adopted formal quarterly reporting which require the presentation of key statements such as an income statement and a balance sheet. A comparison of the quarterly disclosure requirements in overseas markets is set out in Table 7 below.

Table 7: Comparison of existing Rule requirements with other international securities markets regarding financial information in quarterly reports as at 31 July 2007

Financial Information included in Quarterly Reports	Hong Kong Stock Exchange		Shanghai and Shenzhen Stock Exchanges	New York Stock Exchange	London Stock Exchange	Frankfurt Stock Exchange	Toronto Stock Exchange	Tokyo Stock Exchange	Australian Securities Exchange	Singapore Stock Exchange
	Main Board	GEM								
1. Consolidated income statement	N/A	√	√ (Note 1)	√	N/A	√	√	√	N/A	√
2. Consolidated balance sheet	N/A	N/A	√ (Note 1)	√	N/A	√	√	√	N/A	√
3. Consolidated cash flow statement	N/A	N/A	√ (Note 1)	√ Change in financial position	N/A	√	√	N/A	√ (Note 3)	√
4. Changes in equity	N/A	N/A	N/A	N/A	N/A	√	N/A	N/A	N/A	√
5. Commentary	N/A	√ An explanatory statement on performance	√ Business review	√ MD&A	√ (Note 2)	√ Business prospects	√ MD&A	N/A	N/A	√ Review of performance

√ : Required

N/A: Not required

Table 7: (continued)

Note 1	Listed companies in the Mainland are required to attach their consolidated income statement, balance sheet and cash flow statement to their quarterly reports.
Note 2	<p>Under the Disclosure and Transparency Rule 4.3, companies listed on the London Stock Exchange are required to produce two interim management statements during the six month period between the publication of its annual and interim results. Such statements must be made no earlier than 10 weeks after the beginning of the six month period and no later than six weeks before the end of the six month period. It shall contain information covering the period between the beginning of the relevant six month period and the date of publication of the statement. Such statements shall provide:</p> <ul style="list-style-type: none"> – an explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of the issuer; and – a general description of the financial position and performance of the issuer during the relevant period. There is no requirement to present a balance sheet or an income statement. <p>The Disclosure and Transparency Rules are effective for accounting years beginning on or after 20 January 2007. Listed issuers who do not produce quarterly financial reports should provide quarterly management statements.</p>
Note 3	<p>Only mining exploration entities listed on the Australian Securities Exchange are required to provide quarterly reports containing a consolidated statement of cash flows. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to the report.</p>

56. The UK and European capital markets have recently implemented the Transparency Directive, which is designed to enhance transparency on European capital markets by establishing minimum requirements for periodic financial reporting. The new rules became effective for the accounting periods beginning on or after 20 January 2007. Under the UK disclosure and transparency rules, listed issuers that do not publish formal quarterly reports are required to provide narrative “management statements” during the six month period between the publication of its annual and half-year results. The UK management statements however do not cover a uniform accounting period of three months but must contain:
- (a) an explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of the issuer; and
 - (b) a general description of the financial position and performance of the issuer during the relevant period.
57. Under the UK rules, there is currently no requirement to present a balance sheet or an income statement in a management statement. The content of management statements will depend on the circumstances of each listed issuer and issuers are expected to use their judgment on what information they believe is important and how it should be presented in their management statements. Listed issuers may however elect to include formal statements, such as a balance sheet and an income statement in their management statements.
58. For the reasons stated in paragraphs 44 to 57 above, the Exchange considers that for Hong Kong it would not be preferable to allow Main Board listed issuers to have a choice on the form and content of quarterly reporting as is permitted under the UK rules.
59. Taking into account the need for timeliness, the Exchange is also of the view that the minimum level of disclosure for quarterly reporting could be less than that currently required for half-year and annual reporting. Quarterly reporting should nevertheless contain key information which would enable its readers to make a reasonable assessment of a listed issuer’s financial performance and position and its prospects. Such information should include a condensed consolidated income statement, a condensed consolidated balance sheet, a condensed consolidated cash flow statement and a narrative business review.
60. There are different views on what detailed information should be provided in the income statement of a third quarter report. For example, whether all the following information should be provided in a third quarter income statement of a listed issuer with a 31 December 2007 year end:

Quarterly income statement for		2007	2006
a.	the first quarter	3 months from 1 January to 31 March	3 months from 1 January to 31 March
b.	immediately preceding quarter	3 months from 1 April to 30 June	3 months from 1 April to 30 June
c.	current quarter	3 months from 1 July to 30 September	3 months from 1 July to 30 September
d.	cumulative year-to-date	9 months from 1 January to 30 September	9 months from 1 January to 30 September

61. Under the current GEM Rules, a quarterly report is only required to contain information relating to the “current quarter” as well as the “cumulative year-to-date”, together with comparative figures for the previous financial year. This is in line with most overseas markets. However, there are comments that information on the “first quarter” and “immediately preceding quarter” would be helpful as this would show fluctuations in a listed issuer’s financial performance from quarter to quarter. The Exchange believes that these additional disclosures may make the disclosures unduly complex and burdensome to read. Nevertheless the Exchange seeks views on whether the additional information should be provided.
62. The Exchange proposes to keep the content of the quarterly reports to a minimum (see further discussion at paragraph 66 below). For example, the Exchange does not propose to include mandatory disclosure of information relating to interests of certain persons (including directors) in securities (within the meaning of Part XV of the Securities and Futures Ordinance which is readily available from the HKEx website at <http://www.hkex.com.hk/invest/di/di.htm> under Investor/Disclosure of Interests), and the on-going financial exposure and disclosures on share repurchases currently required for GEM quarterly reporting. Such information nevertheless may be disclosed if the information is regarded as significant in understanding the listed issuer’s performance and financial position.
63. The Exchange believes that the introduction of mandatory quarterly reporting for Main Board issuers would promote better corporate governance and transparency and bring Hong Kong reporting standards in line with international best practices. Although mandatory quarterly reporting may lead to some additional costs for listed issuers, the amounts involved should not be substantial if efficient reporting systems are already in place. Currently, there is no mandatory requirement for interim reports to be audited or reviewed by external auditors and it is not proposed that there should be a requirement for a mandatory audit or review of the proposed quarterly reports.

Consultation proposals

64. As an environmental and cost measure, the Exchange proposes that printing and mailing of hard copies of quarterly reports to all shareholders will not be required. Copies would be available to shareholders on request. Listed issuers will be required to publish their quarterly reports on the HKEx website and the listed issuer’s own website.
65. The Exchange proposes to require Main Board issuers to publish quarterly reports within 45 days after the financial period end to bring the Main Board disclosure requirements more in line with practices adopted by other major overseas stock exchanges and in the GEM Rules. Quarterly reports refers to reporting on the first quarter and the third quarter (e.g. for a listed issuer with a December 2007 year end, the period from 1 January 2007 to 31 March 2007 and the period from 1 July 2007 to 30 September 2007, respectively). Whilst the Exchange proposes that the deadline for Main Board quarterly reporting should be 45 days after the financial period end consistent with the existing GEM regime, the Exchange does invite comment regarding whether this deadline is appropriate. (Please refer to consultation question 10 below. See also consultation question 19 regarding whether the reporting deadline for GEM quarterly reports should be changed.) In raising this issue the Exchange is mindful that:
 - (a) there are more extensive disclosures required in the new quarterly reports than in the current GEM quarterly reports – currently, GEM quarterly reports only require the disclosure of a profit and loss account; and

- (b) members of the accounting and auditing profession have voiced concerns on the anticipated practical difficulties if a 45 day deadline is imposed. Although the new quarterly reports will not be required to be reviewed by external auditors, the auditing profession envisages that many listed issuers will request them to do so. There are also concerns that a deadline of 45 days for the new quarterly reports together with the proposed shortened deadlines for annual and half-year reporting will exacerbate the problem of the serious shortage of accountants faced by the accounting and auditing profession in Hong Kong.
66. The Exchange proposes that quarterly reports, which would be unaudited, should include the key information set out in Table 8. In summary, this will include the following key information:
- (a) a condensed consolidated income statement, with comparatives;
 - (b) a condensed consolidated balance sheet, with comparatives;
 - (c) a condensed consolidated cash flow statement, with comparatives;
 - (d) a concise and fair business review covering the following:
 - (i) a review of significant developments of the business of the listed issuer and its subsidiaries (the Group) during the financial period and of the financial position of the Group at the end of the period;
 - (ii) details of important events and transactions affecting the Group which have occurred between the end of the financial period and the date the report is released i.e. details of significant post balance sheet events; and
 - (iii) an indication of future developments in the business of the Group, including prospects for the current financial year.
67. In order to allow sufficient time for Main Board issuers to prepare for the new quarterly reporting requirements, the Exchange proposes that the new Rules should be introduced in phases:
- (a) “large companies” (see paragraph 69 below) will be required to comply with the new Rules first; and
 - (b) other companies will be allowed a transitional period of two years to meet the new requirements.
68. “Large companies” will be required to comply with the new Rules starting from their three months quarterly accounting periods ending on or after 30 September 2008. The other companies will be required to comply with the new Rules two years later (i.e. starting from their three months quarterly accounting periods ending on or after 30 September 2010).
69. For these purposes “large companies” will have the same meaning as set out at paragraph 21 above.

Table 8: Proposed disclosures in quarterly reports for Main Board issuers

Each quarterly report shall include the following key information in respect of the issuer:

A. Financial information

- (1) a condensed consolidated income statement (*for the current three-month period and cumulatively for the current financial year to date, with comparative figures for the comparable periods of the immediately preceding financial year*) containing as a minimum the following components:
 - (a) total revenue;
 - (b) total expenses (showing separately costs of goods sold);
 - (c) share of profits (or losses) of associated companies and jointly controlled entities after tax;
 - (d) profit (or loss) before taxation;
 - (e) taxation on profits (Hong Kong and overseas) in each case indicating basis of computation;
 - (f) profit (or loss) for the period;
 - (g) profit (or loss) attributable to shareholders of the issuer;
 - (h) profit (or loss) attributable to minority interests;
 - (i) earnings per share; and
 - (j) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);
- (2) a condensed consolidated balance sheet (*as at the end of the current three-month period, with comparative figures for the balance sheet as at the end of the immediately preceding financial year*) containing as a minimum the following components:
 - (a) non-current assets;
 - (b) current assets;
 - (c) total assets;
 - (d) non-current liabilities;
 - (e) current liabilities;
 - (f) total liabilities;
 - (g) share capital;
 - (h) reserves;
 - (i) minority interests; and
 - (j) total equity;

(3) a condensed consolidated cash flow statement (*for the current three-month period and cumulatively for the current financial year to date, with comparative figures for the comparable periods of the immediately preceding financial year*) containing as a minimum the following components:

- (a) net cash from operating activities (*see Remark*);
- (b) net cash used in investing activities;
- (c) net cash used in financing activities;
- (d) net increase in cash and cash equivalents; and
- (e) cash and cash equivalents at beginning and at end of period;

(Remark: a reconciliation from profit (or loss) before taxation to net cash from operating activities should be provided.)

(4) where there are any changes in accounting policies, a description of the nature and effects of the change must be made. A listed issuer should apply the same accounting policies in its quarterly financial information as are applied in its annual financial statements, except where the change in accounting policy is required / permitted by an accounting standard which came into effect during the reporting period.

B. A business review, covering the following:

- (1) a review of significant developments of the business of the listed issuer and its subsidiaries (the Group) during the financial period and of the financial position of the Group at the end of the period;
- (2) details of important events and transactions affecting the Group which have occurred between the end of the financial period and the date the report is released; and
- (3) an indication of future developments in the business of the Group, including prospects for the current financial year.

The business review should be clear and concise and it should provide a fair analysis of the performance and financial position of the Group including brief details of material factors which have influenced the issuer's results. The business review should not be overly brief as extreme brevity may make the analysis appear biased or misleading.

C. Any supplementary information which is necessary for a reasonable appreciation of the results for the period and the financial position at the end of the period, and explanations for significant changes from the previous period.

D. An explanatory statement relating to the activities of the Group and profit (or loss) during the relevant period which must include any significant information enabling investors to make an informed assessment of the trend of the activities and profit (or loss) of the Group together with an indication of any special factor which has influenced those activities and the profit (or loss) during the period in question, and enable a comparison to be made with the corresponding period of the preceding financial year and must also, as far as possible, refer to the prospects of the Group in the current financial year.

E. A statement as to whether the quarterly report has been reviewed by the Audit Committee in accordance with paragraph C.3.3 of the Code on Corporate Governance Practices.

- F. Where the quarterly report has been audited or reviewed by the listed issuer's external auditor and his report is qualified or modified (whether or not it is also qualified) details of the qualification or modification must be disclosed.

For illustrative purposes

Specimen Condensed Consolidated Balance Sheet – Third Quarter 2008

	Unaudited as at 30/9/08	Audited as at 31/12/2007
Non-current assets	X	X
Current assets	X	X
Total assets	X	X
Non-current liabilities	X	X
Current liabilities	X	X
Total liabilities	X	X
Share capital	X	X
Reserves	X	X
	X	X
Minority interests	X	X
Total equity	X	X

For illustrative purposes

Specimen Condensed Consolidated Income Statement – Third Quarter 2008

	Unaudited			
	9 months ended 30/9/08	9 months ended 30/9/07	3 months ended 30/9/08	3 months ended 30/9/07
Total revenue	X	X	X	X
Total expenses				
– Costs of goods sold	(X)	(X)	(X)	(X)
– Others	(X)	(X)	(X)	(X)
	X	X	X	X
Share of profits less losses of associates/jointly controlled entities after tax	X	X	X	X
Profit before taxation	X	X	X	X
Taxation – Hong Kong	(X)	(X)	(X)	(X)
– Overseas	(X)	(X)	(X)	(X)
Profit for the period	X	X	X	X
Attributable to:–				
Equity holders of the issuer	X	X	X	X
Minority interests	X	X	X	X
	X	X	X	X
Earnings per share	X	X	X	X
Interim dividend				
Amount paid/proposed	X	X	X	X
Rate per share	X	X	X	X

For illustrative purposes

Specimen Condensed Consolidated Cash Flow Statement – Third Quarter 2008

	Unaudited			
	9 months ended 30/9/08	9 months ended 30/9/07	3 months ended 30/9/08	3 months ended 30/9/07
Net cash from operating activities <i>(see Remark)</i>	X	X	X	X
Net cash used in investing activities	(X)	(X)	(X)	(X)
Net cash used in financing activities	(X)	(X)	(X)	(X)
Net increase in cash and cash equivalents	X	X	X	X
Cash and cash equivalents at beginning of period	X	X	X	X
Cash and cash equivalents at end of period	X	X	X	X

Remark: a reconciliation from profit (or loss) before taxation to net cash from operating activities should be provided.

Consultation questions

70. *Question 9:* Do you agree that mandatory quarterly reporting should be introduced for Main Board issuers? Please state reasons for your views.
71. *Question 10:* Do you agree that Main Board issuers should publish their quarterly reports within 45 days after the period end? 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.
72. *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? 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.
73. *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?
- Please state reasons for your views.
74. *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 above):
- (a) the first quarter results; and
 - (b) immediately preceding quarter results?

Please state reasons for your views.

75. *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? Please state reasons for your views.

76. *Question 15:* Do you agree that the new quarterly reporting requirements should be introduced in phases with:

- (a) "large companies" 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?

Please state reasons for your views.

77. *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.

Please state reasons for your views. Please also comment, including reasons, if you have other suggested commencement dates.

CHAPTER 4 ALIGNMENT OF GEM DISCLOSURE RULES ON QUARTERLY REPORTING TO PROPOSED MAIN BOARD QUARTERLY REPORTING REQUIREMENTS

78. The introduction of mandatory quarterly reporting for Main Board issuers will result in differences between disclosures required by Main Board issuers and those required by GEM issuers. The main differences relate to the following items:
- (a) the GEM Rules currently do not require the following to be presented:
 - (i) a condensed consolidated balance sheet;
 - (ii) a condensed consolidated cash flow statement; and
 - (iii) a business review;
 - (b) GEM quarterly reports require the following but these are not proposed to be required in the Main Board quarterly reports:
 - (i) Rules 18.69 to 18.71C – information relating to interests of certain persons (including directors) in securities (within the meaning of Part XV of the Securities and Futures Ordinance);
 - (ii) Rule 18.73 – information relating to on-going financial exposure to borrowers and other on-going matters under GEM Rules 17.22 to 17.24. These include advances to an entity, financial assistance and guarantees to affiliated companies, pledging of shares by a controlling shareholder, and loan agreements with covenants relating to specific performance of the controlling shareholder;
 - (iii) Rule 18.79(10) – particulars of any purchase, sale or redemption by the issuer or any of its subsidiaries, of its listed securities during the relevant period.
79. The Exchange is of the view that the disclosure requirements for quarterly reporting of Main Board and GEM issuers should be consistent as far as possible. In light of the proposed disclosure requirements for Main Board issuers outlined in paragraph 66 above and those set out in detail in Table 8, the Exchange proposes to amend the GEM Rules to align them with the proposed Main Board requirements such that:
- (a) GEM quarterly reports will need to include:
 - (i) a condensed consolidated income statement;
 - (ii) a condensed consolidated balance sheet;
 - (iii) a condensed consolidated cash flow statement; and
 - (iv) a business review;
 - (b) information requirements in paragraph 78(b) above will be removed from GEM quarterly reporting. Such information will, however, continue to be provided by GEM issuers in their half-year and annual reports; and
 - (c) printing and posting of hard copies of quarterly reports to shareholders will no longer be required.

Consultation proposals

80. The Exchange proposes to amend the GEM Rules to align the disclosure requirements and reporting deadline for GEM quarterly reporting to be the same as the proposed quarterly reporting requirements for Main Board issuers.
81. In order to allow sufficient time for GEM issuers to prepare for the new disclosure requirements on quarterly reporting, the Exchange proposes that the new disclosure requirements should start from their three months quarterly accounting periods ending on or after 30 September 2010.

Consultation questions

82. *Question 17:* Do you agree that the same disclosure and publication requirements for quarterly reporting should apply to Main Board and GEM issuers? Please state reasons for your views.
83. *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? Please state reasons for your views.
84. *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? Please state reasons for your views.

APPENDIX 1 LIST OF MAIN BOARD ISSUERS THAT WILL BE REGARDED AS “LARGE COMPANIES” (AS AT 31 JULY 2007)

(See paragraph 21 of the consultation paper.)

	Listed companies with market capitalisation of \$10 billion or more as at 31 December 2006	Stock code
1	Agile Property Holdings Limited	3383
2	Air China Limited	0753
3	Aluminum Corporation of China Limited	2600
4	Angang Steel Company Limited (formerly known as “Angang New Steel Company Limited”)	0347
5	Anhui Conch Cement Company Limited	0914
6	Anhui Expressway Company Limited	0995
7	ASM Pacific Technology Limited	0522
8	Bank of China Limited	3988
9	Bank of Communications Co., Ltd.	3328
10	Beijing Capital International Airport Company Limited	0694
11	Beijing Enterprises Holdings Limited	0392
12	Beijing North Star Company Limited	0588
13	BOC Hong Kong (Holdings) Limited	2388
14	BYD Company Limited	1211
15	Cathay Pacific Airways Limited	0293
16	Chaoda Modern Agriculture (Holdings) Limited	0682
17	Cheung Kong (Holdings) Limited	0001
18	Cheung Kong Infrastructure Holdings Limited	1038
19	China BlueChemical Ltd.	3983
20	China Coal Energy Company Limited	1898
21	China Communications Construction Company Limited	1800
22	China Communications Services Corporation Limited	0552
23	China Construction Bank Corporation	0939
24	China COSCO Holdings Company Limited	1919
25	China Everbright Limited	0165
26	China Insurance International Holdings Company Limited	0966
27	China Life Insurance Company Limited	2628
28	China Mengniu Dairy Company Limited	2319
29	China Merchants Bank Co., Ltd.	3968
30	China Merchants Holdings (International) Company Limited	0144
31	China Mobile Limited	0941
32	China National Building Material Company Limited	3323
33	China Netcom Group Corporation (Hong Kong) Limited	0906
34	China Oilfield Services Limited	2883
35	China Overseas Land & Investment Ltd.	0688
36	China Petroleum & Chemical Corporation	0386

Appendix 1 List of Main Board issuers that will be regarded as “large companies” (as at 31 July 2007)

	Listed companies with market capitalisation of \$10 billion or more as at 31 December 2006	Stock code
37	China Power International Development Limited	2380
38	China Resources Enterprise, Limited	0291
39	China Resources Land Limited	1109
40	China Resources Power Holdings Company Limited	0836
41	China Shenhua Energy Company Limited	1088
42	China Shipping Container Lines Company Limited	2866
43	China Shipping Development Company Limited	1138
44	China Southern Airlines Company Limited	1055
45	China Telecom Corporation Limited	0728
46	China Travel International Investment Hong Kong Limited	0308
47	China Unicom Limited	0762
48	China Yurun Food Group Limited	1068
49	Chinese Estates Holdings Limited	0127
50	CITIC International Financial Holdings Limited	0183
51	CITIC Pacific Limited	0267
52	CLP Holdings Limited	0002
53	CNOOC Limited	0883
54	CNPC (Hong Kong) Limited	0135
55	COFCO International Limited	0506
56	COSCO Pacific Limited	1199
57	Dah Sing Banking Group Limited	2356
58	Dah Sing Financial Holdings Limited	0440
59	Dalian Port (PDA) Company Limited	2880
60	Datang International Power Generation Co., Ltd.	0991
61	Denway Motors Limited	0203
62	Dongfeng Motor Group Company Limited	0489
63	Esprit Holdings Limited	0330
64	First Pacific Company Limited	0142
65	Foxconn International Holdings Limited	2038
66	FU JI Food and Catering Services Holdings Limited	1175
67	Galaxy Entertainment Group Limited	0027
68	Golden Eagle Retail Group Limited	3308
69	Gome Electrical Appliances Holding Limited	0493
70	Great Eagle Holdings Limited	0041
71	Greentown China Holdings Limited	3900
72	Guangdong Investment Limited	0270
73	Guangshen Railway Company Limited	0525
74	Guangzhou Investment Company Limited	0123
75	Guangzhou R&F Properties Co., Ltd.	2777
76	Guoco Group Limited	0053

Appendix 1 List of Main Board issuers that will be regarded as “large companies” (as at 31 July 2007)

	Listed companies with market capitalisation of \$10 billion or more as at 31 December 2006	Stock code
77	Hang Lung Group Limited	0010
78	Hang Lung Properties Limited	0101
79	Hang Seng Bank Limited	0011
80	Harbin Power Equipment Company Limited	1133
81	Henderson Investment Limited	0097
82	Henderson Land Development Company Limited	0012
83	Hengan International Group Company Limited	1044
84	Hong Kong Aircraft Engineering Company Limited	0044
85	Hong Kong Exchanges and Clearing Limited	0388
86	Hongkong Electric Holdings Limited	0006
87	Hopewell Highway Infrastructure Limited	0737
88	Hopewell Holdings Limited	0054
89	Hopson Development Holdings Limited	0754
90	HSBC Holdings plc	0005
91	Huabao International Holdings Limited	0336
92	Huadian Power International Corporation Limited	1071
93	Huaneng Power International, Inc.	0902
94	Hunan Nonferrous Metals Corporation Limited	2626
95	Hutchison Telecommunications International Limited	2332
96	Hutchison Whampoa Limited	0013
97	Hysan Development Company Limited	0014
98	Industrial and Commercial Bank of China Limited	1398
99	Industrial and Commercial Bank of China (Asia) Limited	0349
100	Jiangsu Expressway Company Limited	0177
101	Jiangxi Copper Company Limited	0358
102	Johnson Electric Holdings Limited	0179
103	Kerry Properties Limited	0683
104	Kingboard Chemical Holdings Limited	0148
105	Kingboard Laminates Holdings Limited	1888
106	Kowloon Development Company Limited	0034
107	Lee & Man Paper Manufacturing Limited	2314
108	Lenovo Group Limited	0992
109	Li & Fung Limited	0494
110	Li Ning Company Limited	2331
111	Lifestyle International Holdings Limited	1212
112	Maanshan Iron & Steel Company Limited	0323
113	Manulife Financial Corporation	0945
114	Melco International Development Limited	0200
115	MTR Corporation Limited	0066
116	New World China Land Limited	0917

Appendix 1 List of Main Board issuers that will be regarded as “large companies” (as at 31 July 2007)

	Listed companies with market capitalisation of \$10 billion or more as at 31 December 2006	Stock code
117	New World Development Company Limited	0017
118	Nine Dragons Paper (Holdings) Limited	2689
119	NWS Holdings Limited	0659
120	Orient Overseas (International) Limited	0316
121	Parkson Retail Group Limited	3368
122	PCCW Limited	0008
123	Petrochina Company Limited	0857
124	PICC Property and Casualty Company Limited	2328
125	Ping An Insurance (Group) Company of China, Ltd.	2318
126	Prime Success International Group Limited	0210
127	Samson Holding Ltd.	0531
128	Semiconductor Manufacturing International Corporation	0981
129	Shanghai Electric Group Company Limited	2727
130	Shanghai Industrial Holdings Limited	0363
131	Shanghai Jin Jiang International Hotels (Group) Company Limited	2006
132	Shangri-La Asia Limited	0069
133	Shenzhen Expressway Company Limited	0548
134	Shimao Property Holdings Limited	0813
135	Shui On Land Limited	0272
136	Shun Tak Holdings Limited	0242
137	Sino Land Company Limited	0083
138	Sinofert Holdings Limited (formerly known as “Sinochem Hong Kong Holdings Limited”)	0297
139	Sinopec Shanghai Petrochemical Company Limited	0338
140	Sinotrans Limited	0598
141	Standard Chartered PLC	2888
142	Star Cruises Limited	0678
143	Sun Hung Kai & Co. Limited	0086
144	Sun Hung Kai Properties Limited	0016
145	Swire Pacific Limited	0019
146	Techtronic Industries Company Limited	0669
147	Television Broadcasts Limited	0511
148	Tencent Holdings Limited	0700
149	The Bank of East Asia, Limited	0023
150	The Hong Kong and China Gas Company Limited	0003
151	The Hongkong and Shanghai Hotels, Limited	0045
152	The Wharf (Holdings) Limited	0004
153	Tingyi (Cayman Islands) Holding Corp.	0322
154	Transport International Holdings Limited	0062
155	Travelsky Technology Limited	0696

Appendix 1 List of Main Board issuers that will be regarded as “large companies” (as at 31 July 2007)

	Listed companies with market capitalisation of \$10 billion or more as at 31 December 2006	Stock code
156	Tsim Sha Tsui Properties Limited	0247
157	Tsingtao Brewery Company Limited	0168
158	VTech Holdings Limited	0303
159	Weiqiao Textile Company Limited	2698
160	Wheelock and Company Limited	0020
161	Wheelock Properties Limited	0049
162	Wing Hang Bank, Limited	0302
163	Wing Lung Bank Limited	0096
164	Yanzhou Coal Mining Company Limited	1171
165	Yue Yuen Industrial (Holdings) Limited	0551
166	Zhaojin Mining Industry Company Limited	1818
167	Zhejiang Expressway Co., Ltd.	0576
168	Zhuzhou CSR Times Electric Co., Ltd.	3898
169	Zijin Mining Group Co., Ltd.	2899
170	ZTE Corporation	0763

	Relevant 2007 newly listed companies up to 31 July 2007	Stock code
171	ANTA Sports Products Ltd.	2020
172	Belle International Holdings Limited	1880
173	China Agri-Industries Holdings Limited	0606
174	China CITIC Bank Corporation Limited	0998
175	China Molybdenum Co., Ltd.	3993
176	Country Garden Holdings Company Limited	2007
177	Fosun International Limited	0656
178	KWG Property Holding Limited	1813
179	Stella International Holdings Limited	1836

APPENDIX 2 DRAFT RULE AMENDMENTS REGARDING SHORTENING THE TIME ALLOWED FOR HALF-YEAR AND ANNUAL REPORTING BY MAIN BOARD ISSUERS

(The draft Rule amendments in this appendix relate to the consultation proposals set out at Chapter 2 of this paper. Only Main Board Rule amendments would be required.)

“DISCLOSURE OF FINANCIAL INFORMATION

Distribution of annual report and accounts

13.46 (1) In the case of an issuer (other than an overseas issuer and a PRC issuer):—

(a) Such issuer shall send to

(i) every member of the issuer; and

(ii) every other holder of its listed securities (not being bearer securities),

a copy of either (A) its annual report including its annual accounts and, where the issuer prepares group accounts within the meaning of section 124(1) of the Companies Ordinance, the group accounts, together with a copy of the auditors’ report thereon, or (B) its summary financial report not less than 21 days before the date of the issuer’s annual general meeting and in any event:

(A) for annual accounting periods ending before 31 December 2008 – not later than ~~more than~~ four months after the end of the financial year to which they relate; and

(B) for annual accounting periods ending on or after 31 December 2008 and before 31 December 2010 –

(aa) for “large companies” – not later than three months after the end of the financial year to which they relate; and

(bb) for all other companies – not later than four months after the end of the financial year to which they relate; and

(C) for annual accounting periods ending on or after 31 December 2010 – not later than three months after the end of the financial year to which they relate.

(For the purposes of this rule, “large companies” means:

- those listed issuers with a market capitalisation (being the closing price at 31 December 2006 of the issuer’s shares traded on the Exchange multiplied by the total number of all issued shares of the issuer at the same date including unlisted shares and shares that are listed on other regulated markets) of HK\$10 billion or more as at 31 December 2006; and
- in the case of issuers that are newly listed on or after 1 January 2007 – those with an initial market capitalisation (being the initial public offer (IPO) subscription price per share multiplied by the total number of all issued shares of the issuer including unlisted shares and shares that are listed on other regulated markets) of HK\$10 billion or more on the date of listing.)

The issuer may send a copy of its summary financial report to a member and a holder of its listed securities in place of a copy of its annual report and accounts, provided that it complies with the relevant provisions set out in section 141 of the Companies Ordinance and in the Companies (Summary Financial Reports of Listed Companies) Regulation.

- (b) Nothing in rule 13.46(1)(a) shall require an issuer to send any of the documents referred to therein to:—
- (i) a person of whose address the issuer is unaware; or
 - (ii) more than one of the joint holders of any of its listed securities.

...

- (2) In the case of an overseas issuer or a PRC issuer:—

- (a) Such issuer shall send to:—

- (i) every member of the issuer; and
- (ii) every other holder of its listed securities (not being bearer securities),

a copy of either (A) its annual report including its annual accounts and, where the issuer prepares group accounts, its group accounts, together with a copy of the auditors' report thereon or (B) its summary financial report, not less than 21 days before the date of the issuer's annual general meeting and in any event:

(A) for annual accounting periods ending before 31 December 2008 – not later ~~more~~ than four months after the end of the financial year to which they relate; and

(B) for annual accounting periods ending on or after 31 December 2008 and before 31 December 2010 –

(aa) for “large companies” – not later than three months after the end of the financial year to which they relate; and

(bb) for all other companies – not later than four months after the end of the financial year to which they relate; and

(C) for annual accounting periods ending on or after 31 December 2010 – not later than three months after the end of the financial year to which they relate.

(For the purposes of this rule, “large companies” has the meaning given to that term in rule 13.46(1)(a) above.)

The issuer may send a copy of its summary financial report to a member and a holder of its listed securities in place of a copy of its annual report and accounts, provided that it complies with provisions no less onerous than the relevant provisions set out in section 141 of the Companies Ordinance and in the Companies (Summary Financial Reports of Listed Companies) Regulation for listed issuers incorporated in Hong Kong.

- (b) An issuer shall make up its annual accounts to a date falling not more than 6 months before the date of its annual general meeting.

- (c) Nothing in rule 13.46(2)(a) shall require an issuer to send any of the documents referred to therein to:—
 - (i) a person of whose address the issuer is unaware; or
 - (ii) more than one of the joint holders of any of its listed securities.

...

Interim Reports

- 13.48 (1) In respect of the first six months of each financial year of an issuer unless that financial year is of six months or less, the issuer shall send to the persons listed in rule 13.46(1), either (i) an interim report, or (ii) a summary interim report:
- (a) for half-year accounting periods ending before 30 June 2008 – not later than three months after the end of that period of six months;
 - (b) for half-year accounting periods ending on or after 30 June 2008 and before 30 June 2010 –
 - (i) for “large companies” – not later than two months after the end of that period of six months; and
 - (ii) for all other companies – not later than three months after the end of that period of six months; and
 - (c) for half-year accounting periods ending on or after 30 June 2010 – not later than two months after the end of that period of six months.

(For the purposes of this rule, “large companies” has the meaning given to that term in rule 13.46(1)(a).)

The issuer may send a copy of its summary interim report to a member and a holder of its listed securities in place of a copy of its interim report, provided that such summary interim report complies with the relevant provisions of the Companies (Summary Financial Reports of Listed Companies) Regulation governing summary financial reports.

- (2) The interim report must comply with the provisions set out in Appendix 16 in relation to interim reports. The summary interim report must comply with the provisions set out in Appendix 16 in relation to summary interim reports.

Note: Issuers’ attention is drawn to paragraphs 37 to 44 and 51 inclusive of Appendix 16.

- (3) The issuer must send 25 copies of each of the English language version and the Chinese language version of the interim report and, where applicable, its summary interim report to the Exchange at the same time as it is sent to the holders of the issuer’s listed securities with registered addresses in Hong Kong.

Note: See rule 13.54.

Preliminary Announcements of Results – Full Financial Year

- 13.49 (1) An issuer shall publish in accordance with rule 2.07C its preliminary results in respect of each financial year as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The issuer must publish such results:
- (i) for annual accounting periods ending before 31 December 2008 – not later than four months after the date upon which the financial period ended; and
 - (ii) for annual accounting periods ending on or after 31 December 2008 and before 31 December 2010 –
 - (a) for “large companies” – not later than three months after the date upon which the financial period ended; and
 - (b) for all other companies – not later than four months after the date upon which the financial period ended; and
 - (iii) for annual accounting periods ending on or after 31 December 2010 – not later than three months after the end of the financial year.
- (For the purposes of this rule, “large companies” has the meaning given to that term in rule 13.46(1)(a).)
- (2) The preliminary announcement shall be based on the issuer’s financial statements for the financial year which shall have been agreed with the auditors.
- (3) (i) Where an issuer is unable to make an announcement of its preliminary results based on its financial statements in accordance with rules 13.49(1) and 13.49(2), it must make an announcement:
- (A) for annual accounting periods ending before 31 December 2008 – ~~within~~ not later than four months after the end of the financial year; and
 - (B) for annual accounting periods ending on or after 31 December 2008 and before 31 December 2010 –
 - (a) for “large companies” – not later than three months after the end of the financial year; and
 - (b) for all other companies – not later than four months after the end of the financial year; and
 - (C) for annual accounting periods ending on or after 31 December 2010 – not later than three months after the end of the financial year.
- (For the purposes of this rule, “large companies” has the meaning given to that term in rule 13.46(1)(a).)

The announcement must containg at least the following information:—

- (a) a full explanation for its inability to make an announcement based on financial statements which have been agreed with the auditors. Where there are uncertainties arising from the lack of supporting evidence or relating to the valuation of assets or liabilities, sufficient information to allow investors to determine the significance of the assets or liabilities;
 - (b) the expected date of announcement of the financial results for the financial year which shall have been agreed with the auditors;
 - (c) so far as the information is available, results for the financial year based on financial results which have yet to be agreed with the auditors. Where possible, those results must have been reviewed by the issuer's audit committee. In the event that the audit committee disagreed with an accounting treatment which had been adopted or the particulars published in accordance with rule 13.49(3)(i)(a), full details of such disagreement, ~~and~~
- (ii) Where an issuer makes an announcement in accordance with rule 13.49(3)(i), then:
- (a) the issuer will be required to comply with the requirements set out in rule 13.49(2), as soon as the financial results for the financial year have been agreed with the auditors; and
 - (b) where the financial results for the financial year which have been agreed by the auditors differ materially from the financial results published by the issuer in accordance with rule 13.49(3)(i)(c), full particulars of, and reasons for, the difference must be set out in the preliminary announcement of such agreed results.
- (4) The preliminary announcement of results (made in accordance with rule 13.49(2) or 13.49(3)) must comply with the provisions set out in Appendix 16 in relation to preliminary announcements of results for the full financial year.

Note: Issuers' attention is drawn to paragraphs 45 and 45A of Appendix 16.

- (5) [Repealed 25 June 2007]

Preliminary Announcements of Results – First Half of The Financial Year

- (6) The issuer shall publish in accordance with rule 2.07C a preliminary announcement in respect of its results for the first six months of each financial year, unless that financial year is of six months or less, as soon as possible, but in any event not less than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The issuer must publish such results:
- (a) for half-year accounting periods ending before 30 June 2008 – not later than three months after the end of that period of six months;
 - (b) for half-year accounting periods ending on or after 30 June 2008 and before 30 June 2010 –
 - for “large companies” – not later than two months after the end of that period of six months; and
 - for all other companies – not later than three months after the end of that period of six months; and

- (c) for half-year accounting periods ending on or after 30 June 2010 – not later than two months after the end of that period of six months.

(For the purposes of this rule, “large companies” has the meaning given to that term in rule 13.46(1)(a).)

In circumstances where the issuer is unable to make such an announcement, the issuer must make an announcement within the required time referred to above ~~three months after the end of that period of six months.~~ The announcement must contain:—

- (i) a full explanation for its inability to make an announcement based on unaudited financial statements; and
 - (ii) the expected date of announcement of the unaudited results for the first half of the financial year.
- (7) The preliminary announcement of interim results must comply with the provisions set out in Appendix 16 in relation to preliminary announcements of interim results.

Note: Issuers’ attention is drawn to paragraph 46 of Appendix 16.

- (8) [Repealed 25 June 2007]

...

Practice Note 10

...

INTERIM REPORTING FOR NEW ISSUERS

...

3. Requirement for Interim Reports

Rule 13.48 requires issuers to prepare an interim report or summary interim report in respect of the first six months of the financial year. The interim report or summary interim report is to be published as follows:

- (a) for half-year accounting periods ending before 30 June 2008 – not later than three months after the end of that period of six months;
- (b) for half-year accounting periods ending on or after 30 June 2008 and before 30 June 2010 –
 - (i) for “large companies” – not later than two months after the end of that period of six months; and
 - (ii) for all other companies – not later than three months after the end of that period of six months; and
- (c) for half-year accounting periods ending on or after 30 June 2010 – not later than two months after the end of that period of six months.

(For the purposes of this rule, “large companies” has the meaning given to that term in rule 13.46(1)(a).)

In order to meet this requirement, newly listed issuers will be required to prepare and publish interim results in respect of the first six month period (irrespective of whether this period ends on a date before or after the date on which dealings in the securities of the issuer commenced) where the ~~three month~~ deadline for publishing the results falls after the date on which dealings in the securities of the issuer commenced. In the event that the results for the interim period have been included in the prospectus for the purpose of applying for a listing on the Exchange, there will be no obligation to separately publish the results.”

APPENDIX 3 DRAFT RULE AMENDMENTS REGARDING THE INTRODUCTION OF MANDATORY QUARTERLY REPORTING FOR MAIN BOARD ISSUERS

(The draft Rule amendments in this appendix relate to the consultation proposals set out at Chapter 3 of this paper. Only Main Board Rule amendments would be required.)

“1.01 Throughout this book, the following terms, save where the context otherwise requires, have the following meanings:

...

“corporate communication” any document issued or to be issued by an issuer for the information or action of holders of any of its securities, including but not limited to:—

- (a) the directors’ report, its annual accounts together with a copy of the auditors’ report and, where applicable, its summary financial report;
- (b) the interim report and, where applicable, its summary interim report, and the quarterly report;

NB: See rule 13.48A regarding the meaning of quarterly report.

- (c) a notice of meeting;
- (d) a listing document;
- (e) a circular; and
- (f) a proxy form

...

“interim report” a half-yearly report;

...

After board meetings

13.45 An issuer shall inform the Exchange immediately after approval by or on behalf of the board of:—

- (1) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities and the rate and amount thereof;
- (2) any decision not to declare, recommend or pay any dividend which would otherwise have been expected to have been declared, recommended or paid in due course;
- (3) any preliminary announcement of profits or losses for any year, half-year, quarterly or other period;

...

Quarterly Reporting – Preliminary Announcements and Reports

13.48A Subject to rule 13.48C, the listed issuer shall prepare, in respect of each of the first three and nine month periods of each financial year of the listed issuer, a quarterly report containing at least the information required by Appendix 16 in relation to quarterly reports. The issuer shall publish the same (in accordance with rule 2.07C) not later than 45 days after the end of such period by way of an announcement.

Notes: 1 The term “quarterly reports” should be read as synonymous to preliminary results announcements issued for a quarterly period.

2 Newly listed issuers will be required to prepare and publish the relevant quarterly report (irrespective of whether the period in question ends on a date before or after the date on which dealings in the securities of the listed issuer commenced) where the 45-day deadline for publishing the report falls after the date on which dealings in the securities of the listed issuer commenced. In the event that the results for the period in question (whether audited or not) have been included in the prospectus for the purpose of applying for a listing on the Exchange, there will be no obligation separately to publish the results.

3 Issuers’ attention is drawn to paragraphs 44A to 44E of Appendix 16.

13.48B The disclosures made in each quarterly report are the sole responsibility of the directors.

13.48C Rule 13.48A becomes effective:

(a) for “large companies” – commencing from their three month quarterly accounting periods ending on or after 30 September 2008; and

(b) for all other companies – commencing from their three month quarterly accounting periods ending on or after 30 September 2010.

(For the purposes of this rule, “large companies” has the meaning given to that term in rule 13.46(1)(a).)

...

14.04 For the purposes of this Chapter:—

...

(12) “total assets” means:—

(a) in respect of a listed issuer, the total fixed assets, including intangible assets, plus the total current and non-current assets, as shown in its accounts or latest published interim report or quarterly report (whichever is more recent), subject to any adjustments or modifications arising by virtue of the provisions of rules 14.16, 14.18 and 14.19; and

...

14.16 A listed issuer must refer to the total assets shown in its accounts or latest published interim report or quarterly report (whichever is more recent) and adjust the figures by:

- (1) the amount of any dividend proposed by the listed issuer in such accounts and any dividend declared by the listed issuer since the publication of such accounts or interim report or quarterly report; and
- (2) where appropriate, the latest published valuation of assets (excluding businesses and intangible assets) of the listed issuer if such valuation is published after the issue of such accounts.

Note: Rule 14.16(2) will normally apply to a valuation of assets such as properties, vessels and aircraft.

...

14.22 In addition to the aggregation of acquisitions under rule 14.06(6)(b), the Exchange may require listed issuers to aggregate a series of transactions and treat them as if they were one transaction if they are all completed within a 12 month period or are otherwise related. In such cases, the listed issuer must comply with the requirements for the relevant classification of the transaction when aggregated and the figures to be used for determining the percentage ratios are those as shown in its accounts or latest published interim report or quarterly report (whichever is more recent), subject to any adjustments or modifications arising by virtue of the provisions of rules 14.16, 14.18 and 14.19.

...

Appendix 14

CODE ON CORPORATE GOVERNANCE PRACTICES

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

...

Code Provisions

C.1.3 The board's responsibility to present a balanced, clear and understandable assessment extends to annual reports, ~~and~~ interim reports and quarterly reports, other price-sensitive announcements and other financial disclosures required under the Exchange Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Recommended Best Practices

C.1.4 An issuer should announce and publish quarterly financial results within 45 days after the end of the relevant quarter, disclosing such information as would enable shareholders to assess the performance, financial position and prospects of the issuer. Any such quarterly financial reports should be prepared

using the accounting policies applied to the issuer's half-year and annual accounts.

- C.1.5 Once an issuer decides to announce and publish its quarterly financial results, it should continue to adopt quarterly reporting for each of the first 3 and 9 months periods of subsequent financial years. Where the issuer decides not to announce and publish its financial results for a particular quarter, it should publish an announcement to disclose the reason(s) for such decision.

Note: As quarterly reporting is becoming mandatory, Recommended Best Practices C.1.4 and C.1.5 will cease to apply:

(a) to "large companies" – commencing from their three month quarterly accounting periods ending on or after 30 September 2008; and

(b) to all other companies – commencing from their three month quarterly accounting periods ending on or after 30 September 2010.

(For these purposes, "large companies" has the meaning given to that term in rule 13.46(1)(a).)

...

Appendix 15 BANK REPORTING

This appendix sets out the minimum level of information to be included in annual reports, interim reports, quarterly reports that are required by rule 13.48A and preliminary announcements of issuers that are banking companies (meaning banks, restricted licence banks and deposit taking companies as defined in the Banking Ordinance-).

1. At least the following information shall be contained in quarterly reports that are required by rule 13.48A, interim reports, annual reports, preliminary announcements of results, listing documents and circulars:

...

2. In the case of interim reports and quarterly reports, the following additional information:
 - (i) ~~for Hong Kong incorporated issuers those matters set out in rule 13.48 (in the case of interim reports) or rule 13.48A (in the case of quarterly reports) and any other information required by the Hong Kong Monetary Authority in relation to interim reports or quarterly reports (as and where applicable); or and~~
 - (ii) ~~for overseas incorporated issuers those matters set out in rule 13.48 and any other information required by the Hong Kong Monetary Authority in relation to interim reports (where applicable); or~~
 - (iii) ~~for PRC incorporated issuers those matters set out in rule 13.48 and any other information required by the Hong Kong Monetary Authority in relation to interim reports (where applicable); and~~
3. In the case of annual reports, the following additional information:
 - (i) ~~for Hong Kong incorporated issuers those matters set out in rule 13.47 and any other information required by the Hong Kong Monetary Authority in relation to annual reports (where applicable); or~~
 - (ii) ~~for overseas incorporated issuers those matters set out in rule 13.47 and any other information required by the Hong Kong Monetary Authority in relation to annual reports (where applicable); or~~
 - (iii) ~~for PRC incorporated issuers those matters set out in rule 13.47 and any other information required by the Hong Kong Monetary Authority in relation to annual reports (where applicable).~~

...

Appendix 16

DISCLOSURE OF FINANCIAL INFORMATION

This appendix sets out the minimum financial information that a listed issuer shall include in its preliminary announcements of results, quarterly reports, interim reports, summary interim reports, annual reports, summary financial reports, listing documents and circulars in relation to equity securities. The following requirements are supplementary to and do not supplant any other disclosures required by the Exchange Listing Rules. ...

...

4. Financial statements referred to in paragraph 2 shall include at least the information set out below. This information may be included in the notes to the financial statements. Banking companies shall comply with Appendix 15 as regards the disclosure requirements for preliminary announcements of results, quarterly reports that are required by rule 13.48A, interim reports, annual reports, listing documents and circulars.

...

Information to accompany quarterly reports

44A. Subject to rule 13.48C, a listed issuer shall prepare a quarterly report in respect of each of the first three and nine month periods of its financial year. (Banking companies shall, in addition, comply with Appendix 15 as regards the disclosure requirements for a quarterly report.) Every quarterly report must contain at least the information set out below in respect of the listed issuer and its subsidiaries (the Group):—

(1) the following financial information:

- (a) a condensed consolidated income statement (for the current three-month period and cumulatively for the current financial year to date, with comparative figures for the comparable periods of the immediately preceding financial year) containing at least the following components:
 - (i) total revenue;
 - (ii) total expenses (showing separately costs of goods sold);
 - (iii) share of profits (or losses) of associated companies and jointly controlled entities after tax;
 - (iv) profit (or loss) before taxation;
 - (v) taxation on profits (Hong Kong and overseas) in each case indicating basis of computation;
 - (vi) profit (or loss) for the period;
 - (vii) profit (or loss) attributable to shareholders of the issuer;
 - (viii) profit (or loss) attributable to minority interests;
 - (ix) earnings per share; and
 - (x) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);

- (b) a condensed consolidated balance sheet (as at the end of the current three-month period, with comparative figures for the balance sheet as at the end of the immediately preceding financial year) containing at least the following components:
- (i) non-current assets;
 - (ii) current assets;
 - (iii) total assets;
 - (iv) non-current liabilities;
 - (v) current liabilities;
 - (vi) total liabilities;
 - (vii) share capital;
 - (viii) reserves;
 - (ix) minority interests; and
 - (x) total equity; and
- (c) a condensed consolidated cash flow statement (for the current three-month period and cumulatively for the current financial year to date, with comparative figures for the comparable periods of the immediately preceding financial year) containing at least the following components:
- (i) net cash from operating activities, and a reconciliation from profit (or loss) before taxation to net cash from operating activities;
 - (ii) net cash used in investing activities;
 - (iii) net cash used in financing activities;
 - (iv) net increase in cash and cash equivalents; and
 - (v) cash and cash equivalents at beginning and at end of period;
- (2) a business review covering the following:
- (a) a review of significant developments of the business of the Group during the financial period and of the financial position of the Group at the end of the period;
 - (b) details of important events and transactions affecting the Group which have occurred between the end of the financial period and the date the report is released; and
 - (c) an indication of future developments in the business of the Group, including prospects for the current financial year.

The business review should be clear and concise and it should provide a fair analysis of the performance and financial position of the Group including brief details of material factors which have influenced the issuer's results. The business review should not be overly brief as extreme brevity may make the analysis appear biased or misleading;

- (3) any supplementary information which in the opinion of the directors of the listed issuer is necessary for a reasonable appreciation of the results for the relevant period and the financial position at the end of the period, and explanations for significant changes from the previous period; and
- (4) an explanatory statement relating to the activities of the Group and profit (or loss) during the relevant period which must include any significant information enabling investors to make an informed assessment of the trend of the activities and profit (or loss) of the Group together with an indication of any special factor which has influenced those activities and the profit (or loss) during the period in question, and enable a comparison to be made with the corresponding period of the preceding financial year and must also, as far as possible, refer to the prospects of the Group in the current financial year.

Notes: 1 Where the items of information specified in this rule are unsuited to the listed issuer's activities, appropriate adjustments should be made. Where the requirements of this Note are unsuited to the listed issuer's activities or circumstances, the Exchange may require suitable adaptations to be made.

2 The Exchange may authorise the omission from the quarterly report of specified items of information if it considers:—

(a) such omission to be necessary or appropriate; or

(b) disclosure of such information would be contrary to the public interest or seriously detrimental to the issuer,

provided that such omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question.

3 The issuer or its representatives will be responsible for the correctness and relevance of the facts on which any application to the Exchange for any omission of information under Note 2 above is based.

44B. Each quarterly report:

- (a) must state whether or not the information provided therein has been audited or reviewed by the issuer's external auditor (and if so, must set out a copy of the auditors' report thereon). In the event that the auditors' report thereon (if any) has been qualified or modified, details of such qualification or modification must be set out in the quarterly report; and
- (b) must state whether or not the information provided therein has been reviewed by the audit committee of the listed issuer in accordance with paragraph C.3.3 of the Code on Corporate Governance Practices.

44C. A listed issuer should apply the same accounting policies in each quarterly report as are applied in its annual financial statements, except where the change in accounting policy is required or permitted by an accounting standard which came into effect during the reporting period. If there are any changes in accounting policies, a description of the nature and effects of the change must be made. Where it is not possible to quantify the effects of the change in the accounting policies or the effects are not significant, this shall be stated.

44D. If a change in the financial year is proposed, the Exchange should be consulted as to the period or periods to be covered by the quarterly reports.

44E. Banking, insurance and shipping companies will not be entitled to avail themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.

...

Banking Companies

49. Banking companies shall comply with Appendix 15 as regards the disclosure requirements for preliminary announcements of results, quarterly reports that are required by rule 13.48A, interim reports and circulars.

49.1 Listed issuers' attention is also drawn to sub-rules 4.04(3)(b) and 4.04(4)(b) in relation to the disclosure requirements in listing documents."

APPENDIX 4 DRAFT RULE AMENDMENTS REGARDING ALIGNMENT OF GEM DISCLOSURE RULES ON QUARTERLY REPORTING TO PROPOSED MAIN BOARD QUARTERLY REPORTING REQUIREMENTS

(The draft Rule amendments in this appendix relate to the consultation proposals set out at Chapter 4 of this paper. Only GEM Rule amendments would be required.)

“1.01 Throughout this book, the following terms, save where the context otherwise requires, have the following meanings:

...

“corporate communication” any document issued or to be issued by an issuer for the information or action of holders of any of its securities, including but not limited to:—

...

(c) the quarterly report;

NB: See rule 18.66 regarding the meaning of quarterly report.

...

5.56 During the period commencing 1 month immediately preceding the earlier of:

...

(2) the deadline for the issuer to publish an announcement of its results for any year, half-year or quarter-year period under rules 18.49, 18.66 or 18.78 ~~or 18.79~~ or any other interim period (whether or not required under the GEM Listing Rules),

...

...

13.11 The following dealing restrictions must be adhered to:—

...

(4) ...

(ii) the deadline for the issuer to publish an announcement of its results for any year, half-year or quarter-year period under rules 18.49, 18.66 or 18.78 ~~or 18.79~~ or any other interim period (whether or not required under the GEM Listing Rules),

...

...

17.22 Where the circumstances giving rise to a disclosure obligation under rule 17.15 continue to exist at the issuer’s half yearly ~~or quarterly~~ period end or annual financial year end, the information specified under rule 17.17, as at such period end or year end, shall be included in the half-year, ~~quarterly~~ or annual report as applicable.

17.23 Where an obligation arises under rules 17.19, 17.20, 17.21 or 17.43, the disclosures required by these rules should be included in subsequent half-year, ~~quarterly~~ and annual reports for so long as the circumstances giving rise to the obligation continue to exist.

Note: Please refer to rule 17.43 for further details on the continuing disclosure requirements in respect of securities pledged or charged by initial management shareholders and significant shareholders.

17.24 Where the circumstances giving rise to a disclosure under rule 17.18 continue to exist at the issuer's half yearly or ~~quarterly~~ period end or annual financial year end, the issuer's half-year, ~~quarterly~~ or annual report shall include a combined balance sheet of affiliated companies as at the latest practicable date. The combined balance sheet of affiliated companies should include significant balance sheet classifications and state the effective economic interest of the issuer in the affiliated companies. In cases where it is not practicable to prepare the combined balance sheet of affiliated companies, the Exchange, on application from the issuer, may consider to accept, as an alternative, a statement of the indebtedness, contingent liabilities and capital commitments as at the end of the period reported on by affiliated companies.

17.43 ...

Note: 1 Pursuant to rule 17.23, where any obligation arises under rule 17.43, the requisite disclosure made pursuant to this rule should also be included in subsequent half-year, ~~quarterly~~ and annual reports of the issuer for so long as the circumstances giving rise to the obligation continue to exist, provided that such disclosure shall not be required after the expiry of the periods referred to in rule 13.16 or rule 13.17 (as the case may be).

...

Quarterly reporting – Preliminary announcements and reports

Obligation to prepare and publish

18.66 The listed issuer shall prepare, in respect of each of the first 3 and 9 month periods of each financial year of the listed issuer, a quarterly report containing at least the information required by rule 18.68 and publish the same (in accordance with the requirements of Chapter 16) not later than 45 days after the end of such period.

Notes: 1 The term “quarterly reports” should be read as synonymous to preliminary results announcements issued for a quarterly period.

2 Newly listed issuers will be required to prepare and publish the relevant quarterly report (irrespective of whether the period in question ends on a date before or after the date on which dealings in the securities of the listed issuer commenced) where the 45-day deadline for publishing the report falls after the date on which dealings in the securities of the listed issuer commenced. In the event that the results for the period in question (whether audited or not) have been included in the prospectus for the purpose of applying for a listing on the Exchange, there will be no obligation separately to publish the results.

18.66 Note 2

18.66A The ~~disclosures made figures~~ in each quarterly report are the sole responsibility of the directors. A listed issuer should apply the same and they must ensure that the accounting policies in each quarterly report as are applied to the figures are consistent with those applied to annual accounts in its annual financial statements, except where the change in accounting policy is required or permitted by an accounting standard which came into effect during the reporting period. If there are any changes in accounting policies, a description of the nature and effects of the change must be made. Where it is not possible to quantify the effects of the change in the accounting policies or the effects are not significant, this shall be stated. If a change in the financial year is proposed, the Exchange should be consulted as to the period or periods to be covered by the quarterly reports.

18.67 ~~[Repealed date to be inserted] As soon as reasonably practicable after publishing any quarterly report, the listed issuer shall send a copy of the same to the persons specified in rule 18.03:~~

Note: ~~The issuer must send 25 copies of the relevant quarterly report to the Exchange at the same time as it is sent to the holders of its listed securities with registered addresses in Hong Kong (see rule 17.57):~~

Content of quarterly reports

18.68 Subject to rule 18.80 relating to banking companies, each quarterly report shall contain at least the following information in respect of the group:—

- (1) the information set out in rule 18.79; and
- (2) the further information set out in rules ~~18.69~~ 18.72 and 18.74 to 18.76 below.

Notes: 1 *Where the items of information specified in this rule are unsuited to the listed issuer's activities, appropriate adjustments should be made. Where the requirements of this Note are unsuited to the listed issuer's activities or circumstances, the Exchange may require suitable adaptations to be made.*

2 *The Exchange may authorise the omission from a quarterly report of specified items of information if it considers:—*

(a) such omission to be necessary or appropriate; or

(b) disclosure of such information would be contrary to the public interest or seriously detrimental to the issuer,

provided that such omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question.

3 *The issuer or its representatives will be responsible for the correctness and relevance of the facts on which any application ~~for to the Exchange for any omission of information~~ ~~an exemption~~ under Note 2 above is based.*

4 *Each quarterly report must contain, at a prominent position, and in bold type, a statement about the characteristics of GEM, in the form set out in rule 2.20.*

5 ~~[Repealed date to be inserted] Each quarterly report must be reviewed by the issuer's audit committee in accordance with rule 5.30:~~

18.69 ~~[Repealed *date to be inserted*]~~ (1) ~~Subject to rule 18.69(2), a statement as at the end of the relevant period showing the interests and short positions of each director and chief executive of the listed issuer in the shares, underlying shares and debentures of the listed issuer or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance):~~

- ~~(a) as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance; or~~
- ~~(b) as otherwise notified to the listed issuer and the Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46; or~~
- ~~(c) if there is no such interests or short positions, a statement of that fact,~~

~~provided that the Exchange may agree, in its sole discretion, that compliance with this subparagraph may be modified or waived in respect of any associated corporation if, in the opinion of the Exchange, the number of associated corporations in respect of which each director and chief executive is taken or deemed to have an interest under Part XV of the Securities and Futures Ordinance is such that compliance with this sub-paragraph would result in particulars being given which are not material in the context of the group and are of excessive length.~~

~~(2) The information required to be included by virtue of rule 18.69(1) must specify the company in which interests or short positions are held, the class to which those securities belong and the number of such securities held, but need not disclose:~~

- ~~(a) the interests of a director or a chief executive officer in the shares of the listed issuer or any of its subsidiaries if such interest is held solely in a non-beneficial capacity and is for the purpose of holding the requisite qualifying shares; or~~
- ~~(b) the non-beneficial interests of directors or chief executive officers in the shares of any subsidiary of the listed issuer in so far as that interest comprises the holding of shares subject to the terms of a written, valid and legally enforceable declaration of trust in favour of the parent company of that subsidiary or the listed issuer and such interest is held solely for the purpose of ensuring that the relevant subsidiary has more than one member.~~

~~Note: Where interests in securities arising from the holding of such securities as qualifying shares are not disclosed pursuant to the exception provided in this paragraph, a general statement should nevertheless be made to indicate that the directors hold qualifying shares.~~

18.70 ~~[Repealed *date to be inserted*]~~ A statement as at the end of the relevant period showing the interests or short positions of every person, other than a director or chief executive of the listed issuer, in the shares and underlying shares of the listed issuer as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance, or if there is no such interests or short positions recorded in the register, a statement of that fact.

Note: For the purposes of rules 18.69 and 18.70, particulars should be given of the extent of any duplication which occurs:

- 18.71 ~~[Repealed *date to be inserted*] Statements disclosing interests and short positions in shares, underlying shares and debentures have to separately refer to three categories of persons, namely, directors and chief executives, substantial shareholders and other persons who are required to disclose their interests. Such statements should describe the capacity in which such interests and short positions are held and the nature of such interests and short positions as disclosed in the prescribed forms required to be used, when giving notice pursuant to sections 324 and 347 of Part XV of the Securities and Futures Ordinance. Where interests or short positions are attributable on account of holdings through corporations that are not wholly-owned by the person making disclosure, the percentage interests held by such person in such corporations should be disclosed.~~
- 18.71A ~~[Repealed *date to be inserted*] For directors and chief executives, the statements should show details of the following matters as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance:~~
- ~~(1) aggregate long position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares and in debentures of the issuer and its associated corporation(s) showing separately for each entity:
 - ~~(a) interests in shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds);~~
 - ~~(b) interests in debentures; and~~
 - ~~(c) interests under equity derivatives showing separately for listed and unlisted equity derivatives, interests in underlying shares of the entity pursuant to:
 - ~~(i) physically settled equity derivatives;~~
 - ~~(ii) cash settled equity derivatives;~~
 - ~~(iii) other equity derivatives.~~~~~~

Notes:

- ~~(1) In the case of issuers and associated corporations, the statements should include the percentage which the aggregate long position in shares represents to the issued share capital of the issuer or associated corporation.~~
- ~~(2) A long position arises where a person is a party to an equity derivative, by virtue of which the person:
 - ~~(i) has a right to take the underlying shares;~~
 - ~~(ii) is under an obligation to take the underlying shares;~~
 - ~~(iii) has a right to receive money if the price of the underlying shares increases; or~~
 - ~~(iv) has a right to avoid or reduce a loss if the price of the underlying shares increases.~~~~
- ~~(3) For (c)(i) above, in respect of options granted to directors or chief executives pursuant to share option schemes under Chapter 23 of the GEM Listing Rules, the statements should show such details as are required to be disclosed under Rule 23.07(1) of the GEM Listing Rules.~~

- ~~(2) aggregate short position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares and in debentures of the issuer and its associated corporation(s) showing separately for each entity:~~
- ~~(a) short positions in respect of shares arising under a stock borrowing and lending agreement; and~~
 - ~~(b) short positions under equity derivatives showing separately for listed and unlisted equity derivatives, interests in underlying shares of the entity pursuant to:
 - ~~(i) physically settled equity derivatives;~~
 - ~~(ii) cash settled equity derivatives; and~~
 - ~~(iii) other equity derivatives.~~~~

Notes:

- ~~(1) In the case of issuers or associated corporations, the statements should include the percentage which the aggregate short position in shares represents to the issued share capital of the issuer or associated corporation.~~
- ~~(2) A short position arises:
 - ~~(i) where the person is the borrower of shares under a securities borrowing and lending agreement, or has an obligation to deliver the underlying shares to another person who has lent shares;~~
 - ~~(ii) where the person is the holder, writer or issuer of any equity derivatives, by virtue of which the person —
 - ~~(a) has a right to require another person to take the underlying shares of the equity derivatives;~~
 - ~~(b) is under an obligation to deliver the underlying shares of the equity derivatives to another person;~~
 - ~~(c) has a right to receive from another person money if the price of the underlying shares declines; or~~
 - ~~(d) has a right to avoid a loss if the price of the underlying shares declines.~~~~~~

18.71B ~~[Repealed *date to be inserted*]~~ For substantial shareholders, the statements should show details of the following matters as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance:

- ~~(1) aggregate long position in the shares and (in respect of positions held pursuant to equity derivatives) underlying shares of the issuer showing separately:
 - ~~(a) interests in shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds); and~~~~

- (b) ~~interests under equity derivatives showing separately for listed and unlisted equity derivatives, interests in underlying shares of the entity pursuant to:~~
 - ~~(i) physically settled equity derivatives; and~~
 - ~~(ii) cash settled equity derivatives.~~

Notes:

- ~~(1) The statements should include the percentage which the aggregate long position in shares represents to the issued share capital of the issuer.~~
- ~~(2) A long position arises where a person is a party to an equity derivative, by virtue of which the person:~~
 - ~~(i) has a right to take the underlying shares;~~
 - ~~(ii) is under an obligation to take the underlying shares;~~
 - ~~(iii) has a right to receive money if the price of the underlying shares increases; or~~
 - ~~(iv) has a right to avoid or reduce a loss if the price of the underlying shares increases.~~
- ~~(3) For (b)(i) above, in respect of options granted to substantial shareholders pursuant to share option schemes under Chapter 23 of the GEM Listing Rules, the statements should show such details as are required to be disclosed under Rule 23.07(1) of the GEM Listing Rules.~~
- ~~(2) aggregate short position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares of the issuer showing separately:~~
 - ~~(a) short positions in respect of shares arising under a stock borrowing and lending agreement; and~~
 - ~~(b) short positions under equity derivatives showing separately for listed and unlisted equity derivatives, interests in underlying shares of the entity pursuant to:~~
 - ~~(i) physically settled equity derivatives; and~~
 - ~~(ii) cash settled equity derivatives.~~

Notes:

- ~~(1) The statements should include the percentage which the aggregate short position in shares represents to the issued share capital of the issuer.~~
- ~~(2) A short position arises:~~
 - ~~(i) where the person is the borrower of shares under a securities borrowing and lending agreement, or has an obligation to deliver the underlying shares to another person who has lent shares;~~

- (ii) where the person is the holder, writer or issuer of any equity derivatives, by virtue of which the person—
 - (a) has a right to require another person to take the underlying shares of the equity derivatives;
 - (b) is under an obligation to deliver the underlying shares of the equity derivatives to another person;
 - (c) has a right to receive from another person money if the price of the underlying shares declines; or
 - (d) has a right to avoid a loss if the price of the underlying shares declines.

18.71C ~~[Repealed date to be inserted] For other persons whose interests are recorded (or, in the case of a new listing, are required to be recorded) in the register required to be kept under section 336 of the Securities and Futures Ordinance, the statements should show details of the same matters as are required to be disclosed in the case of a substantial shareholder pursuant to Rule 18.71B, except that note (3) to Rule 18.71B(1) does not apply.~~

18.72 An explanatory statement relating to the activities of the group and profit (or loss) during the relevant period which must include any significant information enabling investors to make an informed assessment of the trend of the activities and profit (or loss) of the group together with an indication of any special factor which has influenced those activities and the profit (or loss) during the period in question, and enable a comparison to be made with the corresponding period of the preceding financial year and must also, as far as possible, refer to the prospects of the group in the current financial year.

18.73 ~~[Repealed date to be inserted] If applicable, the information set out in rules 17.22 to 17.24 concerning on-going financial exposure to borrowers and other on-going matters of relevance.~~

18.74 Any supplementary information which in the opinion of the directors of the listed issuer is necessary for a reasonable appreciation of the results for the relevant period and the financial position at the end of the period, and explanations for significant changes from the previous period.

18.75 Information as to the interests (if any) of the Compliance Adviser and its directors, employees and associates, as notified to the issuer pursuant to rule 6A.32 and all directors and management shareholders of the issuer and their respective associates as referred to in rule 11.04.

18.76 Each quarterly report:

- (a) must state whether or not the information provided therein has been audited or reviewed by the issuer's external auditor (and if so, must set out a copy of the auditors' report thereon). In the event that ~~the any~~ auditors' report thereon (if any) has been qualified or modified, details of such qualification or modification must be set out in the quarterly report; and
- (b) must state whether or not the information provided therein has been reviewed by the audit committee of the listed issuer in accordance with paragraph C.3.3 of the Code on Corporate Governance Practices.

Miscellaneous

- 18.77 Banking, insurance and shipping companies will not be entitled to avail themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.

...

Preliminary announcement of results for each of the first 3 and 9 month periods of each financial year

- 18.79 Except for banking companies which must comply with rule 18.80, issuers' quarterly reports preliminary announcements of results for each of the first 3 and 9 month periods of each financial year must contain at least the information set out below in respect of the listed issuer and its subsidiaries (the gGroup) and such information must be published (in accordance with the requirements of Chapter 16) on the GEM website as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board of the results. The issuer must publish such results not later than 45 days after the end of such period:

- (1) turnover;
- (2) profit (or loss) before taxation, including the share of profit (or loss) of affiliated companies with separate disclosure of any items included therein which are exceptional because of size and incidence;
- (3) taxation on profits (Hong Kong and overseas) in each case indicating basis of computation with separate disclosure of the taxation on share of affiliated companies' profits;
- (4) profit (or loss) attributable to minority interests;
- (5) profit (or loss) attributable to shareholders;
- (6) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);
- (7) all movements to and from any reserves;
- (8) earnings per share;
- (9) comparative figures of the matters specified in (1) to (8) inclusive for the corresponding previous period; and
- (10) particulars of any purchase, sale or redemption by the issuer or any of its subsidiaries, of its listed securities during the relevant period, or an appropriate negative statement. a condensed consolidated income statement (for the current three-month period and cumulatively for the current financial year to date, with comparative figures for the comparable periods of the immediately preceding financial year) containing at least the following components:
 - (a) total revenue;
 - (b) total expenses (showing separately costs of goods sold);
 - (c) share of profits (or losses) of associated companies and jointly controlled entities after tax;

- (d) profit (or loss) before taxation;
 - (e) taxation on profits (Hong Kong and overseas) in each case indicating basis of computation;
 - (f) profit (or loss) for the period;
 - (g) profit (or loss) attributable to shareholders of the issuer;
 - (h) profit (or loss) attributable to minority interests;
 - (i) earnings per share; and
 - (j) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);
- (2) a condensed consolidated balance sheet (as at the end of the current three-month period, with comparative figures for the balance sheet as at the end of the immediately preceding financial year) containing at least the following components:
- (a) non-current assets;
 - (b) current assets;
 - (c) total assets;
 - (d) non-current liabilities;
 - (e) current liabilities;
 - (f) total liabilities;
 - (g) share capital;
 - (h) reserves;
 - (i) minority interests; and
 - (j) total equity;
- (3) a condensed consolidated cash flow statement (for the current three-month period and cumulatively for the current financial year to date, with comparative figures for the comparable periods of the immediately preceding financial year) containing at least the following components:
- (a) net cash from operating activities, and a reconciliation from profit (or loss) before taxation to net cash from operating activities;
 - (b) net cash used in investing activities;
 - (c) net cash used in financing activities;
 - (d) net increase in cash and cash equivalents; and
 - (e) cash and cash equivalents at beginning and at end of period; and

(4) a business review covering the following:

- (a) a review of significant developments of the business of the Group during the financial period and of the financial position of the Group at the end of the period;
- (b) details of important events and transactions affecting the Group which have occurred between the end of the financial period and the date the report is released; and
- (c) an indication of future developments in the business of the Group, including prospects for the current financial year.

The business review should be clear and concise and it should provide an fair analysis of the performance and financial position of the Group including brief details of material factors which have influenced the issuer's results. The business review should not be overly brief as extreme brevity may make the analysis appear biased or misleading.

- Notes:
- 1 Where the items of information specified in this rule are unsuited to the listed issuer's activities, appropriate adjustments should be made. Where the requirements of this Note are unsuited to the listed issuer's activities or circumstances, the Exchange may require suitable adaptations to be made.
 - 2 The Exchange may authorise the omission from the preliminary announcement of any information if it considers:—
 - (a) such omission to be necessary or appropriate; or
 - (b) disclosure of such information would be contrary to the public interest or seriously detrimental to the issuer;provided that such omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question.
 - 3 The issuer or its representatives will be responsible for the correctness and relevance of the facts on which any application for an exemption under Note 2 above is based.

~~*Banking companies*~~ **Banking companies**

18.80 This rule sets out the minimum level of information to be included in half-year reports, quarterly reports and preliminary announcements of issuers that are banking companies (meaning banks, restricted licence banks and deposit taking companies as defined in the Banking Ordinance.)

...

- (5) Those matters set out in rule 18.51 (in the case of preliminary announcements of results for the financial year) or rule 18.64 (in the case of preliminary results for the half-year period) or rule 18.76(a) (in the case of preliminary results for the quarterly reports period); and

...

Summary reports

Summary financial reports

18.81 Summary financial reports of listed issuers shall comply with the disclosure requirements”

APPENDIX 5 PERSONAL INFORMATION COLLECTION AND PRIVACY POLICY STATEMENT

Provision of Personal Data

1. Your supply of Personal Data to HKEx is on a voluntary basis. “Personal Data” in these statements has the same meaning as “personal data” in the Personal Data (Privacy) Ordinance, Cap 486.

Personal Information Collection Statement

2. This Personal Information Collection Statement is made in accordance with the guidelines issued by the Privacy Commissioner for Personal Data. It sets out the purposes for which your Personal Data will be used after collection, what you are agreeing to in respect of HKEx’s use, transfer and retention of your Personal Data, and your rights to request access to and correction of your Personal Data.

Purpose of Collection

3. HKEx may use your Personal Data provided in connection with this consultation paper for purposes relating to this consultation and for one or more of the following purposes:
 - for performing or discharging HKEx’s functions and those of its subsidiaries under the relevant laws, rules and regulations;
 - for research and statistical purposes;
 - for any other lawful purposes.

Transfer of Personal Data

4. Your Personal Data may be disclosed or transferred by HKEx to its subsidiaries and/or regulator(s) for any of the above stated purposes.
5. Your Personal Data may also be disclosed or transferred to members of the public in Hong Kong and elsewhere as part of the public discussion of this paper, including but not limited to disclosing your name to the public together with the whole or part of your comments by posting them on the HKEx website, publishing them in documents or by other means. If you do not wish your name to be disclosed to members of the public, please state so when responding to this paper.

Access to or Correction of Data

6. You have the right to request access to and correction of your Personal Data in accordance with the provisions of the Personal Data (Privacy) Ordinance. HKEx has the right to charge a reasonable fee for processing any data access request. Any such request for access to and/or correction of your Personal Data should be addressed to the Personal Data Privacy Officer of HKEx in writing by either of the following means:

By mail to: Personal Data Privacy Officer
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

By email to: pdpo@hkex.com.hk

Retention of Personal Data

7. Your Personal Data will be retained for such period as may be necessary for the carrying out of the above-stated purposes.

Privacy Policy Statement

8. HKEx is firmly committed to preserving your privacy in relation to Personal Data supplied to HKEx on a voluntary basis. Personal Data may include names, addresses, e-mail addresses, login names, etc, which may be used for the stated purposes when your Personal Data is collected. The Personal Data will not be used for any other purposes without your consent unless such use is permitted or required by law.
9. HKEx has security measures in place to protect against the loss, misuse and alteration of Personal Data supplied to HKEx. HKEx will strive to maintain Personal Data as accurately as reasonably possible and Personal Data will be retained for such period as may be necessary for the stated purposes and for the proper discharge of the functions of HKEx and those of its subsidiaries.

