

Interim financial reporting in Hong Kong

A guide for the
preparation of interim
financial reports

June 2009



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Deloitte.
德勤

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1 ABBREVIATIONS

The following abbreviations have been used throughout this publication:

Alt	Alternative
App	Appendix to the Listing Rules
EPS	Earnings per share
GEM	Growth Enterprise Market of the SEHK
GR	Rules Governing the Listing of Securities on the GEM (the GEM Rules)
HKAS(s)	Hong Kong Accounting Standard(s) issued by the HKICPA
HKFRS(s)	Hong Kong Financial Reporting Standard(s) issued by the HKICPA
HKICPA	Hong Kong Institute of Certified Public Accountants
HK-Int	HK Interpretation
HK (IFRIC)-Int	HK (IFRIC) Interpretation
IAS(s)	International Accounting Standard(s)
IASB	International Accounting Standards Board
IFRS(s)	International Financial Reporting Standard(s)
IFRIC	International Financial Reporting Interpretations Committee of the IASB
LR	Rules Governing the Listing of Securities on the SEHK (the Listing Rules)
MDA	Management Discussion and Analysis
PN	Practice Note to the Listing Rules
SEHK	The Stock Exchange of Hong Kong Limited
SFO	Securities and Futures Ordinance

In this guide, the authors' interpretations are highlighted by grey shading.

2 INTRODUCTION

- 2.1 In Hong Kong, entities listed on either the Main Board or the GEM of the SEHK are required to report interim financial information. The Exhibits below provide a high level summary of the requirements of the Listing Rules and the GEM Rules in this regard.
- 2.2 Other reporting entities in Hong Kong are generally not required to report interim financial information – although some larger public-interest entities may choose to do so voluntarily. Entities that choose to report interim financial information voluntarily are not generally subject to any specific reporting requirements. However, such entities may decide to voluntarily prepare their interim financial reports in accordance with HKAS 34 *Interim Financial Reporting*.

Exhibit 2.1 Main Board listed entities

- ⇒ Half-year interim reports required for the first 6 months of each financial year (currently, no requirement for quarterly reports).
- ⇒ Reports to be sent to holders of listed securities of the listed entity within 3 months after the end of the relevant interim period.
- ⇒ To include condensed income statement, balance sheet, statement of changes in equity and cash flow statement (see paragraphs 2.3 and 2.4 below).
- ⇒ To comply with the requirements of HKAS 34 *Interim Financial Reporting*.
- ⇒ To include Management Discussion and Analysis (MDA).
- ⇒ To include particulars of any purchase, sale or redemption by the listed entity, or any of its subsidiaries, of its listed securities during the relevant interim period.
- ⇒ To include details of interests of directors, chief executives and substantial shareholders in the equity and debt securities of the listed entity or any of its associated corporations, or appropriate negative statements, as specified by the relevant Listing Rules.
- ⇒ To include a statement as to whether the code provisions set out in the Code on Corporate Governance Practices, as contained in the relevant Listing Rules, are met, and details of each deviation (if any).
- ⇒ To include a statement as to whether the listed entity has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers, details of any non-compliance (if any) and remedial steps taken by the listed entity to address such non-compliance.
- ⇒ Details of any non-compliance in relation to the appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, and the establishment of an audit committee.
- ⇒ To include information concerning on-going financial exposure to borrowers and other on-going matters of relevance.

- ⇒ Additional disclosure requirements for financial conglomerates and banking companies.
- ⇒ If the accounting information given in an interim financial report has not been audited, that fact must be stated. The auditor's report thereon, including any qualifications, should be reproduced in full in the interim financial report.
- ⇒ To be reviewed by the audit committee.
- ⇒ Preliminary announcement to include a condensed income statement, balance sheet, MDA, and other information specified by the relevant Listing Rules (see paragraph 2.3 and 2.4 below).

Exhibit 2.2 GEM listed entities (half-year interim financial reports)

- ⇒ Half-year interim reports required for the first 6 months of each financial year.
- ⇒ Reports required to be published not later than 45 days after the end of the relevant period.
- ⇒ To include condensed income statement, balance sheet, statement of changes in equity and cash flows statement (see paragraph 2.3 and 2.4 below).
- ⇒ To comply with the requirements of HKAS 34 *Interim Financial Reporting*.
- ⇒ To include Management Discussion and Analysis (MDA).
- ⇒ To include particulars of any purchase, sale or redemption by the listed entity, or any of its subsidiaries, of its listed securities during the relevant interim period.
- ⇒ To include details of interests of directors, chief executives and substantial shareholders in the equity or debt securities of the listed entity or any of its associated corporations, or appropriate negative statements, as specified by the relevant GEM Rules.
- ⇒ To include a statement as to whether the code provisions set out in the Code on Corporate Governance Practices, as contained in the relevant GEM Rules, are met, and details of each deviation (if any).
- ⇒ To include a statement as to whether the listed entity has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the relevant GEM Rules, details of any non-compliance (if any) and remedial steps taken by the listed entity to address such non-compliance.
- ⇒ Details of any non-compliance in relation to the appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, and the establishment of an audit committee.
- ⇒ To include information concerning on-going financial exposure to borrowers and other on-going matters of relevance.
- ⇒ To include information as to the interests (if any) of the Compliance Adviser and its directors, employees and associates, as notified to the listed entity pursuant to Rule 6A.32 and all directors and management shareholders of the listed entity and their respective associates referred to in Rule 11.04.

- ⇒ Additional disclosure requirements for financial conglomerates and banking companies.
- ⇒ If the accounting information given in an interim financial report has not been audited, that fact must be stated. The auditor's report thereon, including any qualifications, should be reproduced in full in the interim financial report.
- ⇒ To be reviewed by the audit committee.
- ⇒ Preliminary announcement to include a condensed income statement, balance sheet, MDA, and other information specified by the relevant GEM Rules (see paragraph 2.3 and 2.4 below).

2.3 HKAS 1 *Presentation of Financial Statements* was revised in 2007. The revised HKAS 1, which is effective for annual periods beginning on or after 1 January 2009, has made changes to the titles of financial statements. Under HKAS 1 (revised 2007), the title for a 'balance sheet' is changed to 'statement of financial position' and the title for a 'cash flow statement' is changed to 'statement of cash flows'. In addition, HKAS 1 (revised 2007) requires changes in non-owners' equity to be presented in either a single statement (ie a statement of comprehensive income) or in two statements (ie an income statement and a statement of comprehensive income). As a consequential amendment of HKAS 1, HKAS 34 *Interim Financial Reporting* was also amended, resulting in changes in the titles and layout of certain of the financial statements to be included in interim financial reports. These amendments are effective for periods beginning on or after 1 January 2009.

2.4 The SEHK has not yet made equivalent terminology changes to the Listing Rules/GEM Rules. The Listing Rules/GEM Rules state that, at a minimum, half-year interim financial reports should include (a) a balance sheet, (b) an income statement, (c) a cash flow statement and (d) a statement of changes in equity. [App 16.37; GR 18.55(1)] A 'balance sheet' and a 'cash flow statement' are equivalent to a 'statement of financial position' and a 'statement of cash flows' respectively. Therefore, for users' convenience, this guide uses 'statement of financial position' and 'statement of cash flows' in place of 'balance sheet' and 'cash flow statement' respectively. However, the requirement in the Listing Rules/GEM Rules to include an income statement in interim financial reports is not very clear as to whether entities are required to present a statement of comprehensive income or a statement that merely shows profit or loss items. We noted that the Listing Rules/GEM Rules do require entities to comply with HKAS 34 for the purposes of the preparation of half-year interim financial reports. Therefore, to be consistent with HKAS 34 requirements, we believe that entities should present a statement of comprehensive income in order to satisfy the requirements in Listing Rules/GEM Rules. Specifically, when entities choose to present non-owner changes in equity in two statements, they should present the two statements (see paragraph 2.3 above). Likewise, the Listing Rules/GEM Rules require entities to include an income statement in their preliminary announcements of half-year results. To be consistent, we believe that a statement of comprehensive income should be presented in preliminary announcements of half-year results. Throughout this guide, we use 'statement of comprehensive income' in place of 'income statement' when we prescribe the Listing Rules/GEM Rules requirements to include an 'income statement' in half-year interim financial reports and preliminary announcements of half-year results.

Exhibit 2.3 GEM listed entities (quarterly interim financial reports)

- ⇒ Quarterly interim reports required for each of the first 3 and 9 month periods of each financial year.
- ⇒ Reports required to be submitted for publication on the GEM website within 45 days after the end of the relevant period.
- ⇒ To include certain information in relation to the results for the quarter, movements to and from reserves and supplementary notes.
- ⇒ To include details of interests of directors, chief executives and substantial shareholders in the equity or debt securities of the listed entity or any of its associated corporations, or appropriate negative statements, as specified by the relevant GEM Rules.
- ⇒ To include an explanatory statement relating to the activities of the listed entity and the results for the interim period.
- ⇒ To include information concerning on-going financial exposure to borrowers and other on-going matters of relevance.
- ⇒ To include information as to the interests of the Compliance Adviser and its directors, employees and associates, as notified to the listed entity pursuant to Rule 6A.32 and all directors and management shareholders of the listed entity and their respective associates referred to in Rule 11.04.
- ⇒ To state whether or not the information provided in a quarterly report has been audited (and if so, should set out a copy of the auditor's report thereon). In the event that any auditor's report thereon has been qualified or modified, details of such qualification or modification should be set out in the quarterly report.
- ⇒ To be reviewed by the audit committee.
- ⇒ Preliminary announcement to include headline income statement information and other information specified by the GEM Rules.

Summary half-year reports

- 2.5 Both the Listing Rules and the GEM Rules permit an entity to distribute summary half-year reports in place of full half-year reports provided that the entity had ascertained the wishes of individual shareholders. Section 11 of this guide gives a summary of the minimum contents of summary half-year reports required by the Listing Rules and the GEM Rules.

3 RECENT AMENDMENTS TO THE LISTING RULES/GEM RULES

- 3.1 In August 2007, the SEHK published a Consultation Paper inviting views on a number of proposed amendments to the Listing Rules and the GEM Rules relating to periodic financial reporting. Specifically, the Consultation Paper proposes:
- to shorten reporting deadlines for Main Board listed entities;
 - to introduce quarterly reporting for Main Board listed entities; and
 - to amend the GEM Rules to align the disclosure and publication requirements for GEM listed entities' quarterly reporting so that they will be the same as the proposed quarterly reporting requirements for Main Board listed entities.
- 3.2 The SEHK stated that it believes that the above proposals would increase transparency and market efficiency, bring Hong Kong reporting standards in line with international best practices, and ensure the timely disclosure of information to shareholders and investors to enable them to make informed and timely investment decisions.
- 3.3 In July 2008, the SEHK published its conclusions in respect of the shortening of the reporting deadlines for half-year and annual reporting by Main Board listed entities. The SEHK decided to implement the proposal regarding the shortening of reporting deadlines for Main Board listed entities with certain modifications (see paragraph 3.6 below). However, the proposals to mandatorily require quarterly reporting for Main Board listed entities and to change the GEM requirements in relation to quarterly reporting (see the last two bullet points in paragraph 3.1 above) have been shelved for the present and will be the subject of separate consultation feedback.
- 3.4 The remainder of this section summaries the proposals in the Consultation Paper published in August 2007 and conclusions reached in July 2008 in respect of matters that relate to interim financial reporting.

Shortening half-year reporting deadlines for Main Board listed entities

- 3.5 The Consultation Paper proposes to shorten half-year reporting deadlines for Main Board listed entities. Specifically, the Consultation Paper proposes to shorten the time allowed for the release of half-year results announcements and reports from three months to two months. The Consultation Paper proposes no change to the reporting deadlines for half-year reporting for GEM listed entities.
- 3.6 In July 2008, the SEHK has decided:
- to shorten reporting deadlines for half-year results announcements by one month; and
 - to retain the existing reporting deadline for half-year interim reports.
- 3.7 The amendment is effective for half-year accounting periods ending on or after 30 June 2010. Such an amendment is applicable to all Main Board listed entities. The table below summarises the current and revised deadlines.

Periodic report	Current reporting deadline	Revised reporting deadline
Half-year results announcements	3 months	2 months (effective for half-year accounting periods ending on or after 30 June 2010)
Half-year interim reports	3 months	3 months (no change)

Quarterly reporting for Main Board listed entities

- 3.8 Quarterly reporting for Main Board listed entities was already the subject of consultation in 2002. At that time, following a large number of objections, the SEHK decided that the proposal would not be introduced but said that it would keep the matter under review.
- 3.9 In March 2004, the SEHK introduced recommended good practices in the form of the Code on Corporate Governance Practices (the Code). The Code, which became effective in 2005, recommends that as a matter of good practice, Main Board listed entities should announce and publish quarterly results announcements not later than 45 days after the end of the relevant quarter.
- 3.10 In 2007, the SEHK stated that it was the appropriate time to introduce quarterly reporting for Main Board listed entities. Therefore, the SEHK, once again, proposes to introduce quarterly reporting for Main Board listed entities in its Consultation Paper published in August 2007. Under the proposal, quarterly interim reports will be required to be published within 45 days after the relevant interim period and will include mainly the following information:
- a condensed income statement;
 - a condensed statement of financial position;
 - a condensed cash flow statement; and
 - a business review.
- 3.11 The SEHK has not yet issued conclusions on such a proposal.

Alignment of GEM Rules on quarterly reporting to proposed Main Board quarterly reporting requirements

- 3.12 The proposed introduction of mandatory quarterly reporting for Main Board listed entities will result in differences between disclosures proposed in the Consultation Paper and those currently required by the GEM Rules. The main differences relate to the following:
- The GEM Rules currently do not require GEM listed entities to present condensed statement of financial position, condensed statement of cash flows and business review that are proposed to be included in the Main Board quarterly interim reports.
 - The GEM Rules currently require disclosures of certain information that are not proposed to be included in the Main Board quarterly interim reports (eg disclosures of information relating to interests of certain persons in securities of the listed entity, particulars of any purchase, sale or redemption by the listed entity, or any of its subsidiaries, of its listed securities during the relevant quarter).
- 3.13 The SEHK was of the view that the disclosure requirements for quarterly reporting of Main Board and GEM listed entities should be consistent as far as possible. Therefore, the Consultation Paper published in August 2007 proposes to amend the GEM Rules to align them with the proposed amendments to the Listing Rules such that:
- GEM quarterly interim reports will include information specified in paragraph 3.10 above; and
 - current information requirements specified in the GEM Rules but are not proposed to be included in the Main Board quarterly interim reports (see paragraph 3.12 above) will be removed from GEM quarterly reporting.
- 3.14 Since the proposal to introduce quarterly reporting for Main Board listed entities has not yet been adopted, the proposal to amend the GEM Rules relating to the quarterly interim reports of GEM listed entities has also been shelved for the present.

4 REQUIREMENTS TO REPORT INTERIM FINANCIAL INFORMATION

- 4.1 This section outlines the current requirements to report interim financial information for Hong Kong listed entities.

Requirements of HKAS 34

- 4.2 HKAS 34 *Interim Financial Reporting* applies to interim financial reports that are described as complying with Hong Kong Financial Reporting Standards. [HKAS 34.3] Interim financial reports are financial reports containing either a complete set of financial statements (as described in HKAS 1 *Presentation of Financial Statements*) or a set of condensed financial statements (as described in HKAS 34) for an interim period. An interim period is a financial reporting period shorter than a full financial year. [HKAS 34.4].
- 4.3 HKAS 34 does not contain any requirements as to which entities should publish interim financial reports, how frequently, or how soon after the end of an interim period. HKAS 34 notes that governments, securities regulators, stock exchanges, and accountancy bodies often require entities whose debt or equity securities are publicly traded to publish interim financial reports, and that those regulations will generally specify the frequency and timing of such reports. However, HKAS 34 *encourages* publicly traded entities: [HKAS 34.1]
- to provide interim financial reports at least as of the end of the first half of their financial year; and
 - to make their interim financial reports available no later than 60 days after the end of the interim period.
- 4.4 Each financial report, annual or interim, is evaluated on a stand-alone basis for compliance with HKFRSs. It is important to note that entities that prepare annual financial statements in accordance with HKFRSs are not precluded from preparing interim financial reports that do not comply with HKFRSs, provided that the interim financial report does not state that it is HKFRS-compliant. The fact that an entity has not published interim financial reports during a financial year, or that it has published interim financial reports that do not comply with HKAS 34, does not prevent the entity's annual financial statements from conforming to HKFRSs, if they are otherwise HKFRS-compliant. [HKAS 34.1 & 2]
- 4.5 HKAS 34 prescribes the minimum content for an interim financial report, and the principles for recognition and measurement for the purposes of the preparation of an interim financial report. HKAS 34 was most recently amended as a consequential amendment of HKAS 1 (revised 2007) resulting in changes in terminology, and in the titles and layout of certain of the financial statements to be included in interim financial reports. These amendments are effective for periods beginning on or after 1 January 2009.

Requirements under the Listing Rules/GEM Rules

Main Board listed entities

- 4.6 Main Board listed entities are required to prepare an interim financial report in respect of the first six months of each financial year, unless that financial year is six months or less. [App 16.37] They are not currently required to prepare quarterly reports.
- 4.7 If a change in the financial year of the entity is proposed, the SEHK should be consulted as to the period or periods to be covered by the interim report. [App 16 Note 37.1]
- 4.8 Not later than 3 months after the end of the interim period, the interim financial report should be sent to: [LR 13.48(1)]
- every member of the listed entity; and
 - every other holder of its listed securities.
- 4.9 The entity is also required to send one copy of the interim financial report (both Chinese and English language versions) to the SEHK at the same time as it is sent to the holders of the listed entity's listed securities with registered addresses in Hong Kong. [LR 13.48(3)]

GEM listed entities

Half-year interim financial reports

- 4.10 GEM listed entities are required to prepare an interim financial report in respect of the first six months of each financial year. [GR 18.53] They are also required to prepare quarterly reports (see paragraph 4.16 below).
- 4.11 The GEM Rules deal specifically with the circumstances of newly-listed entities. Such entities are required to prepare and publish a half-year report, even where the period in question ends before the listing date. However, where the results for the interim period were included in the prospectus for listing, there is no requirement that the interim results should be separately published as an interim report. [GR 18.53 Note 1]
- 4.12 If a change in the financial year of the entity is proposed, the SEHK should be consulted as to the period or periods to be covered by the half-year interim report. [GR 18.55 Note 3]
- 4.13 Within 45 days of the end of each half-year interim period, the interim financial report should be submitted for publication on the GEM website. [GR 18.53 & 16.04(2)]
- 4.14 As soon as is reasonably practicable after publishing its half-year interim report, the entity is required to send a copy of that report to: [GR 18.54 & 18.03]
- every member of the listed entity; and
 - every other holder of its listed securities.
- 4.15 The entity is also required to send one copy of each of the English language version and the Chinese language version of the half-year interim financial report to the SEHK at the same time as it is sent to the holders of its listed securities with registered addresses in Hong Kong. [GR 18.54 Note]

Quarterly interim financial reports

- 4.16 GEM listed entities are required to prepare a quarterly interim financial report in respect of each of the first three and nine months of each financial year. [GR 18.66]
- 4.17 Within 45 days of the end of the relevant quarter, the quarterly interim financial report should be submitted for publication on the GEM website. [GR 18.66 & 16.04(2)]
- 4.18 As soon as is reasonably practicable after publishing its quarterly interim report, the entity is required to send a copy of that report to: [GR 18.67 & 18.03]
- every member of the listed entity; and
 - every other holder of its listed securities.
- 4.19 The entity is also required to send one copy of the quarterly interim financial report to the SEHK at the same time as it is sent to holders of its listed securities with registered addresses in Hong Kong. [GR 18.67 Note]

5 PRELIMINARY ANNOUNCEMENTS OF INTERIM RESULTS

- 5.1 HKAS 34 does not address the content of preliminary interim earnings announcements (ie those earnings announcements issued shortly after the end of an interim period that disclose abbreviated preliminary financial information for the interim period just ended). HKAS 34.3 does state, however, that if an interim financial report is described as complying with HKFRSs, it must comply with all of the requirements of HKAS 34. Therefore, if any reference to HKFRSs is made in a preliminary interim earnings announcement, the following sentences (or something substantively similar) should be included in that earnings release:

'While the financial figures included in this preliminary interim earnings announcement have been computed in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting applicable to interim periods, this announcement does not contain sufficient information to constitute an interim financial report defined in HKAS 34. The directors expect to publish an interim financial report that complies with HKAS 34 in March 20X2.'

- 5.2 This section outlines the current requirements as regards preliminary announcements of interim results for Hong Kong listed entities, as set out in the Listing Rules and the GEM Rules.

Main Board listed entities

- 5.3 Main Board listed entities are required to publish preliminary announcements of their results for the first six months of each financial year the next business day after approval by the board of directors and, in any event, not later than three months after the end of the interim period. [LR 13.49(6) & 2.07C]
- 5.4 In August 2007, the SEHK published a Consultation Paper on periodic financial reporting that contains a proposal to shorten the current deadlines for half-year results announcements for Main Board listed entities. The SEHK confirmed in its Consultation Conclusion (issued in July 2008) that the reporting deadline for half-year results announcements will be shortened by one month (ie not later than two months after the end of the interim period). The amendment to the relevant Listing Rules is effective for half-year accounting periods ending on or after 30 June 2010 (see section 3 of this guide for details).
- 5.5 In circumstances where the entity is unable to make the required announcement of its half-year interim results, it should make an announcement within the required time referred to above containing: [LR 13.49(6)]
- a full explanation for its inability to make an announcement of its half-year interim results; and
 - the expected date of announcement of the half-year interim results.

5.6 The following details (as extracted from the half-year interim report) should be included in the preliminary announcement of interim results: [App 16.46]

- statement of comprehensive income;
- statement of financial position;
- particulars of any purchase, sale or redemption by the listed entity, or any of its subsidiaries, of its listed securities during the half-year interim period, or an appropriate negative statement;
- Management Discussion and Analysis (MDA) covering (i) a fair review of the development of the business of the listed entity and its subsidiaries during the interim period and of their financial position at the end of the interim period; (ii) details of important events affecting the listed entity and its subsidiaries which have occurred since the end of the interim period; (iii) an indication of likely future developments in the business of the listed entity and its subsidiaries, including the listed entity's prospects for the current financial year;

Note: Where there are no material changes in respect of the above matters since the publication of the latest annual report, an appropriate negative statement in that regard can be made in lieu of a business review.

- a statement as to whether the listed entity meets the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14. The listed entity must also disclose any deviations from the code provisions and give considered reasons for such deviations. To the extent that it is reasonable and appropriate, such information may be given by reference to the Corporate Governance Report in the immediately preceding annual report, and summarising any changes since that annual report. Any such references must be clear and unambiguous;
- any supplementary information that is necessary for a reasonable appreciation of the results for the half-year period;
- a statement as to whether or not the interim results have been reviewed by external auditor or the audit committee of the listed entity;
- full details of any disagreement by the auditor or the audit committee with the accounting treatment adopted by the listed entity;
- where the accounting information contained in a preliminary interim results announcement has been audited by the listed entity's auditor and the auditor's report in the listed entity's interim financial statements is qualified or modified (whether or not it is also qualified), details of the qualification or modification; and
- a statement to the fact that there are any significant changes in accounting policies, if any.

The statement of comprehensive income presented in the preliminary announcement is required to include the notes relating to turnover, taxation, earnings per share, dividends and other notes that the directors consider necessary for a reasonable appreciation of the results for the financial period. [App 16.46(1)]

GEM listed entities

Preliminary announcements of half-year results

- 5.7 GEM listed entities are required to publish preliminary announcements of their half-year results on the GEM website the next business day after approval by the board of directors and, in any event, not later than 45 days after the end of the half-year period. [GR 18.78]
- 5.8 The following details (as extracted from the half-year interim report) should be included in the preliminary announcement of half-year results: [GR 18.78]
- statement of comprehensive income;
 - statement of financial position;
 - particulars of any purchase, sale or redemption by the listed entity, or any of its subsidiaries, of its listed securities during the interim period, or an appropriate negative statement;
 - Management Discussion and Analysis (MDA) covering (i) a fair review of the development of the business of the listed entity and its subsidiaries during the interim period and of their financial position at the end of the interim period; (ii) details of important events affecting the listed entity and its subsidiaries which have occurred since the end of the interim period; (iii) an indication of likely future developments in the business of the listed entity and its subsidiaries, including the listed entity's prospects for the current financial year;

Note: Where there are no material changes in respect of the above matters since the publication of the latest annual report, an appropriate negative statement in that regard can be made in lieu of a business review.

- a statement as to whether the listed entity meets the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15. The listed entity must also disclose any deviations from the code provisions and give considered reasons for such deviations. To the extent that it is reasonable and appropriate, such information may be given by reference to the Corporate Governance Report in the immediately preceding annual report, and summarising any changes since that annual report. Any such references must be clear and unambiguous;
- any supplementary information that is necessary for a reasonable appreciation of the results for the half-year period;
- Information as to the interests (if any) of the Compliance Adviser and its directors, employees and associates, as notified to the entity pursuant to GR 6A.32 and all directors and management shareholders of the entity and their respective associates as referred to in GR 11.04;
- a statement as to whether or not the interim figures have been reviewed by external auditor or the audit committee of the listed entity;
- full details of any disagreement by the auditor or the audit committee with the accounting treatment adopted by the listed entity;
- information as to where the accounting information contained in a half-year interim report has been audited. In the event that any auditor's report thereon has been qualified or modified, details of such qualification or modification must be set out in the half-year interim report; and
- a statement to the fact that there are any significant changes in accounting policies, if any.

The statement of comprehensive income presented in the preliminary announcement is required to include the notes relating to turnover, taxation, earnings per share, dividends and other notes that the directors consider necessary for a reasonable appreciation of the results for the financial period.

Preliminary announcements of quarterly results

- 5.9 GEM listed entities are required to publish preliminary announcements of the results for each of the first three and nine months of each financial year on the GEM website the next business day after approval by the board of directors and, in any event, not later than 45 days after the end of the relevant period. [GR 18.79]
- 5.10 The following details (as extracted from the quarterly interim report) should be included in preliminary announcement of results for each of the first three and nine month periods of each financial year: [GR 18.79];
- information in relation to the results for the quarter including turnover, profit (or loss) before taxation, taxation, profit (or loss) attributable to minority interests (referred to as non-controlling interests under HKFRS 3 (revised 2008)), profit (or loss) attributable to shareholders, dividends and earnings per share;
 - all movements to and from any reserves; and
 - particulars of any purchase, sale or redemption by the listed entity, or any of its subsidiaries, of its listed securities during the interim period, or an appropriate negative statement.

6 REQUIRED CONTENT FOR HALF-YEAR INTERIM FINANCIAL REPORTS

- 6.1 Both the Listing Rules and the GEM Rules address in some detail the required form and content for interim financial reports. In addition, half-year interim financial reports of all listed entities (Main Board listed entities and GEM listed entities) are required to comply with HKAS 34 that prescribes the minimum content for an interim financial report, and the principles for recognition and measurement for the purposes of the preparation of an interim financial report.
- 6.2 This section describes the requirements, as set out in HKAS 34, the Listing Rules and the GEM Rules, in relation to the form and content for an interim financial report.
- 6.3 Additional industry-specific information is required to be disclosed by financial conglomerates and banking companies in accordance with the relevant Listing Rules and the GEM Rules (see paragraphs 6.94 – 6.97).

Minimum components in accordance with HKAS 34

- 6.4 Entities reporting in accordance with HKAS 34 are required to include in their interim financial reports, at a minimum, the following components: [HKAS 34.8]
- a condensed statement of financial position;
 - a condensed statement of comprehensive income, presented as either:
 - a condensed single statement; or
 - a condensed separate income statement and a condensed statement of comprehensive income;
 - a condensed statement of changes in equity;
 - a condensed statement of cash flows; and
 - selected explanatory notes.

If an entity, in its annual financial statements, presents the components of profit or loss in a separate income statement as described in HKAS 1.81, it should also present interim condensed information in a separate statement. [HKAS 34.8A]

Periods required to be presented

- 6.5 HKAS 34.20 requires interim reports to include interim financial statements for periods listed in the following table.

Statement	Current	Comparative
Statement of financial position	End of current interim period	End of immediately preceding financial year
Statement of comprehensive income (and, where applicable, separate income statement)	Current interim period and cumulatively for the year-to-date	Comparable interim period and year-to-date of immediately preceding financial year
Statement of changes in equity	Cumulatively for the current financial year-to-date	Comparable year-to-date of immediately preceding financial year
Statement of cash flows	Cumulatively for the current financial year-to-date	Comparable year-to-date of immediately preceding financial year

Entities that report half-yearly

- 6.6 Based on the requirement of HKAS 34.20, Example 6.1 illustrates the statements required to be presented in the interim financial report of an entity that reports half-yearly, with a 31 December 2009 year end.

Example 6.1 Statements required for entities that report half-yearly		
	Current	Comparative
Statement of financial position at	30 June 2009	31 December 2008
Statement of comprehensive income (and, where applicable, separate income statement) - 6 months ended	30 June 2009	30 June 2008
Statement of changes in equity - 6 months ended	30 June 2009	30 June 2008
Statement of cash flows - 6 months ended	30 June 2009	30 June 2008

Entities that report quarterly

- 6.7 Based on the requirement of HKAS 34.20, Example 6.2 illustrates the statements required to be presented in the half-yearly interim financial report of an entity that reports quarterly, with a 31 December 2009 year end.

Example 6.2 Statements required for entities that report quarterly		
	Current	Comparative
Statement of financial position at	30 June 2009	31 December 2008
Statement of comprehensive income (and, where applicable, separate income statement) - 6 months ended	30 June 2009	30 June 2008
- 3 months ended	30 June 2009	30 June 2008
Statement of changes in equity - 6 months ended	30 June 2009	30 June 2008
Statement of cash flows - 6 months ended	30 June 2009	30 June 2008

Entities with highly seasonal businesses

- 6.8 The requirements of HKAS 34.20, as discussed above, specify the minimum periods for which interim financial statements are to be presented. However, entities may wish to provide additional information. For example, an entity whose business is highly seasonal is encouraged to disclose financial information relating to the twelve months up to the end of the interim period, and comparative information for the equivalent twelve-month period in the prior year. [HKAS 34.21]

Change of financial year end

- 6.9 Example 6.3 illustrates what comparative period should be used when there is a change in the financial year end of an entity.

Example 6.3 Comparative interim period when financial year end changes

Entity A's financial year ends on 31 March. It reports half-yearly. It prepared annual financial statements for the year ended 31 March 20X1. Subsequently, it published a half-year report for the six months ended 30 September 20X1.

Entity A changes its financial year end to 31 December and prepares annual financial statements for the nine months ended 31 December 20X1. Its half-year interim financial report for 20X2 will be for the six months ended 30 June 20X2. What comparative period should be used for the June 20X2 interim financial report?

HKAS 34 does not consider the circumstances where there is a change in the financial year end. HKAS 34.20 requires the presentation of comparative information for the statement of comprehensive income, statement of changes in equity, and statement of cash flows, for 'comparative interim periods'. In many circumstances, using the period from 1 January 20X1 to 30 June 20X1 as the comparative period may be preferable to using the amounts previously reported for the six months from 1 April 20X1 to 30 September 20X1, because this would enable users to compare trends over time, particularly in a seasonal business. However, based on the particular facts and circumstances, other periods may be appropriate (eg where local regulations prescribe the comparable period(s) to be presented following a change in financial year end).

- 6.10 The Listing Rules and the GEM Rules state that, if a change in financial year is proposed, the SEHK should be consulted as to the period or periods to be covered by the interim report. [App 16 Note 37.1; GR 18.55 Note 3]

Comparative financial statements when interim financial reports are produced for the first time

- 6.11 When an entity is preparing its first half-year report under HKAS 34, unless the report relates to the first period of operation, it should generally include comparatives as discussed in the previous paragraphs. In the exceptional circumstances where the entity does not have available in its accounting records the financial information that is needed to prepare the comparative interim financial statements, the entity has no choice but to omit prior period comparative financial statements.
- 6.12 In the circumstances described, however, the omission of the comparatives represents a non-compliance with HKAS 34. Therefore, the interim financial report cannot be described as complying with HKAS 34 without an "except for" statement regarding the omission of prior period comparative financial statements. Both the fact of, and the reason for, the omission should be disclosed.

Consolidated financial statements

- 6.13 If the entity's most recent annual financial statements were consolidated financial statements, the interim financial report should also be prepared on a consolidated basis. If the entity's annual report included the parent's separate financial statements in addition to the consolidated financial statements, HKAS 34 neither requires nor prohibits the inclusion of the parent's separate financial statements in the entity's interim report. [HKAS 34.14]
- 6.14 When an entity has disposed of all of its subsidiaries during the interim period such that it has no subsidiaries at the end of the interim period, it should prepare its interim financial report on a consolidated basis because it had subsidiaries at some point during the interim period. The statement of comprehensive income, statement of changes in equity and statement of cash flows will include the impact of the subsidiaries up to the date(s) of disposal and the effects of the disposal.

Materiality

6.15 HKAS 34.23 requires that, in deciding how to recognise, measure, classify or disclose an item for interim reporting purposes, materiality should be assessed in relation to the interim period financial data. In making assessments of materiality, it should be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.

6.16 Materiality is defined in HKAS 1.7 as follows.

"Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement, judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

6.17 While materiality are always subjective, the overriding concern is to ensure that an interim financial report includes all of the information that is relevant to understanding the financial position and performance of the entity during the interim period. Therefore, it is generally inappropriate to base quantitative estimates of materiality on projected annual figures.

Condensed or complete interim financial statements

6.18 Where the minimum required information for interim financial statements prescribed by HKAS 34.8 (as listed in paragraph 6.4 above) is presented, the resultant financial statements are described as 'condensed'. However, entities also have the option of producing a complete set of financial statements for inclusion in their interim reports. Where an entity takes this alternative, the form and content of the financial statements must conform to the requirements of HKAS 1 *Presentation of Financial Statements* for a complete set of financial statements, in addition to complying with the requirements of HKAS 34. [HKAS 34.7 & 9] Therefore, the measurement and disclosure requirements of all relevant Standards apply. These include all measurement and disclosure requirements of HKAS 34 and, in particular, the selected explanatory note disclosures listed in HKAS 34.16 (see paragraph 6.53 below).

6.19 Paragraph 4 of HKAS 1 (revised 2007) states, in part, that 'this Standard does not apply to the structure and content of condensed interim financial statements prepared in accordance with HKAS 34 *Interim Financial Reporting*. However, paragraphs 15 - 35 of HKAS 1 (revised 2007) apply to such financial statements'.

6.20 Paragraphs 15 - 35 of HKAS 1 (revised 2007), which therefore apply when preparing condensed financial statements for interim purposes, deal with:

- true and fair view and compliance with HKFRSs;
- going concern;
- accrual basis of accounting;
- materiality and aggregation; and
- offsetting.

6.21 HKAS 34 does not repeat the general principles underlying the preparation of financial information set out in HKAS 1. Preparers need to refer to HKAS 1 for clarification in this regard.

Items to appear on the face of condensed financial statements

- 6.22 HKAS 34 requires that, for each component (statement of financial position, statement of comprehensive income, statement of changes in equity, and statement of cash flows), each of the headings and subtotals that were included in the entity's most recent annual financial statements should be disclosed. Additional line items are required if their omission would make the condensed interim financial statements misleading. [HKAS 34.10]
- 6.23 HKAS 34 uses the terms 'headings' and 'subtotals' in prescribing the minimum content. Such terminology seems to imply that not all of the line items that were presented in the most recent annual financial statements are necessarily required for interim reporting purpose. Such an interpretation would do a disservice, however, to users of the financial statements who are trying to assess trends based on the financial information shown in interim and annual financial statements. Therefore, the phrase should be interpreted, in nearly all cases, to mean the line items that were included in the entity's most recent annual financial statements. The line items in most published annual financial statements are already highly aggregated and it would be difficult to think of a line item in the annual statement of comprehensive income, in particular, that would not be appropriate in an interim statement of comprehensive income.
- 6.24 For the statement of financial position, a too literal interpretation of 'each of the headings and subtotals' might lead to an interim statement of financial position that present lines only for total current assets, total non-current assets, total current liabilities, total non-current liabilities and total equity, which will generally be insufficient for trend analysis.
- 6.25 For the statement of changes in equity, all material movements in equity occurring in the interim period should be disclosed separately.
- 6.26 In the case of the statement of cash flows, some aggregation of the lines from the annual statement may be appropriate, but subtotals for 'operating', 'investing' and 'financing' only are unlikely to be sufficient.
- 6.27 If a particular category of asset, liability, equity, income, expense or cash flows was so material that separate disclosure was required in the financial statements in the most recent annual financial statements, such separate disclosure will generally be appropriate in the interim report. Further aggregation would only be anticipated where the line items in the annual statements are unusually detailed.
- 6.28 Under HKAS 34.10, additional line items should be included if the omission would make the condensed interim financial statements misleading. Therefore, a new category of asset, liability, income, expense, equity or cash flow arising for the first time in the interim period may require presentation as an additional line item in the condensed financial statements.
- 6.29 A category of asset, liability, income, expense, equity or cash flow may be significant in the context of the interim financial statements even though it is not significant enough to warrant separate presentation in the annual financial statements. In such cases, separate presentation on the face of the condensed interim financial statements may be required.

Requirement under the Listing Rules/GEM Rules

- 6.30 Both the Listing Rules/GEM Rules identify specific matters for disclosure in interim reports. The Exhibits below set out the requirements under the Listing Rules/GEM Rules.

Exhibit 6.1 Main Board listed entities (half-year interim financial reports)

- ⇒ A statement of financial position should include each of the major components of assets, liabilities and equity that were presented in the most recent published annual statement of financial position. [App 16.37(1)]
- ⇒ A statement of comprehensive income should include each component of income and expense that were presented in the most recent published annual statement of comprehensive income. [App 16.37(2)]
- ⇒ A statement of cash flows should include the major subtotals of cash flows that were presented in the most recent published annual statement of cash flows. [App 16.37(3)]
- ⇒ A statement of changes in equity. [App 16.37(4)]
- ⇒ Relevant comparative figures. [App 16.37(5)]

Exhibit 6.2 GEM listed entities (half-year interim financial reports)

- ⇒ A statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year. [GR 18.55(1)(a)]
- ⇒ A statement of comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative statement of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year. [GR 18.55(1)(b)]
- ⇒ A statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year. [GR 18.55(1)(c)]
- ⇒ A statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year. [GR 18.55(1)(d)]
- ⇒ Accounting policies and explanatory notes. [GR 18.55(1)(e)]

- 6.31 The requirements for the statement of comprehensive income are clear (for entities listed on the Main Board at least). The Listing Rules explicitly state that all items that appeared in the most recent published annual statement of comprehensive income must be presented in the condensed statement of comprehensive income for interim reporting purposes.
- 6.32 The requirements for the statement of financial position are not so clear. The Listing Rules refer to "major components" of assets, liabilities and equity, but do not define what is meant by a "major component". Whilst a degree of judgement is required in determining the appropriate level of disclosure, we highly recommend that the presentation of the statement of financial position for interim reporting purposes should be consistent with the entity's annual statement of financial position.

- 6.33 As regards the statement of cash flows, both the Listing Rules and HKAS 34 refer to "headings" and "sub-totals". Therefore, it appears that the minimum requirement is for the presentation of sub-totals for "operating", "investing" and "financing" cash flows. These disclosures should be expanded if the cash flows are unusual because of their nature, size or incidence. Further detail of such unusual items should be disclosed in order to satisfy the information needs of users of the interim financial report.
- 6.34 For the statement of changes in equity, there is no specific guidance on the level of detail to be presented. Our interpretation is that all material movements in equity occurring in the interim period should be disclosed separately.
- 6.35 In addition to the requirements outlined earlier, the Listing Rules and the GEM Rules specify certain matters of detail to be included in the condensed statement of comprehensive income and statement of financial position of the listed entity, as set out in Exhibit 6.3 below. The information may be included in the notes to the condensed financial statements.

Exhibit 6.3 Statement of comprehensive income* and statement of financial position disclosures required by the Listing Rules/GEM Rules (half-year interim financial reports) [App 16.4; GR 18.50B]

Statement of comprehensive income**	Statement of financial position
<ul style="list-style-type: none"> ▪ Turnover; ▪ Profit (or loss) before taxation; ▪ Taxation on profits (Hong Kong and overseas) indicating basis of computation; ▪ Profit (or loss) attributable to non-controlling interests; ▪ Profit (or loss) attributable to shareholders; ▪ Rates of dividend paid or proposed; ▪ Earnings per share; ▪ Investment and other income; ▪ Costs of goods sold***; ▪ Interest on borrowings; ▪ Depreciation/amortisation; ▪ Profit (or loss) on sale of investments or properties; and ▪ Share of profit (or loss) of associated companies and jointly controlled entities. 	<ul style="list-style-type: none"> ▪ Fixed assets; ▪ Current assets; <ul style="list-style-type: none"> ➢ Stocks; ➢ Debtors including credit policy and an aged analysis of accounts receivables; ➢ Cash at bank and in hand; ➢ Other current assets; ▪ Current liabilities; <ul style="list-style-type: none"> ➢ Borrowings and debts; ➢ An aged analysis of accounts payable; ▪ Net current assets (liabilities); ▪ Total assets less current liabilities; ▪ Non-current liabilities; <ul style="list-style-type: none"> ➢ Borrowings and debts; ▪ Capital and reserves; and ▪ Minority interests (referred to as non-controlling interests under HKFRS 3 (revised 2008)).
<p>* When non-owner changes in equity are presented in two statements (see paragraph 6.4), the above items required by the Listing Rules/GEM Rules should be disclosed in the income statement.</p> <p>** For statement of comprehensive income disclosures, comparative figures of the above matters for the corresponding previous period are required.</p> <p>*** While this requirement will not present an issue for entities that present their condensed statement of comprehensive income (or income statement) with expenses analysed by function, it will not be appropriate for those entities that present their statement of comprehensive income (or income statement) with expenses analysed by nature. However, the Listing Rules and the GEM Rules allow that the items specified may be adapted so as to render them suitable for the entity's activities. [App 16.4 Note 4.1; GR 18.50B Note 1] Therefore, where an entity presents its analysis of expenses by nature in its annual financial statements, we consider that it is appropriate to use the same format in the interim financial report.</p>	

Exhibit 6.4 GEM listed entities (quarterly interim financial reports)

- ⇒ The GEM Rules do not require that quarterly interim reports comply with HKAS 34. If a listed entity would like to voluntarily prepare a quarterly interim financial report in accordance with HKAS 34, then all of the disclosure requirements of HKAS 34 must be complied with.
- ⇒ The disclosures required in quarterly interim reports are very limited as compared with the requirements for half-year interim reports. Quarterly reports are not currently required to include a statement of financial position, statement of cash flows, or statement of changes in equity.
- ⇒ The GEM Rules require entities to include in their quarterly interim financial reports all movements to and from any reserves. In addition, GEM listed entities are required to include in their quarterly interim reports details of:[GR 18.68(1) & 18.79]
 - Turnover;
 - Profit (or loss) before taxation;
 - Taxation on profits;
 - Profit (or loss) attributable to minority interests (referred to as non-controlling interests under HKFRS 3 (revised 2008));
 - profit (or loss) attributable to shareholders;
 - dividends paid or proposed;
 - movements to and from any reserve; and
 - earnings per share.

Note: The amounts to be disclosed refer to the year to date. Comparative amounts for the corresponding previous period are required to be disclosed for the items listed above.

Use of the term 'condensed'

- 6.36 The requirements discussed in the previous paragraphs will result in the presentation of at least some statements that include all of the line items, headings and sub-totals that were presented in the most recent annual financial statements. The question then arises as to whether such primary statements should, in practice, be described as 'condensed'.
- 6.37 Given that the notes supplementing the primary statements are limited, the presentation package taken together is condensed from what would be reported in a complete set of financial statements under HKAS 1 and other Standards. These interim statements should therefore be described as 'condensed' because otherwise users may infer that they constitute a complete set of financial statements in accordance with HKAS 1, which they do not. A complete set of financial statements must include all disclosures in accordance with applicable HKFRSs.

Earnings per share

- 6.38 When an entity is within the scope of HKAS 33 *Earnings per Share*, it should present basic and diluted earnings per share (EPS) for the interim period in the statement that presents the components of profit or loss for that period. [HKAS 34.11]
- 6.39 If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of HKAS 1, basic and diluted EPS should be presented in that separate statement. [HKAS 34.11A]

- 6.40 As a consequential amendment of HKAS 1 (revised 2007), HKAS 34.11 was amended (and HKAS 34.11A was added) to make clear that the EPS information should be presented in the statement that presents the components of profit or loss for the interim period. As outlined in paragraph 6.4, this may be in a statement of comprehensive income or, where the entity has elected to present a separate income statement, in that separate income statement.
- 6.41 HKAS 34.11 was further amended by *Improvements to HKFRSs* issued in October 2008. The amendment has clarified that EPS information need be presented only when the entity is within the scope of HKAS 33. Although this clarification is expected to have a minimal effect on accounting, it was necessary because, prior to the amendment, HKAS 34.11 could have been read as requiring the disclosure of EPS in an interim financial report even if the entity is not within the scope of HKAS 33.

Requirements under the Listing Rules/GEM Rules

- 6.42 EPS, both basic and diluted, is required to be presented in the condensed statement of comprehensive income (or income statement when non-owner changes in equity are presented in two statements) for the interim period. [App 16.4(1)(g); GR 18.50B(1)(m)]
- 6.43 EPS information should be provided for all income statement periods presented. Therefore, if the entity presents income statement information separately for the current interim period and the current year-to-date, with comparatives for each, EPS (both basic and diluted) should be presented for the four periods.

Measures of EPS to be presented

- 6.44 HKAS 34 does not make any specific reference to the requirements of HKAS 33 regarding which measures of basic and diluted EPS should be presented. Nevertheless, to enable users to compare trends, the same EPS figures should be presented in the interim financial report as in the annual financial statements. Therefore, irrespective of whether the interim financial statements are described as 'condensed', the following should be presented in the interim report, with equal prominence for all periods presented:
- basic and diluted EPS for profit or loss attributable to the ordinary equity holders of the parent entity; and
 - where a discontinued operation is reported, basic and diluted EPS for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity.
- 6.45 These should be presented for each class of ordinary shares that has a different right to share in profit for the period.
- 6.46 EPS figures should be provided for all periods presented in the interim financial report. Therefore, for an entity presenting information separately for the current interim period and the current year-to-date, with comparatives for each, EPS (both basic and diluted) should be presented for the four periods.

Interim period diluted EPS on a year-to-date basis

- 6.47 Any change in assumptions for the purposes of computing diluted EPS during the interim period may result in an apparent anomaly. For example, the sum of diluted EPS for the first quarter and diluted EPS for the second quarter may not always equal diluted EPS for the half-year period.

6.48 Diluted EPS for the first quarter is based on assumptions that were valid during and at the end of that quarter. HKAS 33 states that diluted EPS should not be restated for changes in the assumptions used for conversions of potential ordinary shares into outstanding ordinary shares. Therefore, diluted EPS for the second quarter and for the half-year period may be based on different assumptions than those used in computing diluted EPS for the first quarter. Also, certain outstanding potential ordinary shares may have been 'anti-dilutive' (their conversion to ordinary shares would increase EPS) in the first quarter and, therefore, they may have been excluded from first quarter diluted EPS. In the second quarter and on a six-month basis, however, they may have been dilutive and, therefore, included in diluted EPS.

Example 6.4 Interim period diluted EPS on a year-to-date basis

The following information relates to a quarterly reporter:

	<u>Quarter 1</u> (1 January to 31 March)	<u>Quarter 2</u> (1 April to 30 June)	<u>Half-year</u> (1 January to 30 June)
Net income	HK\$1,000	HK\$1,000	HK\$2,000
Ordinary shares outstanding	1,000	1,000	1,000
Weighted average quoted market price of ordinary shares	HK\$8	HK\$20	HK\$14

Throughout the half-year, the entity had outstanding 100 options each allowing the holder to purchase one ordinary share for HK\$10. No options were exercised. For the second quarter interim report, HKAS 34.20(b) requires a statement of comprehensive income (and, where appropriate, a separate income statement) for the second quarter and for the half-year. Calculations of basic and diluted EPS are as follows:

	<u>Quarter 1</u> (1 January to 31 March)	<u>Quarter 2</u> (1 April to 30 June)	<u>Half-year</u> (1 January to 30 June)
Basic EPS	HK\$1,000/1,000 = HK\$1.00	HK\$1,000/1,000 = HK\$1.00	HK\$2,000/1,000 = HK\$2.00
Diluted EPS – numerator	HK\$1,000	HK\$1,000	HK\$2,000
Diluted EPS – denominator	1,000*	1,050 (1,000 + 50**)	1,028.57 (1,000 + 28.57***)
Diluted EPS	HK\$1	HK\$0.952	HK\$1.944

* The exercise price of the options is greater than the average market price of shares during Quarter 1. Therefore, the options are ignored in computing diluted EPS.

** If the share options were exercised, the proceeds of issue of HK\$1,000 would equate to an issue of 50 shares at the average market price of HK\$20. Therefore, the remaining 50 shares are assumed to have been issued for no consideration and are added to the number of ordinary shares outstanding for the computation of diluted EPS.

*** If the share options were exercised, the proceeds of issue of HK\$1,000 would equate to an issue of 71.43 shares at the average market price of HK\$14. Therefore, the remaining 28.57 shares are assumed to have been issued for no consideration and are added to the number of ordinary shares outstanding for the computation of diluted EPS.

Note that the sum of diluted EPS for the first quarter (HK\$1.00) plus diluted EPS for the second quarter (HK\$0.952) is not equal to diluted EPS for the first six months (HK\$1.944).

Calculation of weighted average number of ordinary shares for an interim reporting period

- 6.49 Example 6.5 illustrates how to calculate the weighted average number of ordinary shares for an interim reporting period.

Example 6.5 Calculation of weighted average number of ordinary shares

A publicly-traded entity is required to prepare interim financial statements in accordance with HKAS 34. Thirty days before the end of the six-month interim period, a substantial number of shares are issued by the entity.

These new shares should be weighted for inclusion in the denominator of the interim earnings per share calculation based on the number of days that the shares are outstanding as a proportion of the total number of days in the interim period. A reasonable approximation of the weighted average is sufficient in many circumstances. The number of shares issued should be weighted by the number of days that the shares are outstanding (ie 30 days) divided by the number of days in the period (ie 182 days).

EPS calculation at interim reporting date for an entity with contingently issuable shares

- 6.50 Example 6.6 illustrates how an entity that has contingently issuable shares should calculate EPS for the purposes of the preparation of an interim report.

Example 6.6 EPS calculation for an entity with contingently issuable shares

Company X, a publicly-traded entity reporting on a calendar year basis, purchased Subsidiary Y on 1 January. The consideration for the acquisition was HK\$100 million plus an additional 20,000 Company X ordinary shares if Subsidiary Y earns net income in the year following the acquisition of HK\$10 million or more. By 30 June of Year 1, Subsidiary Y earned net income of \$15 million.

Although the 20,000 shares would be issuable if the end of the contingency period were 30 June instead of 31 December, the 20,000 ordinary shares should be excluded from the denominator for the calculation of basic EPS for the six months ended 30 June, because events could transpire in the following six months that would cause Company X not to issue the shares (eg Subsidiary Y could lose HK\$6 million in the following six months).

However, the contingently issuable ordinary shares should be included in the denominator for the calculation of diluted EPS for the six months ended 30 June because, based on the current status, the contingency is met.

Selected explanatory notes

- 6.51 HKAS 34 specifies that an interim financial report should contain selected explanatory notes.

Required disclosures under HKAS 34

- 6.52 The disclosure requirements of HKAS 34 are based on the assumption that anyone reading the interim financial report will have access to the most recent annual financial statements. Therefore, not all of the supplementary notes in the annual financial statements are required for interim reporting purposes, since this would result in repetition, or the reporting of relatively insignificant changes. The explanatory notes included in the interim financial report are intended to provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date. [HKAS 34.15]

- 6.53 Exhibit 6.5 below sets out the minimum explanatory notes required by HKAS 34. The information is generally presented on a year-to-date basis. The entity is also required to disclose any events or transactions that are material to an understanding of the current interim period. [HKAS 34.16]

Exhibit 6.5 Information required by HKAS 34.16

The following information should be disclosed in the notes to the interim financial statements, if material to an understanding of the operations during the interim period and if not disclosed elsewhere in the interim financial report: [HKAS 34.16]

- ⇒ A statement that the same accounting policies and methods of computation are followed in the interim financial statements as were followed in the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change (see section 8 of this guide).
- ⇒ Explanatory comments about the seasonality or cyclicity of interim operations.
- ⇒ The nature and amount of items affecting assets, liabilities, equity, net income or cash flows, that are unusual because of their size, nature or incidence.
- ⇒ The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.
- ⇒ Information about issuances, repurchases and repayments of debt and equity securities.
- ⇒ Dividends paid (aggregate or per share), separately for ordinary shares and other shares.
- ⇒ The following segment information (see paragraphs 6.59 – 6.66 below):
 - revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;
 - intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;
 - a measure of segment profit or loss;
 - total assets for which there has been a material change from the amount disclosed in the last annual financial statements;
 - a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss;
 - a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items should be separately identified and described in that reconciliation.

- ⇒ Material events after the end of the interim period that have not been reflected in the interim financial statements.
- ⇒ The effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinued operations.
- ⇒ Changes in contingent liabilities or contingent assets since the end of the last reporting period.

6.54 HKAS 34 requires the entity to provide explanatory comments about the seasonality or cyclicity of interim operations under HKAS 34.16(b). Discussion of changes in the business environment (such as changes in demand, market shares, prices and costs) and discussion of prospects for the full current financial year of which the interim period is a part will normally be presented as part of a management discussion and analysis or financial review, outside of the notes to the interim financial statements.

6.55 HKAS 34.17 provides the following examples of the kinds of disclosures that are required:

- the write-down of inventories to net realisable value and the reversal of any such write-down;
- recognition of a loss arising from the impairment of property, plant, and equipment, intangible assets, or other assets, and the reversal of any such impairment loss;
- the reversal of any provisions for the costs of restructuring;
- acquisitions and disposals of items of property, plant, and equipment;
- commitments for the purchase of property, plant, and equipment;
- litigation settlements;
- corrections of prior period errors;
- any loan default or any breach of a loan agreement that has not been remedied on or before the end of the reporting period; and
- related party transactions.

Details required in explanatory notes

6.56 HKAS 34 does not specify the level of detail for the disclosures required by HKAS 34.16 and HKAS 34.17. The main principle is that the interim disclosures should be those that are useful in understanding the changes in financial position and performance of the entity since the end of the last annual reporting period. HKAS 34.18 points out that the detailed disclosures required by other HKFRSs are not required in an interim financial report that includes condensed financial statements and selected explanatory notes. Therefore, in general, the level of detail in interim note disclosures will be less than the level of detail in annual note disclosures. The following examples illustrate this point.

- HKAS 2.37 suggests that amounts of inventories at the end of a period and changes in inventories during the period are normally classified between merchandise, production supplies, materials, work in progress and finished goods. That level of detail would not normally be required in condensed interim financial statements unless it is significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Therefore, the disclosure of a write-down of inventories to net realisable value and the reversal of such a write-down, as required by HKAS 34.17(a), will generally be made at the entity-wide level in condensed interim financial statements, rather than analysed between different classes of inventories.
- HKAS 36.126 requires disclosure of impairment losses and reversals for each class of assets. The disclosure of impairment losses and reversals required by HKAS 34.17(b) will generally be made at the entity-wide level in condensed interim financial statements, rather than by class of assets, except where a particular impairment or reversal is considered significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.
- HKAS 24.16 requires disclosure of key management personnel compensation by category. Such detailed disclosures of the remuneration of key management personnel are not generally required in interim reports unless there has been a significant change since the end of the last annual reporting period and disclosure of that change is necessary for an understanding of the interim period. For example, a bonus granted or share options awarded to members of key management personnel during the interim period are likely to be significant to an understanding of the interim period and, therefore, should be disclosed.

6.57 Readers should note that, the International Accounting Standards Board (IASB), at its February 2009 meeting, considered the disclosure requirements of IAS 34. HKAS 34 is the same as IAS 34. The review by the IASB was prompted by requests from various sources for the Board to mandate more specific disclosure requirements for interim reports (most recently, such requests had been received in relation to disclosures regarding financial instruments). In the agenda papers for the IASB's meeting, IASB staff summarised the current requirements as requiring disclosure in interim financial reports of information that is:

- material to the overall interim financial statements;
- unusual or irregular;
- a change from the previous reporting period (of the current or previous financial year) that has a significant effect on the current reporting period; or
- relevant to an understanding of estimates used in the interim financial statements.

6.58 The IASB was not keen to mandate more specific information to be disclosed in interim financial statements (either by incorporating disclosure requirements of other Standards into IAS 34 or by specifying within other Standards which disclosure requirements are mandatory for interim reports). It is more likely that additional guidance will be developed for inclusion in IAS 34 regarding how to comply with the Standard's existing disclosure requirements (eg by providing more examples to illustrate information that should be disclosed in interim financial statements). At the date of writing of this guide, IASB staff are still working on proposals in this regard.

Segment information - application of HKFRS 8

- 6.59 Disclosure of segment information is required in an entity's interim financial report only if HKFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements.
- 6.60 HKFRS 8 superseded HKAS 14 *Segment Reporting* for periods beginning on or after 1 January 2009. The consequential amendments to HKAS 34 (ie the expanded disclosure requirements under HKAS 34.16(g) listed in paragraph 6.53 above) are effective for annual periods beginning on or after 1 January 2009. Therefore, for calendar-year entities, the expanded requirements apply for interim periods beginning on or after 1 January 2009.
- 6.61 The disclosure requirements set out in HKAS 34.16(g) (see paragraph 6.53 above) are based on the premise that the full segment disclosures in the most recent annual report are available and that insignificant updates to that information are not generally required for the purposes of the preparation of interim reports. This premise will not be appropriate in the first year of adoption of HKFRS 8, unless the segments under HKFRS 8 are not materially different to those previously presented under HKAS 14. Therefore, in the first interim financial report affected by HKFRS 8, it would seem appropriate to disclose:
- a measure of total assets for each reportable segment (rather than simply explaining material changes as is required on an ongoing basis); and
 - a comprehensive description of the basis of segmentation of information and the basis of measurement of segment profit or loss (rather than simply explaining any changes in those bases as is required on an ongoing basis).
- 6.62 If the segments identified in accordance with HKFRS 8 do not differ materially from those previously disclosed under HKAS 14, a statement to that effect should be included in the first interim financial report affected by HKFRS 8, in order to comply with the disclosure requirements for changes in accounting policies in accordance with HKAS 34.16(a). Any segment information presented should be sufficient to ensure that the interim financial report includes all information that is relevant to understanding an entity's financial position and performance during that interim period.
- 6.63 In that first interim financial report, in line with the general transitional provisions for HKFRS 8, segment information reported in comparative interim financial reports should be restated, unless the necessary information is not available and the cost to develop it would be excessive. [HKFRS 8.36]

Requirements under the Listing Rules/GEM Rules

- 6.64 Both the Listing Rules and the GEM Rules state that entities should provide segment information required by the relevant HKFRSs in their half-year interim reports. [App 16.4(3); GR 18.50B(3)].
- 6.65 The HKAS 34 requirements in respect of segment information (see HKAS 34.16(g)) do not include all disclosure requirements of HKAS 14 or HKFRS 8. Therefore, compliance with the HKAS 34 disclosure requirements is unlikely to result in compliance with the disclosure requirements of HKAS 14 or HKFRS 8.
- 6.66 The SEHK has confirmed that, for those entities that have adopted HKAS 34 and present condensed financial statements in their half-year interim reports, the requirement for segment information is limited to the information specified in HKAS 34 only. However, if the entity prepares a complete set of financial statements in its half-year interim report, full HKAS 14 or HKFRS 8 segment disclosure is required.

Business combinations occurring during the interim period

- 6.67 Where business combinations have occurred during the interim period, HKAS 34.16(i) requires the entity to disclose all of the details prescribed for annual financial statements by HKFRS 3 *Business Combinations*.
- 6.68 HKFRS 3 was revised in 2008 and should be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009. As a consequential amendment of HKFRS 3, HKAS 34 was amended. Entities should apply the amendment to HKAS 34 for annual periods beginning on or after 1 July 2009. In addition, if an entity applies HKFRS 3 (revised 2008) for an earlier period, the revised disclosure requirements for interim reports should also be applied for that earlier period.
- 6.69 For users' convenience, the disclosure requirements of both the previous and the revised versions of HKFRS 3 are set out in Appendix II to this guide. The model half-year interim report, as set out in Appendix I to this guide, illustrates the disclosures required by HKFRS 3 (revised 2008).

Comparative information for explanatory note disclosures

- 6.70 HKAS 34 does not explicitly require that comparative information be provided for explanatory note disclosures in condensed interim financial statements. However, the notes support the financial statements for which comparative information is required. Therefore, although HKAS 34.16 contains no express reference to the requirement for comparative information, we consider that HKAS 1 (revised 2007).38 should be applied, and that comparative information should be provided for all numerical information, and for narrative and descriptive information to the extent that it is relevant to an understanding of the current interim period's financial statements.
- 6.71 For the purposes of interim financial statements, the 'previous period' referred to in HKAS 1.38 should be taken to mean the equivalent interim period. Therefore, for example, where disclosures are made under HKAS 34.16 in respect of business combinations or share issues on a financial year-to-date basis, then comparative information for the equivalent year to date should be reported.
- 6.72 When an entity presents a complete set of financial statements for interim reporting purposes, then all of the requirements of HKAS 1 apply and, therefore, comparative information is required for the explanatory note disclosures under HKAS 34.16.

Inclusion of interim period disclosures in next annual financial statements

- 6.73 If an item of information is considered significant and, therefore, is disclosed in an entity's interim report, that item of information will not necessarily be disclosed in the entity's next annual report that includes the interim period in which the disclosure was made. Under HKAS 34, interim period disclosures are determined based on materiality levels assessed by reference to the interim period financial data (see paragraph 6.15 above). The Standard recognises that the notes to interim financial statements are intended to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. A disclosure that is useful for that purpose may not be useful in the annual financial statements.
- 6.74 To illustrate, HKAS 34.16(c) requires disclosure of the nature and amount of any item that affects assets, liabilities, equity, net income or cash flows if it is unusual because of its nature, size or incidence. Such an item may be unusual in size in the context of a single quarter or half-year period, for example, but not so with respect to the full financial year. However, HKAS 34.26 does require disclosure in the notes to the annual financial statements where an estimate of an amount reported in an earlier interim period is changed significantly during the final interim period of the financial year but a separate financial report is not produced for that final interim period.

Inclusion of interim period disclosures in subsequent interim periods of the same financial year

- 6.75 If an item of information is considered significant and, therefore, is disclosed in an entity's interim financial report for the first quarter, that item of information will not necessarily be disclosed in the interim reports for the subsequent quarters of the same financial year. Under HKAS 34, materiality is assessed by reference to each interim period's financial data (see paragraph 6.15 above). Therefore, an item that is considered material in the context of one interim period may not be material for subsequent interim periods of the same financial year. HKAS 34.16 indicates that note disclosures are normally on a year-to-date basis.
- 6.76 For example, the explanatory notes in the interim financial report at 30 June for a 31 December year-end entity that reports quarterly will cover the period from 1 January to 30 June. An item of information that was considered significant in the first quarter report and, therefore, was disclosed in the notes to the interim financial report for the three months ended 31 March, may not be considered significant on a 30 June six-month year-to-date basis. If that is the case, disclosure in the six-month interim financial report is not required.
- 6.77 By contrast, an item might be significant to understanding the performance of the entity for the current interim period (in the example above, the three months ended 30 June) but not for the year-to-date (six months ended 30 June). HKAS 34.16 specifically requires disclosure of such items – in addition to reporting information on a year-to-date basis, the entity is required to disclose any events or transactions that are material to an understanding of the current interim period.

Disclosure of compliance with HKFRSs

- 6.78 HKAS 34.19 requires that, where an interim financial report has been prepared in accordance with the requirements of that Standard, that fact should be disclosed. An interim financial report should not be described as complying with Hong Kong Financial Reporting Standards unless it complies with all of the requirements of HKFRSs. The latter statement will be appropriate only where interim financial statements are complete rather than condensed.
- 6.79 As condensed interim financial reports do not include all of the disclosures required by HKAS 1 *Presentation of Financial Statements* and other Standards, they do not meet this requirement. They are, therefore, more appropriately described as having been prepared 'in accordance with HKAS 34 *Interim Financial Reporting*' rather than 'in accordance with HKFRSs'.
- 6.80 HKAS 34 clarifies that, where other Standards call for disclosures in financial statements, in that context they mean a complete set of financial statements of the type normally included in an annual report. Such disclosures are not required if the interim financial report includes only condensed financial statements and selected explanatory notes. [HKAS 34.18]
- 6.81 Therefore, when presenting condensed interim financial information, the entity needs to consider compliance with Standards at two levels:
- compliance with all of the measurement and presentation rules contained in extant Standards and Interpretations (as stated in the previous paragraph, compliance with the disclosure requirements of Standards other than HKAS 34 is not required); and
 - compliance with the disclosure requirements and the measurement principles for interim reporting purposes specified by HKAS 34.

Disclosure in annual financial statements

- 6.82 It is quite common that entities do not prepare a separate report for the final interim period in a financial year. This will be determined on the basis of the rules of local regulators. For example, an entity with a reporting period to 31 December, which reports half-yearly, may not be required to produce a separate interim financial report covering the period from July to December.
- 6.83 In such circumstances, HKAS 34 requires disclosure in the notes to the annual financial statements where an estimate of an amount reported in an earlier interim period is changed significantly during the final interim period. The nature and amount of that change in estimate are required to be disclosed. [HKAS 34.26] This requirement is intended to provide users of the financial statements with details of changes in estimates in the final interim period consistent with those generally required by HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Standard does state, however, that this disclosure requirement is intended to be narrow in scope, relating only to the change in estimate, and it is not intended to introduce a general requirement to include additional interim period financial information in the entity's annual financial statements. [HKAS 34.27]
- 6.84 HKAS 34.27 makes clear that, when such a change in estimate occurs and is required to be disclosed in the annual financial statements, the disclosure represents additional interim period financial information. Consequently, although the disclosure is made in the annual financial statements, materiality will generally be determined by reference to interim period financial data.

Other requirements under the Listing Rules and GEM Rules

Management discussion and analysis (MDA)

- 6.85 All listed entities are required to include a discussion and analysis of their performance in their half-year interim reports. [App 16.40(2); GR 18.59] This discussion is also required to be included in preliminary announcements of half-year results.
- 6.86 The Listing Rules and the GEM Rules specify a number of matters to be included in the MDA. [App 16.40(2) & 16.32; GR 18.59 & 41]. Appendix II to this guide specifies the relevant requirements.
- 6.87 For interim reporting purposes, the Listing Rules and the GEM Rules specify that, where the current information in relation to the matters discussed in the MDA has not changed materially from the information disclosed in the most recent published annual report, a statement to that effect may be made and no additional disclosure is required. [App 16.40(2); GR 18.59]

Compliance with Code on Corporate Governance Practices and Model Code

6.88 The Exhibits below set out statements that should be included in half-year interim financial reports in accordance with the Listing Rules and GEM Rules.

Exhibit 6.6 Main Board listed entities [App 16.44(1) & (2)]

- ⇒ A statement as to whether the listed entity meets the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14. Where there are any deviations from the code provisions in the Code, the listed entity must give considered reasons for the deviations from the code provisions, either by:
 - (a) giving considered reasons for each deviation; or
 - (b) to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the immediately preceding annual report and providing details of any changes together with considered reasons for any deviation not reported in that annual report. Any such references must be clear and unambiguous and the interim financial report must not only contain a cross-reference without any discussion of the matter; and
- ⇒ In respect of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10, a statement as to:
 - (a) whether the listed entity has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code;
 - (b) having made specific enquiry of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions; and
 - (c) in the event of any non-compliance with the required standard set out in the Model Code, details of such non-compliance and an explanation of the remedial steps taken by the listed entity to address such non-compliance.

Exhibit 6.7 GEM listed entities [GR 18.55(4) & (5)]

- ⇒ A statement as to whether the listed entity meets the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15. Where there are any deviations from the code provisions in the Code, the listed entity must give considered reasons for the deviations from the code provisions, either by:
- (a) giving considered reasons for each deviation; or
 - (b) to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the immediately preceding annual report and providing details of any changes together with considered reasons for any deviation not reported in that annual report. Any such references must be clear and unambiguous and the interim financial report must not only contain a cross-reference without any discussion of the matter; and
- ⇒ In respect of the required standard of dealings set out in GR 5.48 to 5.67, a statement as to:
- (a) whether the listed entity has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings;
 - (b) having made specific enquiry of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard of dealings and its code of conduct regarding directors' securities transactions; and
 - (c) in the event of any non-compliance with the required standard of dealings, details of such non-compliance and an explanation of the remedial steps taken by the listed entity to address such non-compliance.

Compliance with the requirements in relation to the appointment of independent non-executive directors

- 6.89 The Exhibits below set out information that should be disclosed in half-year interim reports in relation to the compliance with the appointment of independent non-executive directors in accordance with the Listing Rules and GEM Rules.

Exhibit 6.8 Main Board listed entities [App 16.44(3)]

- ⇒ Details of non-compliance (if any) with LR 3.10(1) and 3.10(2) and an explanation of the remedial steps taken by the listed entity to address such non-compliance relating to appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, respectively.

Exhibit 6.9 GEM listed entities [GR 18.55(6)]

- ⇒ Details of non-compliance (if any) with GR 5.05(1) and 5.05(2) and an explanation of the remedial steps taken by the listed entity to address such non-compliance relating to appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, respectively.

Compliance with the requirements in relation to the establishment of an audit committee

- 6.90 The Exhibits below set out information that should be disclosed in half-year interim reports in relation to the compliance with the establishment of an audit committee in accordance with the Listing Rules and GEM Rules.

Exhibit 6.10 Main Board listed entities [App 16.44(4)]

- ⇒ Details of non-compliance with LR 3.21 (if any) and an explanation of the remedial steps taken by the listed issuer to address such non-compliance relating to the establishment of an audit committee.

Exhibit 6.11 GEM listed entities [GR 18.55(7)]

- ⇒ Details of non-compliance with GR 5.28 (if any) and an explanation of the remedial steps taken by the listed issuer to address such non-compliance relating to the establishment of an audit committee.

Statement of investment risk applicable to GEM listed entities only

- 6.91 Each half-year interim financial report is required to contain, in a prominent position and in bold type, a statement about the characteristics of GEM, in the form set out at GR 2.20. [GR 18.55 Note 9]

Other information

- 6.92 There is a general requirement to disclose any supplementary information that is necessary for a reasonable appreciation of the interim results. [App 16.40(4); GR 18.61]
- 6.93 The Exhibit below sets out a number of supplementary matters on which the Listing Rules and the GEM Rules require disclosure.

Exhibit 6.12 Main Board and GEM listed entities

- ⇒ Particulars of any purchase, sale or redemption by the entity, or any of its subsidiaries, of the entity's listed securities during the interim period, or an appropriate negative statement [App 16.41(1); GR 18.55(3)].
- ⇒ Details of the interests and short positions of directors, chief executives and substantial shareholders in the equity or debt securities of the entity or any of its associated corporations, or appropriate negative statements [App 16.41(2); GR 18.56 – 58C].
- ⇒ Details of financial exposures to borrowers and other on-going circumstances as set out in LR 13.20 to 22/GR 17.22 to 17.24 [LR 13.20; GR 18.60]
- ⇒ Whether or not the accounting information contained in the interim financial report has been audited and, if so, the auditor's report should be reproduced in full in the half-year interim report. In the event that any auditor's report thereon (if any) has been qualified or modified (whether or not it is also qualified), details of such qualification or modification must be set out in the half-year interim financial reports. [App 16.43; GR 18.64].
- ⇒ Details of any matter on which the audit committee disagreed with an accounting treatment adopted. Each half-year interim financial report must be reviewed by the listed entity's audit committee. [App 16.39; GR 18.55 Note 2]

Exhibit 6.13 Additional information applicable to GEM listed entities only

- ⇒ Information as to the interests (if any) of the Compliance Adviser and its directors, employees and associates, as notified to the entity pursuant to GR 6A.32 and all directors and management shareholders of the entity and their respective associates as referred to in GR 11.04. [GR 18.63].

Additional requirements for banking companies

- 6.94 The requirements for listed banking companies vary from the general reporting requirements in two respects:
- the detailed statement of comprehensive income and statement of financial position disclosures differ, in line with the nature of banking activities. The requirements for banking companies are separately listed in Appendix 15 to the Listing Rules and Rule 18.80 of the GEM Rules; and
 - banking companies are subject to additional recommendations from the Hong Kong Monetary Authority (HKMA).
- 6.95 The disclosures specified by Appendix 15/GR 18.80 and recommended by the HKMA allow for the different nature of banking activities and focus on the analysis of items shown on the statement of financial position (eg advances, loans etc.) and other financial statistics such as capital adequacy ratios. A detailed review of those disclosure requirements is beyond the scope of this text.

Additional requirements for financial conglomerates

- 6.96 Additional disclosure requirements are specified for financial conglomerates. A financial conglomerate is defined as a reporting entity that: [App 16.40(3), 16.35 & 16.36; GR 18.55(2) & 18.37A -B]
- any of the percentage ratios (as defined under LR 14.04(9); GR 19.04(9)) of its financial business exceeds 5%. For the assets ratio, the listed entity must compare the total assets of its "financial business" to that of the group as at the end of the period. For the purpose of revenue ratio and profit ratio, the listed entity must compare the revenue and profits of its "financial business" during the period under review to that of the group; and
 - as at the end of the period, its financial business has total assets of over HK\$1 billion or has customer deposits plus financial instruments held by the public of over HK\$300 million.
- 6.97 For the purpose of the definition set out above, financial business includes, but is not limited to, the business of securities trading; giving advice in connection with securities; commodity trading; leveraged foreign exchange trading; insurance activities; and money lending. [App 16 Note 36.1; GR 18.37B Note]

Omission of information

- 6.98 The SEHK may authorise the omission from an interim financial report of specified items of information if it considers that disclosure of such information would be contrary to the public interest or seriously detrimental to the entity. The SEHK will only authorise such omission if it is satisfied that the omission is not likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question. The SEHK may authorise the omission from an interim financial report of any other information either on the grounds referred to above, or if it considers such omission otherwise necessary or appropriate. [App 16 Note 40.2; GR 18.55 Note 7]

7 REQUIRED CONTENT FOR QUARTERLY INTERIM FINANCIAL REPORTS

- 7.1 Currently, only GEM listed entities are required to publish quarterly interim financial reports. The content of those reports is specified by the GEM Rules.
- 7.2 However, readers should note the SEHK's proposals to introduce quarterly reporting for Main Board listed entities, and to align the GEM Rules with the proposed new Main Board requirements in relation to quarterly reporting (see section 3 of this guide for details).
- 7.3 The GEM Rules do not require that quarterly interim financial reports comply with HKAS 34. If a listed entity were to voluntarily prepare a quarterly interim financial report in accordance with HKAS 34, then all of the disclosure requirements of that Standard, as discussed in the previous section, would be applicable.
- 7.4 The disclosures required in quarterly interim reports are very limited as compared with the requirements for half-year interim reports. Quarterly interim reports are not currently required to include a statement of financial position, a statement of cash flows and a statement of changes in equity.
- 7.5 A detailed checklist of all of the disclosure requirements for quarterly interim financial reports is set out in Appendix IV to this guide.
- 7.6 GEM listed entities are required to include in their quarterly interim financial reports details of:
- [GR 18.79]
- turnover;
 - 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;
 - 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;
 - profit (or loss) attributable to minority interests (or non-controlling interests under HKFRS 3 (revised 2008));
 - profit (or loss) attributable to shareholders;
 - dividends paid or proposed;
 - all movements to and from any reserves; and
 - earnings per share.
- 7.7 Comparative amounts for the corresponding previous period are required to be disclosed for items set in paragraph 7.6.

- 7.8 In addition, the GEM Rules requires a number of supplementary matters to be disclosed in quarterly interim reports. Exhibit 7.1 below gives a summary.

Exhibit 7.1	Supplementary matters required by the GEM Rules
⇒	Particulars of any purchase, sale or redemption by the listed entity, or by any of its subsidiaries, of the listed securities of the listed entity during the relevant period, or an appropriate negative statement. [GR 18.79(10)]
⇒	Details of the interests and short positions of directors, chief executives and substantial shareholders in the equity or debt securities of the listed entity or any of its associated corporations, or appropriate negative statements. [GR 18.69 to 71C]
⇒	An explanatory statement relating to the activities of the entity and the results for the interim period. [GR 18.72]
⇒	Details of financial exposures to borrowers and other on-going circumstances, as set out in GR 17.22 to 17.24. [GR 18.73]
⇒	Information as to the interests (if any) of the Compliance Adviser and its directors, employees and associates, as notified to the entity pursuant to GR 6A.32 and all directors and management shareholders of the entity and their respective associates as referred to in GR 11.04. [GR 18.75]
⇒	A statement as to whether or not the accounting information contained in the quarterly report has been audited and, if so, the auditor's report should be reproduced in full in the quarterly report. In the event that any auditor's report thereon (if any) has been qualified or modified (whether or not it is also qualified), details of such qualification or modification must be set out in the quarterly interim financial reports. [GR 18.76]
⇒	A statement about the characteristics of GEM, in the form set out at GR 2.20, in a prominent position and in bold type. [GR 18.68 Note 4]

- 7.9 Moreover, the GEM Rules includes a general requirement that requires GEM listed entities to disclose any supplementary information that is necessary for a reasonable appreciation of the quarterly results. [GR 18.74]
- 7.10 For GEM listed banking companies, the disclosure requirements for quarterly interim reports are essentially the same as those for half-year interim financial reports (see section 6 of this guide).

Omission of information

- 7.11 The SEHK may authorise the omission from a quarterly interim financial report of specified items of information if it considers that disclosure of such information would be contrary to the public interest or seriously detrimental to the entity. The SEHK will only authorise such omission if it is satisfied that the omission is not likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question. The SEHK may authorise the omission from a quarterly interim financial report of any other information either on the grounds referred to above, or if it considers such omission otherwise necessary or appropriate. [GR 18.68 Note 2]

8. ACCOUNTING POLICIES FOR INTERIM REPORTING

- 8.1 The accounting policies applied in the interim financial statements should be consistent with those applied in the most recent annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements. [HKAS 34.28]
- 8.2 Entities are required to disclose in their interim reports that this requirement has been met. [HKAS 34.16(a)]

Changes in accounting policies

- 8.3 Preparers of interim reports in compliance with HKAS 34 are required to consider any changes in accounting policies that will be applied for the next annual financial statements, and to implement the changes for interim reporting purposes. Such changes will generally encompass:
- changes required by a HKFRS that will be effective for the annual financial statements; and
 - changes that are proposed to be adopted for the annual financial statements, in accordance with the requirements of HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, on the basis that they will result in the financial statements providing reliable and more relevant information.
- 8.4 If there has been any change in accounting policy since the most recent annual financial statements, the interim financial report is required to include a description of the nature and effect of the change. [HKAS 34.16(a)]
- 8.5 If a new Standard that is effective in the current financial year requires disclosures in annual financial statements, those disclosures would not ordinarily be required in a condensed interim report, unless specifically required by HKAS 34 or by the new Standard. For example, HKFRS 7 *Financial Instruments: Disclosures* would not generally affect an entity's interim financial report because disclosures in accordance with HKFRS 7 are not required unless their omission would make the condensed interim financial statements misleading. In contrast, HKFRS 8 *Operating Segments* resulted in consequential amendments to HKAS 34, which require more detailed segment information in the interim financial report (see section 6).
- 8.6 If a new Standard or Interpretation has been published during the first interim period but it is not effective until after the end of the annual reporting period, an entity may decide in the second interim period to adopt this Standard or Interpretation early for its annual financial statements. The fact that the new Standard or Interpretation was not early adopted in its first interim financial statements does not generally preclude the entity from adopting a new policy in the second interim period or at the end of the annual reporting period. The requirements for restating previously reported interim periods are discussed in paragraph 8.11 below.

Requirements under the Listing Rules/GEM Rules

- 8.7 Under the Listing Rules/GEM Rules, listed entities should apply the same accounting policies in their half-year interim reports in accordance with the same accounting policies that were adopted in the preparation of their most recent published annual financial statements. This rule applies except where there is a change in accounting policy that is required by a Standard that came into effect during the interim period. [App 16.38; GR 18.55 Note 5]

- 8.8 The requirements of the Listing Rules and the GEM Rules set out above would appear to rule out any voluntary changes in accounting policies during the interim period. This is unnecessarily restrictive, since HKAS 8 generally allows for such voluntary changes if the change will provide reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows (see HKAS 8.14). We consider that it is acceptable to make such voluntary changes, provided that:
- the conditions of HKAS 8.14 are met;
 - the changes are to be reflected in the next annual financial statements; and
 - the appropriate disclosures are made.
- 8.9 Listed entities are required to disclose the accounting policies adopted in the preparation of the half-year interim reports. [App 16.37(6); GR 18.55(1)(e)] However, to the extent that the accounting policies were applied in the most recently published annual financial statements (or, in the case of a newly entity, in its prospectus), such disclosure may be omitted. [App 16 Note 37.4; GR 18.55 Note 5] In these circumstances, the interim reports should include a statement that the accounting policies followed are consistent with the most recent annual financial statements.
- 8.10 Where there has been any change in accounting policy, particulars of the change and the reasons for it are required to be disclosed in the interim report. [App 16 Note 37.4; GR 18.55 Note 5] Where it is not practicable to quantify the effects of the change in accounting policy, or the effect is not significant, that fact should be stated. [App 16 Note 38.1; GR 18.55 Note 5]

Restatement of previously reported interim periods

- 8.11 A change in accounting policy, other than one for which the transitional provisions are specified by a new HKFRS, should be reflected by:
- [HKAS 34.43]
- restating the financial statements of prior interim periods of the current financial year, and the comparable interim periods of prior financial years that will be restated in annual financial statements in accordance with HKAS 8; or
 - when it is impracticable to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, adjusting the financial statements of prior interim periods of the current financial year, and comparable interim periods of prior financial years, to apply the new accounting policy prospectively from the earliest date practicable.
- 8.12 HKAS 8 states that retrospective application of a new accounting policy is impracticable when an entity cannot apply it after making every reasonable effort to do so.
- 8.13 HKAS 34.44 states that an objective of these principles is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire financial year. That is not to say that voluntary changes in accounting policy part-way through the year are prohibited. Such changes are permitted, provided that the conditions of HKAS 8 are met. What HKAS 34.44 requires is that, where a change in accounting policy is adopted at some point during the year, the amounts reported for earlier interim periods should be restated to reflect the new policy.

9. RECOGNITION AND MEASUREMENT

- 9.1 As discussed in section 8 of this guide, in preparing their interim financial reports, entities are required to apply the same accounting policies as will be applicable for their next annual financial statements. The principles for recognising assets, liabilities, income and expenses for interim periods are the same as in annual financial statements.
- 9.2 It is not intended, however, that each interim period should be seen to stand alone as an independent period. HKAS 34 states that the frequency of an entity's reporting (annual, half-yearly or quarterly) should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes are made on a year-to-date basis. [HKAS 34.28]
- 9.3 There is a degree of inconsistency in HKAS 34. The requirement set out in section 8 (that the same accounting policies should be applied in the interim financial statements as are applied in annual financial statements) represents a 'discrete period' approach to interim reporting. On the other hand, HKAS 34.28's requirement that measurements for interim reporting purposes should be made on a year-to-date basis so that the frequency of the entity's reporting does not affect the measurement of its annual results represents an 'integral period' approach.
- 9.4 This inconsistency has led to a number of areas of potential conflict between the requirements of HKAS 34 and those of other Standards applied at the end of interim reporting periods. HK (IFRIC) – Int 10 deals with one area of conflict regarding reversals of certain impairment losses (see paragraph 9.57 below).

Seasonal, cyclical or occasional revenues

- 9.5 Revenues that are received seasonally, cyclically or occasionally within a financial year should not be anticipated or deferred as of an interim date, if anticipation or deferral would not be appropriate at the end of the financial year. [HKAS 34.37]
- 9.6 Thus, for example, an entity engaged in retailing does not divide forecasted revenue by two to arrive at its half-year revenue figures. Instead, it reports its actual results for the six-month period. If the retailer wishes to demonstrate the cyclicity of its revenues, it could include, as additional information, revenue for the 12 months up to the end of the interim reporting period and comparative information for the corresponding previous 12-month period.

Uneven costs

- 9.7 The above requirement relating to revenues is also applicable to costs. Costs that are incurred unevenly during an entity's financial year should be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year. [HKAS 34.39]
- 9.8 A cost that does not meet the definition of an asset at the end of an interim period is not deferred in the statement of financial position at the interim reporting date either to await future information as to whether it has met the definition of an asset, or to smooth earnings over interim periods within a financial year. [HKAS 34.30(b)] Thus, when preparing interim financial statements, the entity's usual recognition and measurement practices should be followed. The only costs that are capitalised are those incurred after the specific point in time at which the criteria for recognition of the particular class of asset are met. Deferral of costs as assets in an interim statement of financial position in the hope that the criteria will be met before the year end is prohibited.

Example 9.1 Major advertising campaign takes place early in the financial year

An entity reports quarterly. In the first quarter of the financial year, the entity introduces new models of its products that will be sold throughout the year. At that time, it incurs a substantial cost for a major advertising campaign that will benefit sales throughout the year. Is it appropriate to spread the advertising cost over the benefit period (ie all four quarters of the year)? Or should the entire cost be recognised as an expense in the first quarter?

The entire cost should be recognised in profit or loss in the first quarter. Explanatory note disclosure may be required. HKAS 38.69(c) requires that all expenditure on advertising and promotional activities should be recognised as an expense when incurred. As outlined above, a cost that does not meet the definition of an asset at the end of an interim period is not deferred, either to await future information as to whether it has met the definition of an asset or to smooth earnings over interim periods within a financial year.

Example 9.2 Fixed costs of a manufacturer whose business is seasonal

A manufacturer's shipments of finished products are highly seasonal (shares of annual sales are respectively 20 per cent, 5 per cent, 10 per cent, and 65 per cent for the four quarters of the financial year). Manufacturing takes place more evenly throughout the year. The entity incurs substantial fixed costs, including fixed costs relating to manufacturing, selling, and general administration, and wishes to allocate all of its fixed costs to the four quarters based on each quarter's share of estimated annual sales volume.

Such an allocation is not acceptable under HKAS 34. HKAS 34.39 states that costs that are incurred unevenly during an entity's financial year should be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.

In the circumstances described, the fixed costs should be split between manufacturing fixed costs and non-manufacturing fixed costs. HKAS 2.12 requires that the cost of manufactured inventories should include a systematic allocation of fixed production overheads (ie fixed manufacturing costs). Because manufacturing takes place evenly throughout the year, the entity will recognise cost of goods sold expense only when sales are made and, therefore, it will achieve its objective of allocating fixed manufacturing costs to the four quarters based on sales volume.

Fixed non-manufacturing costs are, however, different. HKAS 2.16 makes it clear that administrative overheads that do not contribute to bringing inventories to their present location and condition, and selling costs (whether variable or fixed) are excluded from the cost of inventories and are recognised as expenses in the period in which they are incurred. Therefore, the entity must charge its fixed non-manufacturing costs in profit or loss as incurred in each of the four quarters. As required by HKAS 34.16, explanatory comments about the seasonality or cyclicity of interim operations should be disclosed in the notes to interim financial statements. In addition, HKAS 34.21 encourages seasonal businesses to present 'rolling' 12-month financial statements in addition to interim period financial statements.

Example 9.3 Production tooling costs incurred early in the financial year

An entity reports quarterly. In the first quarter of each financial year, the entity introduces new models of its products that will be sold throughout the year. At that time, it incurs a substantial cost for retooling its production line to manufacture the new models. Is it appropriate to spread the tooling cost over the benefit period (ie all four quarters of the year)? Or should the entire cost be recognised as an expense in the first quarter?

It is appropriate to spread these costs provided that they meet the recognition criteria in HKAS 16 *Property, Plant and Equipment*. Those criteria require that an item of property, plant and equipment be recognised as an asset if, and only if:

- ⇒ it is probable that future economic benefits associated with the item will flow to the entity; and
- ⇒ the cost of the item can be measured reliably.

Assuming that the tooling costs meet these criteria, the costs would be capitalised and amortised over their estimated useful lives, regardless of the entity's interim reporting policy. To illustrate, if the entity's financial year is the calendar year, but new products are introduced in September for a model year from 1 September to 31 August, then at 31 December some portion of the tooling costs would be carried forward as an asset into the next financial year, whether or not the entity prepared any interim reports.

Use of estimates

- 9.9 HKAS 34.41 requires that measurement procedures used in interim reports produce information that is reliable, with all material relevant financial information being appropriately disclosed. It nevertheless acknowledges that, while reasonable estimates are often used for both annual and interim reports, interim reports generally will require a greater use of estimation methods than annual reports.
- 9.10 Appendix C to HKAS 34 provides a number of examples of the use of estimates in interim reports, which are reproduced below.

Exhibit 9.1 Examples of the use of estimates for interim reporting purposes

Inventories: Full stock-taking and valuation procedures may not be required for inventories at interim dates, although it may be done at financial year end. It may be sufficient to make estimates at interim dates based on sales margins.

Classifications of current and non-current assets and liabilities: Entities may do a more thorough investigation for classifying assets and liabilities as current or non-current at annual reporting dates than at interim dates.

Provisions: Determination of the appropriate amount of a provision (such as provisions for warranties, environmental costs, or site restoration costs) may be complex and often costly and time-consuming. Entities sometimes engage outside experts to assist in the annual calculations. Making similar estimates at interim dates often entails updating prior annual provisions, rather than engaging outside experts to do a new calculation.

Pensions: HKAS 19 *Employee Benefits* requires an entity to determine the present value of defined benefit obligations and the market value of plan assets at the end of each reporting period, and encourages entities to involve a professionally-qualified actuary in the measurement of the obligations. For interim reporting purposes, reliable information is often obtainable by extrapolation of the latest actuarial valuation.

Income taxes: Entities may calculate income tax expenses and deferred tax balances at annual dates by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction. HKAS 34.B14 acknowledges that while that degree of precision is desirable at the end of interim reporting periods as well, it may not be achievable in all cases, and a weighted average of rates across jurisdictions or across categories of income is used if it is a reasonable approximation of the effect of using more specific rates.

Contingencies: The measurement of contingencies may involve the opinions of legal experts or other advisers. Formal reports from independent experts are sometimes obtained with respect to contingencies. Such opinions about litigation, claims, assessments, and other contingencies and uncertainties, may or may not be needed at interim dates.

Revaluations and fair value accounting: HKAS 16 *Property, Plant and Equipment* allows as an alternative treatment the revaluation of property, plant and equipment to fair value. Likewise, HKAS 40 *Investment Property* requires an entity to determine the fair value of investment property. For those measurements, an entity may rely on professionally-qualified valuers at the end of annual reporting periods, though not at the end of interim reporting periods.

Intercompany reconciliations: Some intercompany balances that are reconciled on a detailed level in preparing consolidated financial statements at financial year end might be reconciled at a less detailed level in preparing consolidated financial statements at an interim date.

Specialised industries: Because of complexity, costliness, and time, interim period measurements in specialised industries might be less precise than at financial year end. An example would be the calculation of insurance reserves by insurance companies.

9.11 Additional examples are as follows:

- **Financial instruments:** Financial instruments that are carried at fair value should be remeasured at the interim date using the same methodology as at the end of the annual reporting period. Also, the carrying amount of financial instruments at amortised cost should be recalculated at the interim date.
- **Share-based payments:** Liabilities in respect of cash-settled share-based payments will generally be based on the fair value of the share options as at the end of the previous reporting period. If changes in the fair value of the share options since the most recent annual financial statements are material to the interim period, the fair value of the cash-settled share-based payments should be remeasured at the interim date. In relation to equity-settled share based payments, an entity should consider whether, at the interim date, there is any change in the number of equity instruments expected to vest. Where the change could have a material impact on the interim period, the number of equity instruments expected to vest should be re-estimated at the interim date.

Changes in estimates

- 9.12 As an illustration of the impact of changes in estimates, HKAS 34 considers the rules for recognising and measuring losses from inventory write-downs, restructurings or impairments. The principles to be followed in an interim period are the same as those for annual periods. If such items are recognised and measured in, say, the first quarter of a financial year and the estimate changes in the second quarter of the year, the original estimate is adjusted in the second interim period, either by recognition of an additional amount or by reversal of the previously-recognised amount. [HKAS 34.30(a)]
- 9.13 If changes in estimates arise, the results of previous interim periods are not retrospectively adjusted. However, the nature and amount of any significant changes in estimates must be disclosed either: [HKAS 34.16(d), 26 & 35]
- in the annual report, if there has been no subsequent interim financial report that has disclosed the change in estimate; or
 - in the following interim financial report of the same year.
- 9.14 HK (IFRIC) – Int 10 gives guidance on certain circumstances in which an impairment loss recognised in an interim period should not be subsequently reversed (see paragraph 9.57 below).

Additional examples

- 9.15 Appendix B to HKAS 34 contains a number of detailed examples to illustrate the application of the recognition and measurement principles discussed in the above paragraphs. These are reproduced below, together with a number of additional examples developed to illustrate important principles.

Employer payroll taxes and insurance contributions

- 9.16 If employer payroll taxes or contributions to government-sponsored insurance funds are assessed on an annual basis, the employer's related expense is recognised in interim periods using an estimated average annual effective payroll tax or contribution rate, even though a large portion of the payments may be made early in the financial year. A common example is an employer payroll tax or insurance contribution that is imposed up to a certain maximum level of earnings per employee. For higher income employees, the maximum income is reached before the end of the financial year, and the employer makes no further payments through the end of the year. [HKAS 34.B1]

Major planned periodic maintenance or overhaul

- 9.17 The cost of a planned major periodic maintenance or overhaul or other seasonal expenditure that is expected to occur late in the year is not anticipated for interim reporting purposes, unless an event has caused the entity to have a legal or constructive obligation. The mere intention or necessity to incur expenditure related to the future is not sufficient to give rise to an obligation. [HKAS 34.B2]

Provisions

- 9.18 A provision is recognised when an entity has no realistic alternative but to make a transfer of economic benefits as a result of an event that has created a legal or constructive obligation. The amount of the obligation is adjusted upward or downward, with a corresponding loss or gain recognised in profit or loss, if the entity's best estimate of the amount of the obligation changes.
- 9.19 HKAS 34 requires that an entity apply the same criteria for recognising and measuring a provision at an interim date as it would at the end of its financial year. The existence or non-existence of an obligation to transfer benefits is not a function of the length of the reporting period. It is a question of fact. [HKAS 34.B3&B4]

Year-end bonuses

- 9.20 The nature of year-end bonuses varies widely. Some are earned simply by continued employment during a time period. Some bonuses are earned based on a monthly, quarterly, or annual measure of operating result. They may be purely discretionary, contractual, or based on years of historical precedent.
- 9.21 A bonus is anticipated for interim reporting purposes if, and only if:
- [HKAS 34.B5&B6]
- the bonus is a legal obligation or past practice would make the bonus a constructive obligation for which the entity has no realistic alternative but to make the payments; and
 - a reliable estimate of the obligation can be made.
- 9.22 HKAS 19 *Employee Benefits* provides guidance on the application of the recognition rules to year-end bonuses.

Contingent lease payments

- 9.23 Contingent lease payments can be an example of a legal or constructive obligation that is recognised as a liability. If a lease provides for contingent payments based on the lessee achieving a certain level of annual sales, an obligation can arise in the interim period of the financial year before the required annual level of sales has been achieved, if that required level of sales is expected to be achieved and the entity, therefore, has no realistic alternative but to make the future lease payment.[HKAS 34.B7]

Intangible assets

9.24 Entities are required to apply the definition and recognition criteria for an intangible asset in the same way in an interim period as in an annual period. Costs incurred before the recognition criteria for an intangible asset are met are recognised as an expense. Costs incurred after the specific point in time at which the criteria are met are recognised as part of the cost of an intangible asset. "Deferring" costs as assets in an interim statement of financial position in the hope that the recognition criteria will be met later in the financial year is not justified. [HKAS 34.B8]

Example 9.4 Development costs that meet the HKAS 38 capitalisation criteria midway in an interim period

An entity engaged in the pharmaceutical sector, with a December year end, reports quarterly. Throughout 20X2, its research department is engaged in a major drug development project. Development costs incurred in 20X2, by quarter, are as follows:

First quarter	HK\$100
Second quarter	HK\$100
Third quarter:	
1 July to 31 August	HK\$80
1 September to 30 September	HK\$60
Fourth quarter	HK\$150

The entity publishes its half-year report on 15 August, and the HK\$200 of development costs incurred during the first and second quarters are recognised in profit or loss. On 1 September, the research department determines that the criteria set out in HKAS 38 for capitalising the development costs as an intangible asset have been met.

HKAS 38 requires that asset recognition (cost capitalisation) should begin at the point in time at which the recognition criteria are met, not at the start of the financial reporting period in which those criteria are met. Therefore, the following amounts are reported in the interim reports for the second half of the financial year, and in the annual report at 31 December 20X2:

	<u>30 September</u> HK\$	<u>31 December</u> HK\$
Asset recognised in the statement of financial position	60	210
	3 months ended <u>30 September</u> HK\$	9 months ended <u>30 September</u> HK\$
	30 September HK\$	31 December HK\$
Development costs recognised in profit or loss	80	280

Pensions

9.25 The pension cost for an interim period is calculated on a year-to-date basis by using the actuarially-determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events. [HKAS 34.B9]

Vacations, holidays, and other short-term compensated absences

- 9.26 Accumulating compensated absences are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. HKAS 19 *Employee Benefits* requires that an entity measure the expected cost of and obligation for accumulating compensated absences at the amount the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. That principle may also be applied at interim reporting dates. Conversely, an entity recognises no expense or liability for non-accumulating compensated absences at an interim reporting date, just as it recognises none at an annual reporting date. [HKAS 34.B10]

Example 9.5 Vacation accruals at interim dates

An entity reports quarterly. Its financial year end is 31 December. Holiday entitlement accumulates with employment over the year, but any unused entitlement cannot be carried forward past 31 December. Most of the entity's employees take a substantial portion of their annual leave in July or August. Should an appropriate portion of employees' salaries during the July/August vacation period be accrued in the first and second quarter interim financial statements?

A portion should be accrued if the employees' vacation days are earned (accumulated) through service during the first and second quarters. Vacations are a form of short-term compensated absence as defined in HKAS 19. HKAS 19.11 requires that the expected cost of short-term accumulating compensated absences be recognised when the employees render service that increases their entitlement to future compensated absences. This principle is applied in both annual and interim financial statements.

Other planned but irregularly occurring costs

- 9.27 An entity's budget may include certain costs expected to be incurred irregularly during the financial year, such as charitable contributions and employee training costs. Those costs generally are discretionary even though they are planned and tend to recur from year to year. Recognising an obligation at an interim financial reporting date for such costs that have not yet been incurred generally is not consistent with the definition of a liability. [HKAS 34.B11]

Measuring interim income tax expense

Use of estimated annual rate

- 9.28 The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, ie the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. [HKAS 34.B12]
- 9.29 This is consistent with the basic principle set out in HKAS 34.28 that the same accounting recognition and measurement principles should be applied in an interim financial report as are applied in annual financial statements. Income taxes are assessed on an annual basis. Interim period income tax expense is calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to total annual earnings. [HKAS 34.B13]
- 9.30 To the extent practicable, a separate estimated average annual effective income tax rate is determined for each tax jurisdiction and applied individually to the interim period pre-tax income of each jurisdiction. Similarly, if different income tax rates apply to different categories of income (such as capital gains or income earned in particular industries), to the extent practicable, a separate rate is applied to each individual category of interim period pre-tax income. While that degree of precision is desirable, it may not be achievable in all cases and a weighted average of rates across jurisdictions or across categories of income is used if it is a reasonable approximation of the effect of using more specific rates. [HKAS 34.B14]

Impact of progressive (graduated) tax rates

9.31 The estimated average annual effective income tax rate will reflect a blend of the progressive tax rate structure expected to be applicable to the full year's earnings, including enacted or substantively enacted changes in the income tax rates scheduled to take effect later in the financial year. [HKAS 34.B13] Example 9.6, which is drawn from Appendix B to HKAS 34, illustrates the impact of progressive tax rates.

Example 9.6 Progressive tax rates

An entity reports quarterly. It expects to earn HK\$10,000 pre-tax each quarter, and operates in a jurisdiction with a tax rate of 20 per cent on the first HK\$20,000 of annual earnings and 30 per cent on all additional earnings. Actual earnings match expectations. The following table shows the amount of income tax expense that is reported in each quarter:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Annual</u>
Tax expense (HK\$)	2,500	2,500	2,500	2,500	10,000

Uneven earnings throughout the year

9.32 Example 9.7, again drawn from Appendix B to HKAS 34, illustrates the application of the HKAS 34 principles when earnings are distributed unevenly throughout the year.

Example 9.7 Uneven earnings throughout the year

An entity reports quarterly. It earns HK\$15,000 pre-tax profit in the first quarter, but expects to incur losses of HK\$5,000 in each of the three remaining quarters (thus having zero income for the year). It operates in a jurisdiction in which its estimated average annual income tax rate is expected to be 20 per cent. The following table shows the amount of income tax expense that is reported in each quarter:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Annual</u>
Tax expense (HK\$)	3,000	(1,000)	(1,000)	(1,000)	0

Change in estimate of annual tax rate

9.33 When preparing the tax estimate to be included in an interim period, the tax expense is based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Therefore, as for other changes in estimates, amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period if the estimate of the annual income tax rate changes. [HKAS 34.30(c)] The estimated average annual income tax rate would be re-estimated on a year-to-date basis, consistent with HKAS 34.28.

9.34 The nature and amount of any significant changes in the estimated tax rate should be disclosed either:

[HKAS 34.16(d), 26 & 35]

- in the annual report, if there has been no subsequent interim financial report that disclosed the change in estimate; or
- in the following interim financial report of the same year.

Difference in financial reporting year and tax year

- 9.35 If the financial reporting year and the income tax year differ, income tax expense for the interim periods of that financial reporting year is measured using separate weighted average estimated effective tax rates for each of the income tax years applied to the portion of pre-tax income earned in each of those income tax years. [HKAS 34.B17]

Example 9.8 Difference in financial reporting year and tax year

An entity's financial reporting year ends 30 June and it reports quarterly. Its taxable year ends 31 December. For the financial year that begins 1 July 20X8 and ends 30 June 20X9, the entity earns HK\$10,000 pre-tax each quarter. The estimated average annual income tax rate is 30 per cent in 20X8 and 40 per cent in 20X9.

	Quarter ending <u>30/09/X8</u>	Quarter ending <u>31/12/X8</u>	Quarter ending <u>31/03/X9</u>	Quarter ending <u>30/06/X9</u>	Year ending <u>30/06/X9</u>
Tax expense (HK\$)	3,000	3,000	4,000	4,000	14,000

Tax credits

- 9.36 Some tax jurisdictions give taxpayers credits against the tax payable based on amounts of capital expenditure, exports, research and development expenditure, or other bases. Anticipated tax benefits of this type for the full year are generally reflected in computing the estimated annual effective income tax rate, because those credits are granted and calculated on an annual basis under most tax laws and regulations. On the other hand, tax benefits that relate to a one-time event are recognised in computing income tax expense in that interim period, in the same way that special tax rates applicable to particular categories of income are not blended into a single effective annual tax rate. Moreover, in some jurisdictions tax benefits or credits, including those related to capital expenditure and levels of exports, while reported on the income tax return, are more similar to a government grant and are recognised in the interim period in which they arise. [HKAS 34.B19]

Tax loss and tax credit carrybacks and carryforwards

- 9.37 The benefits of a tax loss carryback are reflected in the interim period in which the related tax loss occurs. HKAS 12 *Income Taxes* provides that 'the benefit relating to a tax loss that can be carried back to recover current tax of a previous period should be recognised as an asset'. A corresponding reduction of tax expense or increase of tax income is also recognised. [HKAS 34.B20]
- 9.38 HKAS 12 also provides that a deferred tax asset should be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Detailed criteria are specified for the purpose of assessing the availability of future taxable profit against which the unused tax losses and credits can be utilised. [HKAS 34.B21]
- 9.39 For interim reporting purposes, the criteria for recognition of deferred tax assets are applied at the end of each interim period and, if they are met, the effect of the tax loss carryforward is reflected in the computation of the estimated average annual effective income tax rate. [HKAS 34.B21]

Example 9.9 Tax loss carryforward at interim reporting date

An entity that reports quarterly has an operating loss carryforward of HK\$10,000 for income tax purposes at the start of the current financial year for which a deferred tax asset has not been recognised. The entity earns HK\$10,000 in the first quarter of the current year and expects to earn HK\$10,000 in each of the three remaining quarters. Excluding the carryforward, the estimated average annual income tax rate is expected to be 40 per cent. Tax expense is as follows:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Annual</u>
Tax expense (HK\$)	3,000	3,000	3,000	3,000	12,000

- 9.40 The tax effect of losses that arise early in the financial year should be recognised only when the tax benefits are expected to be realised either during the current year or as a deferred tax asset at the end of the year. For the purpose of applying this guidance, an established seasonal pattern of loss in the early interim periods followed by profits in later interim periods is generally sufficient to support a conclusion that realisation of the tax benefit from the early losses is probable. Recognition of the tax benefit of losses incurred in early interim periods will generally not occur in those interim periods if available evidence indicates that profits are not expected in later interim periods.
- 9.41 If the tax benefits of losses incurred in the early interim periods of a financial year are not recognised in those interim periods, no income tax expense will be recognised in respect of profits generated in later interim periods until the tax effects of the previous losses are offset.
- 9.42 The tax effect of a deferred tax asset expected to be recognised at the end of a financial year for deductible temporary differences and carryforwards that originate during the current financial year should be spread throughout the financial year by an adjustment to the annual effective tax rate.

Example 9.10 Recognition of deferred tax assets at the end of an interim reporting period

Assume that during the first quarter of 20X1, an entity, operating in a tax jurisdiction with a 50 per cent tax rate generates a tax credit of HK\$4,000 (ie sufficient to cover taxable profits of HK\$8,000). Under local tax law, the tax credit will expire at the end of 20X2. At the end of the first quarter of 20X1, available evidence about the future indicates that taxable income of HK\$2,000 and HK\$4,000 will be generated during 20X1 and 20X2, respectively. Therefore, the entity expects to utilise HK\$1,000 ($\text{HK\$2,000} \times 50 \text{ per cent}$) of the tax credit to offset tax on its 20X1 taxable income, and HK\$2,000 ($\text{HK\$4,000} \times 50 \text{ per cent}$) to offset tax on its 20X2 income. It expects to recognise a deferred tax asset in its statement of financial position at the end of 20X1 of HK\$2,000 (relating to the tax relief available in 20X2), and the balance of HK\$1,000 will not be recognised as it is not probable that sufficient taxable profit will be available against which it can be utilised before the losses expire.

Because the tax credit is generated during the current year, the tax consequence of the HK\$2,000 deferred tax asset expected to be recognised at the end of 20X1 is applied rateably to each of the interim periods during 20X1.

Therefore, if profits arise on a straight-line basis through 20X1, a benefit for income taxes of HK\$500 [$\text{HK\$2,000} \times 1/4$] will be recognised during the first interim period. Assuming the estimates about the future do not change during the remainder of the year, the tax benefit of the remaining HK\$1,500 ($\text{HK\$2,000} - \text{HK\$500}$) of net deferred tax asset will be recognised rateably over the pre-tax accounting income generated in the later interim periods of 20X1.

Change in estimate as to recoverability of tax loss carryforward

- 9.43 It is not clear whether HKAS 34.B21 applies equally to all circumstances where a previously recognised deferred tax asset is no longer expected to be recoverable. There appear to be two acceptable approaches: the first is to derecognise at the interim reporting date all the amounts assessed as not recoverable and the second is to spread the derecognition by means of the estimated annual effective tax rate.

Example 9.11 Change in estimate as to recoverability of tax loss carryforward

An entity operates in a tax jurisdiction with a 50 per cent tax rate. In 20X1, the entity incurs tax losses of HK\$50,000, which can be carried forward to offset against future taxable profits until 20X3. At 31 December 20X1, the entity estimates that HK\$40,000 of the losses can be recovered against profits in 20X2 (budgeted profit HK\$15,000) and 20X3 (budgeted profit HK\$25,000), and therefore recognises a deferred tax asset of HK\$20,000 (HK\$40,000 × 50 per cent) in its annual financial statements for 20X1.

At the end of the first quarter of 20X2, actual year-to-date profits and expectations for the remainder of the year are in line with budget. However, the budgeted profit for 20X3 is revised downward to HK\$20,000.

If the deferred tax asset derecognition is accounted for entirely at the date at which it is assessed as not recoverable (the first approach), at the end of the first quarter of 20X2 the carrying amount of the deferred tax asset should be reduced by HK\$2,500 (HK\$5,000 at 50 per cent). Therefore, in quarter 1 of 20X2, assuming taxable profits of HK\$6,000 and an estimated effective annual rate of 50%, the income tax expense for the quarter is estimated as follows:

Tax expense in quarter 1
 = (HK\$6,000 × 50%) + HK\$2,500
 = HK\$5,500

Deferred tax asset remaining at quarter 1 (not estimated as recoverable at the end of the interim period) = nil

Alternatively if the deferred tax asset derecognition is spread throughout the year as part of the computation of the annual effective tax rate (the second approach), the carrying amount of the deferred tax asset should be reduced by HK\$2,500 (HK\$5,000 at 50 per cent) only at the end of 20X2. Therefore, in quarter 1 of 20X2, assuming taxable profits of HK\$6,000 out of estimated annual profits of HK\$15,000, the income tax expense for the quarter is estimated as follows:

Estimated effective annual tax rate
 = [(HK\$15,000 × 0.50) + HK\$2,500]/HK\$15,000
 = 66.7 per cent

Tax expense in quarter 1
 = HK\$6,000 × 66.7 per cent
 = HK\$4,000

Deferred tax asset remaining at quarter 1 (not estimated as recoverable at the end of the interim period)
 = HK\$2,500 – (HK\$6,000 × (66.7 per cent – 50 per cent))
 = HK\$1,500

Contractual or anticipated purchase price changes

- 9.44 Volume rebates or discounts and other contractual changes in the prices of raw materials, labour, or other purchased goods and services are anticipated in interim periods, by both the payer and the recipient, if it is probable that they have been earned or will take effect. Thus, contractual rebates and discounts are anticipated, but discretionary rebates and discounts are not anticipated because the definitions of asset and liability (requiring control over resources to be received, or an obligation to pay out resources) would not be met. [HKAS 34.B23]

Depreciation and amortisation

- 9.45 Depreciation and amortisation charges for an interim period are based only on assets owned during that interim period. They should not take into account asset acquisitions or disposals planned for later in the financial year. [HKAS 34.B24]

- 9.46 It would not generally be necessary to reassess residual values for items of property, plant and equipment as at the interim date, unless there are indicators that there has been a material change in residual values since the end of the previous reporting period.

Inventories

- 9.47 Inventories are measured for interim financial reporting using the same principles as at financial year end. HKAS 2 *Inventories* establishes requirements for recognising and measuring inventories. Inventories pose particular problems at the end of any financial reporting period because of the need to determine inventory quantities, costs and net realisable values. Nonetheless, the same measurement principles are applied for inventories at the end of interim reporting periods. To save cost and time, entities often use estimates to measure inventories at interim dates to a greater extent than at the end of annual reporting periods. The following sections set out examples of how to apply the net realisable value test at an interim date and how to treat manufacturing variances at interim dates. [HKAS 34.B25]

Net realisable value of inventories

- 9.48 The net realisable value of inventories is determined by reference to selling prices and related costs to complete and dispose at interim dates. [HKAS 34.B26]
- 9.49 An entity should reverse a write-down to net realisable value in a subsequent reporting period only if it would be appropriate to do so at the end of the financial year. [HKAS 34.B26]

Interim period manufacturing cost variances

- 9.50 Price, efficiency, spending, and volume variances of a manufacturing entity are recognised in income at interim reporting dates to the same extent that those variances are recognised in income at financial year end. Deferral of variances that are expected to be absorbed by year end is not appropriate because it could result in reporting inventory at the interim date at more or less than its portion of the actual cost of manufacture. [HKAS 34.B28]

Foreign currency translation gains and losses

- 9.51 Foreign currency translation gains and losses are measured for interim financial reporting using the same principles as at financial year end. [HKAS 34.B29]
- 9.52 HKAS 21 *The Effects of Changes in Foreign Exchange Rates* specifies how to translate the financial statements for foreign operations into the presentation currency, including guidelines for using average or closing foreign exchange rates and guidelines for including the resulting adjustments in profit or loss or in other comprehensive income. Consistent with HKAS 21, the actual average and closing rates for the interim period are used. Entities do not anticipate changes in foreign exchange rates in the remainder of the current financial year when translating foreign operations at an interim date. [HKAS 34.B30]

- 9.53 If HKAS 21 requires that translation adjustments are recognised as income or as expenses in the period in which they arise, that principle is applied during each interim period. Entities do not defer some foreign currency translation adjustments at an interim date if the adjustment is expected to reverse before the end of the financial year. [HKAS 34.B31]

Interim financial reporting in hyperinflationary economies

- 9.54 Interim financial reports in hyperinflationary economies are prepared following the same principles as at financial year end. HKAS 29 *Financial Reporting in Hyperinflationary Economies* requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the end of the reporting period, and the gain or loss on the net monetary position is included in net income. Also, comparative financial data reported for prior periods is restated to the current measuring unit. [HKAS 34.B32 & B33]
- 9.55 Entities are required to follow the same principles at interim dates, thereby presenting all interim data in the measuring unit as of the end of the interim period, with the resulting gain or loss on the net monetary position included in the interim period's net income. Entities should not annualise the recognition of the gain or loss. Nor do they use an estimated annual inflation rate in preparing an interim financial report in a hyperinflationary economy. [HKAS 34.B34]

Impairment of assets

- 9.56 HKAS 36 *Impairment of Assets* requires that an impairment loss be recognised if the recoverable amount of an asset has declined below its carrying amount. HKAS 34 requires that an entity apply the same impairment testing, recognition and reversal criteria at an interim date as it would at the end of its financial year. That does not mean, however, that an entity must necessarily make a detailed impairment calculation at the end of each interim period. Rather, an entity will review for indications of significant impairment since the end of the most recent financial year to determine whether such a calculation is needed. [HKAS 34.B35 & B36]

HK (IFRIC) – Interpretation 10 Interim Financial Reporting and Impairment

- 9.57 HKAS 34.28 requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements. HKAS 34.28 also states that the frequency of an entity's reporting (annual, half-yearly, or quarterly) should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes should be made on a year-to-date basis.
- 9.58 HK (IFRIC) – Interpretation 10 *Interim Financial Reporting and Impairment* addresses the interaction between the requirements in HKAS 34.28 and those dealing with the recognition of impairment losses relating to goodwill under HKAS 36 and relating to certain financial assets under HKAS 39 *Financial Instruments: Recognition and Measurement*, and the effect of that interaction on subsequent interim and annual financial statements:
- HKAS 36.124 states that "an impairment loss recognised for goodwill shall not be reversed in a subsequent period";
 - HKAS 39.69 states that "impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss"; and
 - HKAS 39.66 requires that impairment losses for financial assets carried at cost (such as an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured) should not be reversed.

- 9.59 The issue addressed by HK (IFRIC) – Int 10 is whether an entity should reverse impairment losses recognised in an interim period relating to goodwill, or relating to investments in equity instruments or in financial assets carried at cost, if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at the end of the subsequent reporting period.
- 9.60 The issue is best illustrated by considering the example of Entity A and Entity B, which each hold the same equity investment with the same acquisition cost. Entity A prepares quarterly interim financial statements while Entity B prepares half-year financial statements. Both entities have the same financial year-end date. If there was a significant decline in the fair value of the equity instrument below its cost in the first quarter, Entity A would recognise an impairment loss in its first quarter's interim financial statements. However, if the fair value of the equity instrument subsequently recovered, so that by the half-year date there had not been a significant decline in fair value below cost, Entity B would not recognise an impairment loss in its half-yearly financial statements if it tested for impairment only at the end of the half-year reporting period. Therefore, unless Entity A reversed the impairment loss that had been recognised in an earlier interim period, the frequency of reporting would affect the measurement of its annual results when compared with Entity B's approach.
- 9.61 The consensus in the Interpretation is that an entity should not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in an equity instrument or a financial asset carried at cost. Essentially, HK (IFRIC) – Int 10 concludes that the prohibitions on reversals of recognised impairment losses relating to goodwill under HKAS 36 and relating to investments in equity instruments and financial assets carried at cost under HKAS 39 should take precedence over the more general statement in HKAS 34 regarding the frequency of an entity's reporting not affecting the measurement of its annual results.
- 9.62 HK (IFRIC) – Int 10 emphasises that an entity should not extend the consensus of this Interpretation by analogy to other areas of potential conflict between HKAS 34 and other Standards.

Capitalisation of borrowing costs

- 9.63 Example 9.12 below illustrates the capitalisation of borrowing costs for the purposes of the preparation of interim financial reports.

Example 9.12 Capitalisation of borrowing costs

An entity capitalises borrowing costs directly attributable to the construction of qualifying assets under HKAS 23 *Borrowing Costs*. The entity funds its asset construction with general borrowings, rather than project-specific borrowings. Further, it uses general borrowings for purposes other than construction, so that the amount of borrowings in any period is not necessarily related to the amount of construction during that period. The entity reports quarterly.

HKAS 23.14 requires that the capitalisation rate for general borrowings be the weighted average of borrowing costs applicable to borrowings of the entity that are outstanding during the period. For interim reporting purposes, the reference to 'period' in HKAS 23.14 should be interpreted to mean the year-to-date period, not each individual quarter so that, in accordance with HKAS 34.28 and HKAS 34.36, the amount of borrowing costs capitalised is 'true-up' each quarter on a year-to-date basis.

Non-current assets held for sale and discontinued operations

- 9.64 The measurement and presentation principles of HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* should be applied in interim reports in the same way as at the end of the annual reporting period. Therefore, a non-current asset that meets the criteria to be classified as held-for-sale at the interim date should be presented as such. In assessing any potential impairment loss and fair value less costs to sell of the non-current asset held for sale, a greater use of estimation methods may be acceptable for interim reporting purposes than at the end of the annual reporting period.

10. FIRST-TIME ADOPTION OF HKFRSs

- 10.1 HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* was revised in December 2008. The objective of the revision was to improve the structure of the Standard – no new or revised technical material was introduced. The references below are to the text of the Standard as revised in December 2008.
- 10.2 Where an entity presents an interim financial report under HKAS 34 for part of the period covered by its first HKFRS financial statements, in addition to following complying with HKAS 34, the entity is also required to comply with the requirements of HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* applicable to interim financial reports.
- 10.3 Where an entity proposes to adopt HKFRSs for the first time in its annual financial statements, there is no requirement under HKFRSs that HKAS 34 be adopted for its interim financial reports issued in that period. However, regulators in different jurisdictions may have issued recommendations or requirements in that regard.

Requirement to restate comparative information

- 10.4 When an entity prepares an interim financial report under HKAS 34 for part of the period covered by its first HKFRS financial statements, comparative information will need to be restated to comply with HKFRSs. [HKFRS 1.IG37]

The entity's first interim financial report under HKAS 34

- 10.5 In the entity's *first* interim financial report under HKAS 34 for part of the period covered by its first HKFRS financial statements, the following reconciliations are required: [HKFRS 1.32(b), 24(a)&(b)]
- reconciliations of its equity reported under previous GAAP to its equity under HKFRSs for both of the following dates:
 - the date of transition to HKFRSs; and
 - the end of the latest period presented in the entity's most recent annual financial statements under previous GAAP; and
 - a reconciliation to its total comprehensive income in accordance with HKFRSs for the latest period in the entity's most recent annual financial statements. The starting point specified for that reconciliation is total comprehensive income in accordance with previous GAAP for the same period or, if an entity did not report such a total, profit or loss under previous GAAP.
- 10.6 The above reconciliations are also required to be presented in the entity's first annual HKFRS financial statements.
- 10.7 HKFRS 1 allows a cross-reference to another published document that includes these reconciliations in place of presentation of the reconciliations themselves in the interim financial report.
- 10.8 These reconciliations are required to give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. If the entity presented a statement of cash flows under its previous GAAP, it is also required to explain the material adjustments to the statement of cash flows. [HKFRS 1.25]
- 10.9 If the entity becomes aware of errors made under previous GAAP, the reconciliations required by HKFRS 1.24(a) and (b) (see above) should distinguish the correction of those errors from changes in accounting policies. [HKFRS 1.26]

- 10.10 Where the entity presented an interim financial report (under previous GAAP) for the comparable interim period of the immediately preceding financial year, the following reconciliations are also required: [HKFRS 1.32(a)]
- a reconciliation of its equity under previous GAAP at the end of that comparable interim period to its equity under HKFRSs at that date; and
 - a reconciliation to its total comprehensive income in accordance with HKFRSs for that comparable interim period (current and year-to-date). The starting point specified for that reconciliation is total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.

Other information material to an understanding of the interim period

- 10.11 In addition, if a first-time adopter did not, in its most recent annual financial statements under previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report should disclose that information or include a cross-reference to another published document that includes it. [HKFRS 1.33]

Subsequent interim financial reports in the year of first-time application

- 10.12 The above paragraphs set out the requirements for the entity's first interim financial report prepared under HKAS 34 in the year of first-time application. For subsequent interim financial reports in the year of first-time application, only the requirements of HKFRS 1.32(a) and HKFRS 1.33 (see above) apply. Therefore, reconciliations between HKFRSs and previous GAAP are only required in respect of equity at the end of the comparable interim period and of total comprehensive income for the comparable interim period (current and year-to-date).
- 10.13 The Implementation Guidance issued with HKFRS 1, reproduced below, illustrates the various reconciliations required.

Example 10.1 Interim financial reporting

[HKFRS 1.IG Example 10]

Background

Entity R's first HKFRS financial statements have a reporting date of 31 December 20X5, and its first interim financial report under HKAS 34 is for the quarter ended 31 March 20X5. Entity R prepared previous GAAP annual financial statements for the year ended 31 December 20X4, and prepared quarterly reports throughout 20X4.

Application of requirements

In each quarterly interim financial report for 20X5, entity R includes reconciliations of:

- a) its equity under previous GAAP at the end of the comparable quarter of 20X4 to its equity under HKFRSs at that date; and
- b) its total comprehensive income (or, if it did not report such a total, profit or loss) under previous GAAP for the comparable quarter of 20X4 (current and year-to-date) to its total comprehensive income under HKFRSs.

In addition to the reconciliations required by (a) and (b) and the disclosures required by HKAS 34, entity R's interim financial report for the first quarter of 20X5 includes reconciliations of (or a cross-reference to another published document that includes these reconciliations):

- a) its equity under previous GAAP at 1 January 20X4 and 31 December 20X4 to its equity under HKFRSs at those dates; and
- b) its total comprehensive income (or, if it did not report such a total, profit or loss) for 20X4 under previous GAAP to its total comprehensive income for 20X4 under HKFRSs.

Each of the above reconciliations gives sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. Entity R also explains the material adjustments to the statement of cash flows.

If Entity R becomes aware of errors made under previous GAAP, the reconciliations distinguish the correction of those errors from changes in accounting policies.

If Entity R did not, in its most recent annual financial statements under previous GAAP, disclose information material to an understanding of the current interim period, its interim financial reports for 20X5 disclose that information or include a cross-reference to another published document that includes it. [HKFRS 1.33]

Disclosure of accounting policies

- 10.14 As noted in section 6, HKAS 34.16 requires that interim financial reports prepared in accordance with its requirements should include a statement that the same accounting policies and methods of computation are followed in the interim financial statements as were followed in the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change. On an ongoing basis, therefore, HKAS 34 does not require a complete description of all of the entity's accounting policies in its interim financial reports.
- 10.15 However, in the period of first-time application, we would recommend that a full description of the entity's accounting policies under HKFRSs be included in the entity's interim reports or, at least, a reference to another published document where the accounting policies can be found. Since those policies will inevitably differ from the policies disclosed in the most recent annual financial statements (prepared under previous GAAP), it is important for a user of the interim financial report to understand the basis of accounting under HKFRSs.

11. SUMMARY HALF-YEAR REPORTS

- 11.1 Both the Listing Rules and the GEM Rules permit a listed entity to distribute summary half-year reports in place of full half-year reports provided that the entity had ascertained the wishes of individual shareholders. Individual shareholders would always be entitled to receive a full half-year report.
- 11.2 The Listing Rules and the GEM Rules require the following information to be included in summary half-year reports: [App 16.51; GR 18.82]
- The information that accompanies preliminary announcements of half-year interim results (see section 5 of this guide).
 - Details of non-compliance relating to the appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, and an explanation of the remedial steps taken by the listed entity to address such non-compliance.
 - Details of non-compliance relating to the establishment of an audit committee (if any) and, an explanation of the remedial steps taken by the listed entity to address such non-compliance.
 - Statement as to whether the accounting information contained in a summary half-year report has been audited by the listed entity's auditor, and an opinion from the auditor as to whether the summary interim financial report is consistent with the relevant full half-year interim report.
 - Names of the directors who have signed the full half-year interim financial report on behalf of the board of directors of the listed entity.
 - A statement to the effect that the summary interim financial report only gives a summary of the information and particulars contained in the listed entity's full interim report.
 - A statement as to how an entitled person may obtain free of charge a copy of the listed entity's full half-year interim report.
 - A statement as to the manner in which an entitled person may in future notify the listed entity of his wishes to receive a copy of a summary interim financial report in place of a copy of the full interim report.
- 11.3 The timing as to when summary half-year reports should be sent to the holders of listed securities of the listed entity and the SEHK is the same as that applicable to full half-year reports (see section 4 of this guide).

12. REVIEW OF INTERIM FINANCIAL INFORMATION

Main Board listed entities

- 12.1 A listed entity's audit committee must review the interim report. In the event that the audit committee disagreed with an accounting treatment which had been adopted or the statement made in respect of any significant departure from Standards in accordance with App 16.38, full details of such disagreement must be disclosed in the interim financial report. [App 16.39]

GEM listed entities

- 12.2 The requirements of the GEM Rules as regards reviews of half-year and quarterly interim reports are set out below.
- 12.3 Each half-year report must be reviewed by the issuer's audit committee in accordance with GR 5.30. In the event that the audit committee disagreed with an accounting treatment which had been adopted in the preparation of the group's half-year report, full details of such disagreement should be disclosed together with a quantification of the financial effect arising from the disagreement. Where it is not possible to quantify the effect of the disagreement, or the effect is not significant, a statement to this effect should be made. [GR 18.55 Note 2]
- 12.4 Each quarterly interim financial report must be reviewed by the issuer's audit committee in accordance with GR 5.30. [GR 18.68 Note 5]

Scope of review by audit committee

- 12.5 It is one of the audit committee's core responsibilities to carry out an independent review of all financial reports issued by the entity, in order to assist the board in ensuring that such financial reports present fairly the matters reported and comply with all necessary disclosure requirements. [App 16 Note 39.1]
- 12.6 The Listing Rules provide that audit committees may refer to auditing standards and guidelines in carrying out their review of an interim financial report [App 16 Note 39.1]. In carrying out their reviews of interim financial reports, we would expect that audit committees will address such issues as:
- the appropriateness and consistent application of significant accounting policies;
 - judgemental issues and accounting estimates;
 - the adequacy and understandability of disclosures;
 - the internal consistency of the interim financial report;
 - material, non-recurring items; and
 - any concerns raised by the auditor.

Scope of review by the independent auditor

- 12.7 Neither the Listing Rules nor the GEM Rules mandate the interim financial information to be reviewed by the independent auditor. The independent auditor who is engaged to perform a review of interim financial information should perform the review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("HKSRE 2410").
- 12.8 HKSRE 2410 establishes standards and provides guidance on the auditor's professional responsibilities when the auditor undertakes an engagement to review interim financial information of an audit client, and on the form and content of the report.
- 12.9 The objective of an engagement to review interim financial information is to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework. The auditor makes inquiries, and performs analytical and other review procedures in order to reduce to a moderate level the risk of expressing an inappropriate conclusion when the interim financial information is materially misstated.
- 12.10 The objective of a review of interim financial information differs significantly from that of an audit conducted in accordance with Hong Kong Standards on Auditing (HKSAAs). A review of interim financial information does not provide a basis for expressing an opinion whether the financial information gives a true and fair view, or is presented fairly, in all material respects, in accordance with an applicable financial reporting framework. In particular, an interim review by the auditor provides moderate assurance that the interim financial report has been prepared, in all material respects, in accordance with the requirements of HKAS 34 *Interim Financial Reporting* and with the relevant provisions of the Listing Rules/GEM Rules.
- 12.11 Prior to issuing their review report, the auditor would generally communicate their findings to the board of directors and the audit committee.
- 12.12 An unmodified review report contains a review conclusion expressed in terms of so-called "negative assurance" as follows:
- "Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with ..."*
- 12.13 Under HKSRE 2410, the auditor will modify the interim review report where the auditor concludes that material modifications to the interim financial report either are or may be required to be made. Such modified interim review reports will arise where the auditor disagrees, either about an adopted accounting treatment or about the extent of disclosure in the interim financial report, or where the auditor encounters a material limitation in the scope of their review work. Modification of the interim review report will also be required where there is significant uncertainty, eg a significant level of concern about the entity's ability to continue as a going concern.

APPENDIX I

MODEL INTERIM FINANCIAL REPORT (HALF-YEAR)

The model half-year interim report of Kowloon GAAP Limited is intended to illustrate the presentation and disclosure requirements of HKAS 34 *Interim Financial Reporting* and the Listing/GEM Rules. The presentation adopted, however, will not be the only possible presentation to meet the reporting requirements.

Kowloon GAAP Limited is assumed to be a non-banking company, listed on the Main Board of the SEHK. Half-year interim reports for such entities are required to comply with relevant requirements of Appendix 16 to the Listing Rules and HKAS 34. For those entities listed on the Growth Enterprise Market, specific disclosure requirements are set out in the GEM Rules. They are largely consistent with the requirements of the Listing Rules and, for the users' convenience, cross-references to the GEM Rules have also been included in the model interim report.

Banking companies are required to comply in their half-year interim reports with the requirements of Appendix 15 to the Listing Rules/Rule 18.80 of the GEM Rules, and with *Interim Financial Disclosure by Locally Incorporated Authorized Institutions* issued by the Hong Kong Monetary Authority. Additional disclosures for financial conglomerates are set out in Appendix 16 to the Listing Rules/Rule 18.37A of the GEM Rules. These requirements are not illustrated in this model interim report.

In addition, Kowloon GAAP Limited is assumed to have presented financial statements in accordance with HKFRSs for a number of years. Therefore, it is not a first-time adopter of HKFRSs. HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* includes additional disclosure requirements for interim periods covered by an entity's first HKFRS financial statements.

The model interim report illustrates the presentation of a set of condensed financial statements, as envisaged by HKAS 34.8. If a complete set of financial statements is published in the interim financial report, the form and content of those statements should conform to the requirements of HKAS 1 *Presentation of Financial Statements* for a complete set of financial statements.

For the purposes of presenting the statement of comprehensive income, the alternatives allowed under HKFRSs for those statements have been illustrated. The alternatives selected should be appropriate to the entity's circumstances, and should generally be consistent with the options selected by the entity for its annual financial statements.

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Source	Checklist	Kowloon GAAP Limited
<p>App 16.40(2) App 16.32 GR 18.59 GR 18.41</p>	<p>H2001 H2002</p>	<p>MANAGEMENT DISCUSSION AND ANALYSIS (MDA)</p> <p><i>Listed entities, whether listed on the Main Board or GEM, are required to present in their interim financial reports a separate discussion and analysis of their performance during the interim period and the material factors underlying their results and financial position.</i></p> <p><i>The MDA should address each of the specific matters set out below:</i></p> <ol style="list-style-type: none"> <i>(1) the group's liquidity and financial resources;</i> <i>(2) the capital structure of the group in terms of maturity profile of debt and obligations, type of capital instruments used, currency and interest rate structure;</i> <i>(3) the state of the group's order book (where applicable) and prospects for new business, including new products and services introduced or announced;</i> <i>(4) significant investments held, their performance during the interim period and their future prospects;</i> <i>(5) details of material acquisitions and disposals of subsidiaries and associated companies in the course of the interim period;</i> <i>(6) comments on segmental information;</i> <i>(7) details of the number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes;</i> <i>(8) details of charges on group assets;</i> <i>(9) details of future plans for material investments or capital assets and their expected sources of funding in the coming year;</i> <i>(10) gearing ratio;</i> <i>(11) exposure to fluctuations in exchange rates and any related hedges; and</i> <i>(12) details of contingent liabilities, if any.</i> <p><i>For interim reporting purposes, the Listing Rules and the GEM Rules specify that, where the current information in relation to the matters discussed in the MDA has not changed materially from the information disclosed in the most recent published annual report, a statement to that effect may be made, and no additional disclosure is required.</i></p> <p><i>We do not consider that it is appropriate to present a 'model' for the MDA. The analysis should focus on the key issues for the particular reporting entity.</i></p>

Source	Checklist	Kowloon GAAP Limited
		<p>INDEPENDENT REVIEW REPORT</p> <p>Deloitte. 德勤</p> <p>To the Board of Directors of Kowloon GAAP Limited</p> <p>Introduction</p> <p>We have reviewed the interim financial information set out on pages 70 to 96, which comprise the condensed consolidated statement of financial position of Kowloon GAAP Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2009 and the related condensed consolidated [income statement,] statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.</p> <p>Scope of review</p> <p>We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.</p> <p>Conclusion</p> <p>Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.</p> <p><u>Deloitte Touche Tohmatsu</u> Certified Public Accountants Hong Kong 10 August 2009</p>

Source	Checklist	Kowloon GAAP Limited		
App 16.37 GR 18.55(1) HKAS 34.8(b) HKAS 34.10 HKAS 34.20(b)	H3002(b) H3001(b) H3004 H3006(b)	CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009 [Alt 1]		
		<u>Notes</u>	<u>Six months ended 30/6/09</u> (unaudited) HK\$'000	<u>30/6/08</u> (unaudited) HK\$'000
App 16.40(1) App 16.4(1) GR 18.55(8) GR 18.50B(1)	H3016	Continuing operations		
			450,077	297,336
		5	(272,632)	(176,297)
			<u>177,445</u>	<u>121,039</u>
			2,927	1,043
			8,650	6,037
			(73,274)	(55,807)
			(78,243)	(52,185)
			(11,859)	(8,492)
			(1,838)	(1,410)
		11	582	-
			4,818	1,669
			<u>29,208</u>	<u>11,894</u>
		6	(4,598)	(1,290)
			<u>24,610</u>	<u>10,604</u>
		Discontinued operation		
		17	2,691	(1,168)
			<u>27,301</u>	<u>9,436</u>
		7		
		Other comprehensive income		
			3,351	1,023
			(233)	(125)
			(412)	77
		10	32,094	(2,113)
			(4,695)	380
			<u>30,105</u>	<u>(758)</u>
			<u>57,406</u>	<u>8,678</u>
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Source	Checklist	Kowloon GAAP Limited																																																																																								
		<p>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009 [Alt 1 – continued]</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;"><u>Note</u></th> <th style="text-align: center;">Six months ended <u>30/6/09</u> (unaudited) HK\$'000</th> <th style="text-align: center;">Six months ended <u>30/6/08</u> (unaudited) HK\$'000</th> </tr> </thead> <tbody> <tr> <td colspan="4">Profit for the period attributable to:</td> </tr> <tr> <td style="padding-left: 20px;">Owners of the Company</td> <td></td> <td style="text-align: right;">20,705</td> <td style="text-align: right;">6,776</td> </tr> <tr> <td style="padding-left: 20px;">Non-controlling interests</td> <td></td> <td style="text-align: right;">6,596</td> <td style="text-align: right;">2,660</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">27,301</td> <td style="text-align: right; border-top: 1px solid black;">9,436</td> </tr> <tr> <td colspan="4">Total comprehensive income attributable to:</td> </tr> <tr> <td style="padding-left: 20px;">Owners of the Company</td> <td></td> <td style="text-align: right;">50,810</td> <td style="text-align: right;">6,018</td> </tr> <tr> <td style="padding-left: 20px;">Non-controlling interests</td> <td></td> <td style="text-align: right;">6,596</td> <td style="text-align: right;">2,660</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">57,406</td> <td style="text-align: right; border-top: 1px solid black;">8,678</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 3px double black;">57,406</td> <td style="text-align: right; border-top: 3px double black;">8,678</td> </tr> <tr> <td></td> <td></td> <td colspan="2">Earnings per share 8</td> </tr> <tr> <td></td> <td></td> <td colspan="2"><i>From continuing and discontinued operations</i></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Basic</td> <td style="text-align: right;">4.76 cents</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">14.55 cents</td> <td style="text-align: right; border-top: 1px solid black;">4.76 cents</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Diluted</td> <td style="text-align: right;">3.80 cents</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">11.50 cents</td> <td style="text-align: right; border-top: 1px solid black;">3.80 cents</td> </tr> <tr> <td></td> <td></td> <td colspan="2"><i>From continuing operations</i></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Basic</td> <td style="text-align: right;">5.58 cents</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">12.66 cents</td> <td style="text-align: right; border-top: 1px solid black;">5.58 cents</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Diluted</td> <td style="text-align: right;">4.45 cents</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">10.00 cents</td> <td style="text-align: right; border-top: 1px solid black;">4.45 cents</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 3px double black;">10.00 cents</td> <td style="text-align: right; border-top: 3px double black;">4.45 cents</td> </tr> </tbody> </table> <p><i>Note: Alt 1 above illustrates the presentation of comprehensive income in one statement and analyses expenses according to their function. Alt 2 (see next pages) illustrates the presentation of comprehensive income in two statements and analyses expenses according to their nature. The format adopted for condensed financial statements in the interim financial report should be consistent with the format adopted for annual financial statements.</i></p> <p><i>Irrespective of whether the one-statement or the two-statement approach is followed, for the components of other comprehensive income, entities have options regarding the extent to which detail is presented in the statement of comprehensive income or in the notes. Where an entity has opted to present some details in the notes for the purposes of its annual financial statements, those details need not be presented in its interim financial report, except to the extent that the disclosure would be required under HKAS 34.16 (see item H3005 in Appendix II to this guide).</i></p>		<u>Note</u>	Six months ended <u>30/6/09</u> (unaudited) HK\$'000	Six months ended <u>30/6/08</u> (unaudited) HK\$'000	Profit for the period attributable to:				Owners of the Company		20,705	6,776	Non-controlling interests		6,596	2,660			27,301	9,436	Total comprehensive income attributable to:				Owners of the Company		50,810	6,018	Non-controlling interests		6,596	2,660			57,406	8,678			57,406	8,678			Earnings per share 8				<i>From continuing and discontinued operations</i>				Basic	4.76 cents			14.55 cents	4.76 cents			Diluted	3.80 cents			11.50 cents	3.80 cents			<i>From continuing operations</i>				Basic	5.58 cents			12.66 cents	5.58 cents			Diluted	4.45 cents			10.00 cents	4.45 cents			10.00 cents	4.45 cents
	<u>Note</u>	Six months ended <u>30/6/09</u> (unaudited) HK\$'000	Six months ended <u>30/6/08</u> (unaudited) HK\$'000																																																																																							
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Source	Checklist	Kowloon GAAP Limited		
App 16.37 GR 18.55(1) HKAS 34.8(b) HKAS 34.10 HKAS 34.20(b)	H3002(b) H3001(b) H3004 H3006(b)	CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009 [Alt 2]		
		<u>Notes</u>	Six months ended 30/6/09 (unaudited) HK\$'000	30/6/08 (unaudited) HK\$'000
App 16.40(1) App 16.4(1) GR 18.55(8) GR 18.50B(1)	H3016	Continuing operations		
			450,077	297,336
			2,927	1,043
			8,650	6,037
		5	5,446	7,329
			(282,193)	(167,360)
			(133,100)	(111,760)
			(14,302)	(12,498)
			(11,859)	(8,492)
			(1,838)	(1,410)
		11	582	-
			4,818	1,669
			29,208	11,894
		6	(4,598)	(1,290)
			24,610	10,604
		Discontinued operation		
		17	2,691	(1,168)
		7	27,301	9,436
		Attributable to:		
			20,705	6,776
			6,596	2,660
			27,301	9,436
App 16.40(1) App 16.4(1)(g) GR 18.55(8) GR 18.50(B)(1) (m) HKAS 34.11 HKAS 34.11A	H3017 H3016(g)	Earnings per share 8		
		<i>From continuing and discontinued operations</i>		
			14.55 cents	4.76 cents
			11.50 cents	3.80 cents
		<i>From continuing operations</i>		
			12.66 cents	5.58 cents
			10.00 cents	4.45 cents

Source	Checklist	Kowloon GAAP Limited		
		CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009 [Alt 2 – continued]		
		<u>Note</u>	Six months ended <u>30/6/09</u> (unaudited) HK\$'000	Six months ended <u>30/6/08</u> (unaudited) HK\$'000
			27,301	9,436
			<hr/>	<hr/>
		Other comprehensive income		
			3,351	1,023
			(233)	(125)
			(412)	77
		10	32,094	(2,113)
			(4,695)	380
			<hr/>	<hr/>
			30,105	(758)
			<hr/>	<hr/>
			57,406	8,678
			<hr/>	<hr/>
		Total comprehensive income attributable to:		
			50,810	6,018
			6,596	2,660
			<hr/>	<hr/>
			57,406	8,678
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Source	Checklist	Kowloon GAAP Limited		
App 16.37 GR 18.55(1) HKAS 34.8(a) HKAS 34.10 HKAS 30.20(a)	H3002(a) H3001(a) H3004 H3006(a)	CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009		
		<u>Notes</u>	<u>30/6/09 (unaudited) HK\$'000</u>	<u>31/12/08 (restated) HK\$'000</u>
App 16.40(1) App 16.4(2) GR 18.55(8) GR 18.50B(2)	H3019			
			Non-current assets	
		10	622,227	567,512
		12	3,010	3,562
			26,985	21,294
		11	50,518	12,204
			4,118	3,872
			84,937	103,565
			13,373	25,432
			7,746	12,908
			812,914	750,349
			Current assets	
			108,199	91,815
		13	181,464	142,062
			54,713	49,674
			1,836	1,798
			35,407	27,932
			5,609	1,175
			387,228	314,456
			Current liabilities	
		14	80,862	48,890
		15	171,352	128,633
			1,470	1,483
			8,229	1,986
			6,432	2,065
			268,345	183,057
			Net current assets	118,883
				131,399
			Total assets	
			less current liabilities	
			931,797	881,748

Source	Checklist	Kowloon GAAP Limited		
App 16.37 GR 18.55(1) HKAS 34.8(a) HKAS 34.10 HKAS 34.20(a)	H3002(a) H3001(a) H3004 H3006(a)	CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009 – continued		
		<u>Notes</u>	<u>30/6/09</u> (unaudited) HK\$'000	<u>31/12/08</u> (restated) HK\$'000
App 16.40(1) App 16.4(2) GR 18.55(8) GR 18.50B(2)	H3019	Capital and reserves		
		16	142,343	142,343
			70,481	38,725
			172,675	157,735
			385,499	338,803
			17,917	5,576
			403,416	344,379
		Non-current liabilities		
		15	477,966	490,393
			5,923	1,244
			33,029	42,760
			9,345	2,972
			2,118	-
			528,381	537,369
			931,797	881,748
		Total equity and liabilities		

Source	Checklist	Kowloon GAAP Limited											
App 16.37 GR 18.55(1) HKAS 34.8(c) HKAS 34.10 HKAS 34.20(c)	H3002(d) H3001(c) H3004 H3006(c)	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009											
			Issued capital HK\$'000	Properties revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Hedging reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
		Balance at 1 January 2008 (audited)	142,343	39,552	6,875	1,501	165	(7,329)	-	149,713	332,820	1,158	333,978
		Effect of changes in the accounting for mail order catalogues (note 2)	-	-	-	-	-	-	-	(92)	(92)	-	(92)
		As restated	142,343	39,552	6,875	1,501	165	(7,329)	-	149,621	332,728	1,158	333,886
		Profit for the period	-	-	-	-	-	-	-	6,776	6,776	2,660	9,436
		Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,023	-	-	1,023	-	1,023
		Available-for-sale financial assets	-	-	(125)	-	-	-	-	-	(125)	-	(125)
		Cash flow hedges	-	-	-	77	-	-	-	-	77	-	77
		Loss on revaluation of property	-	(2,113)	-	-	-	-	-	-	(2,113)	-	(2,113)
		Income tax relating to components of other comprehensive income	-	380	-	-	-	-	-	-	380	-	380
		Total comprehensive income for the period	-	(1,733)	(125)	77	-	1,023	-	6,776	6,018	2,660	8,678
		Payment of dividends (note 9)	-	-	-	-	-	-	-	(14,472)	(14,472)	-	(14,472)
		Equity-settled share-based payments	-	-	-	-	1,139	-	-	-	1,139	-	1,139
		Balance at 30 June 2008 (unaudited)	142,343	37,819	6,750	1,578	1,304	(6,306)	-	141,925	325,413	3,818	329,231
		Balance at 1 January 2009 (as restated)	142,343	34,418	6,390	1,156	1,384	(4,623)	-	157,735	338,803	5,576	344,379
		Profit for the period	-	-	-	-	-	-	-	20,705	20,705	6,596	27,301
		Exchange differences arising on translation of foreign operations	-	-	-	-	-	3,351	-	-	3,351	-	3,351
		Available-for-sale financial assets	-	-	(233)	-	-	-	-	-	(233)	-	(233)
		Cash flow hedges	-	-	-	(412)	-	-	-	-	(412)	-	(412)
		Gain on revaluation of property	-	32,094	-	-	-	-	-	-	32,094	-	32,094
		Income tax relating to components of other comprehensive income	-	(4,695)	-	-	-	-	-	-	(4,695)	-	(4,695)
		Total comprehensive income for the period	-	27,399	(233)	(412)	-	3,351	-	20,705	50,810	6,596	57,406
Payment of dividends (note 9)	-	-	-	-	-	-	-	(5,765)	(5,765)	-	(5,765)		
Equity-settled share-based payments	-	-	-	-	365	-	-	-	365	-	365		
Difference arising on disposal of interest in B Sub Limited (note 17)	-	-	-	-	-	-	-	1,286	-	1,286	3,214		
Non-controlling interests arising on the acquisition of Sub X Limited (note 18)	-	-	-	-	-	-	-	-	-	2,531	2,531		
Balance at 30 June 2009 (unaudited)	142,343	61,817	6,157	744	1,749	(1,272)	1,286	172,675	385,499	17,917	403,416		
Note:	<i>This statement complies with the requirements of HKAS 1.106, which states that each item of other comprehensive income must be shown separately in the statement of changes in equity. However, the illustrative statement of changes in equity accompanying HKAS 1 does not include this level of detail on the face of the financial statement. HKAS 1 is equivalent to IAS 1. The IASB is currently considering a proposal to relax the requirements of IAS 1.106 so as to avoid the current duplication of information in the statement of comprehensive income and the statement of changes in equity.</i>												

Source	Checklist	Kowloon GAAP Limited		
App 16.37 GR 18.55(1) HKAS 34.8(d) HKAS 34.10 HKAS 34.20(d)	H3002(c) H3001(d) H3004 H3006(d)	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2009		
		<u>Notes</u>	<u>Six months ended 30/6/09 (unaudited) HK\$'000</u>	<u>30/6/08 (unaudited) HK\$'000</u>
		Net cash from operating activities	6,048	30,480
		Additions to property, plant and equipment	10 (57,527)	(28,940)
		Acquisition of interest in an associate	11 (34,519)	-
		Acquisition of a subsidiary	18 (9,491)	-
		Proceeds on disposal of property, plant and equipment	10 33,386	9,827
		Proceeds on disposal of a subsidiary	17 30,900	-
		Proceeds on disposal of interest in an associate	11 1,245	-
		Other investing cash flows (net)	2,600	(1,941)
		Net cash used in investing activities	(33,406)	(21,054)
		New bank loan raised	15 50,000	30,000
		Repayments of bank loans	15 (19,818)	(18,230)
		Dividends paid	9 (5,765)	(14,472)
HKAS 7.42A	-	Proceeds on disposal of interest in a subsidiary that does not result in losing control of the subsidiary	17 4,500	-
		Other financing cash flows (net)	2,875	(3,647)
		Net cash from (used in) financing activities	31,792	(6,349)
		Net increase in cash and cash equivalents	4,434	3,077
		Cash and cash equivalents at 1 January	1,175	2,033
		Cash and cash equivalents at 30 June		
		Bank balances and cash	5,609	5,110

Source	Checklist	Kowloon GAAP Limited
<p>App 16.38 GR 18.55 Note 1 HKAS 34.19</p>	<p>H3007 H3008</p>	<p>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009</p> <p>1. BASIS OF PREPARATION</p> <p>The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) and with Hong Kong Accounting Standard 34, <i>Interim Financial Reporting</i>.</p> <p>2. SIGNIFICANT ACCOUNTING POLICIES</p> <p>The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revalued amounts or fair values, as appropriate.</p>
<p>App 16.38 GR 18.55 Note 5 HKAS 34.16(a)</p>	<p>H3012</p>	<p>A number of new or revised Standards and Interpretations are effective for the financial year beginning on 1 January 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008.</p> <p>HKFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)</p> <p>HKFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 3), but has had no impact on the reported results or financial position of the Group.</p> <p>HKAS 1 (revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)</p> <p>HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.</p> <p>HKFRS 3 (revised 2008) Business Combinations (effective for business combinations for which the acquisition date is on or after the beginning of the annual period beginning on or after 1 July 2009)</p> <p>HKFRS 3 (revised 2008) has been adopted in advance of its effective date and has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2009. Its adoption has affected the accounting for the acquisition of Sub X Limited in the current period.</p>

Source	Checklist	Kowloon GAAP Limited
		<p data-bbox="539 286 1433 342">NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued</p> <p data-bbox="635 376 1225 405">The impact of HKFRS 3 (revised 2008) has been:</p> <ul style="list-style-type: none"> <li data-bbox="635 439 1445 707">■ to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests). In the current period, in accounting for the acquisition of Sub X Limited, the Group has elected to measure the non-controlling interests at fair value. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the identifiable net assets of the acquiree; <div data-bbox="730 741 1445 1350" style="background-color: #e0e0e0; padding: 5px;"> <p data-bbox="730 741 1445 1350"><i>Note: It is important for users of this guide to note that paragraph 19 of HKFRS 3 (revised 2008) Business Combinations states that the choice of measurement of non-controlling interests is available for each business combination. The Basis for Conclusions reiterates that this choice is available on a transaction-by-transaction basis. [HKFRS 3 (revised 2008).BC216] HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors indicates that where specific guidance is available in another Standard, that guidance overrides the requirements of HKAS 8 to select and apply accounting policies consistently for similar transactions, other events or conditions. There is no requirement within HKFRS 3 (revised 2008) to measure non-controlling interests on a consistent basis for similar types of business combinations and, therefore, an entity has a free choice between the two options for each transaction undertaken.</i></p> </div> <ul style="list-style-type: none"> <li data-bbox="635 1384 1445 1962">■ to change the recognition and subsequent accounting requirements for contingent consideration. Whereas, under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if it met probability and reliably measurable criteria, under the revised Standard the consideration for the acquisition always includes the fair value of any contingent consideration. Once the fair value of the contingent consideration at the acquisition date has been determined, subsequent adjustments are made against the cost of the acquisition only to the extent that <ul style="list-style-type: none"> <li data-bbox="730 1749 1353 1778">i) they reflect fair value at the acquisition date, <li data-bbox="730 1812 1425 1962">ii) they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). Under the previous version of the Standard, adjustments to consideration were always made against the cost of the acquisition; and

Source	Checklist	Kowloon GAAP Limited														
		<p>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued</p> <ul style="list-style-type: none"> to require acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being expensed when incurred, whereas previously they were accounted for as part of the cost of the acquisition. <p>In the current period, these changes in policies have affected the accounting for the acquisition of Sub X Limited as follows:</p> <p><u>Statement of financial position</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; vertical-align: bottom;"><u>30/6/09</u> HK\$'000</th> </tr> </thead> <tbody> <tr> <td>Excess of the fair value of non-controlling interests in Sub X Limited over their share of the identifiable net assets (reflected in non-controlling interests)</td> <td style="text-align: right; vertical-align: bottom;">157</td> </tr> <tr> <td>Liability recognised in respect of the fair value of contingent consideration that would not have been recognised under the previous version of the Standard</td> <td style="text-align: right; vertical-align: bottom;">115</td> </tr> <tr> <td>Acquisition-related costs expensed when incurred (profit or loss)</td> <td style="text-align: right; vertical-align: bottom;">(145)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">127</td> </tr> </tbody> </table> <p><u>Statement of comprehensive income</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; vertical-align: bottom;"><u>30/6/09</u> HK\$'000</th> </tr> </thead> <tbody> <tr> <td>Decrease in profit for the period arising on the recognition of acquisition-related costs when incurred</td> <td style="text-align: right; vertical-align: bottom;">(145)</td> </tr> </tbody> </table> <p>Results in future periods may be affected by future impairment losses in respect of the increased goodwill, and by potential changes in the liability recognised for contingent consideration.</p> <p>The revised Standard is also expected to affect the accounting for business combinations in future accounting periods, but the impact will only be determined once the detail of future business combination transactions is known.</p>		<u>30/6/09</u> HK\$'000	Excess of the fair value of non-controlling interests in Sub X Limited over their share of the identifiable net assets (reflected in non-controlling interests)	157	Liability recognised in respect of the fair value of contingent consideration that would not have been recognised under the previous version of the Standard	115	Acquisition-related costs expensed when incurred (profit or loss)	(145)		127		<u>30/6/09</u> HK\$'000	Decrease in profit for the period arising on the recognition of acquisition-related costs when incurred	(145)
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Source	Checklist	Kowloon GAAP Limited
		<p>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued</p> <p>HKAS 27 (revised 2008) <i>Consolidated and Separate Financial Statements</i> (effective for annual periods beginning on or after 1 July 2009)</p> <p>HKAS 27 (revised 2008) has been adopted in advance of its effective date from 1 January 2009. The revised Standard has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.</p> <p>When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.</p> <p>In respect of the disposal during the period of part of the Group's interest in B Sub Limited, the impact of the change in policy has been that the difference of HK\$1.286 million between the consideration received and the increase in the carrying amount of the non-controlling interests has been recognised directly in equity. Had the previous accounting policy been applied, this amount would have been recognised in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the period of HK\$1.286 million.</p> <p>The revised Standard is also expected to affect the accounting for changes in ownership interests in future accounting periods, but the impact will only be determined once the detail of future transactions is known.</p> <p>HKAS 28 (revised 2008) <i>Investments in Associates</i> (effective for annual periods beginning on or after 1 July 2009)</p> <p>HKAS 28 (revised 2008) has been adopted in advance of its effective date in the current period. The principle adopted in HKAS 27 (revised 2008) that a change in accounting basis is recognised as a disposal and re-acquisition at fair value is extended by consequential amendments to HKAS 28 such that, on the loss of significant influence, the investor measures at fair value any retained interest in the former associate.</p>

Source	Checklist	Kowloon GAAP Limited
<p>App 16.40(1) App 16.4(3) GR 18.55(8) GR 18.50B(3) HKAS 34.16(g)</p>	<p>H3018</p>	<p>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued</p> <p>This change has affected the accounting for the partial disposal of the Group's interest in K Plus Limited that occurs in the period. The difference of HK\$104,000 between the carrying amount and fair value of the interest retained in K Plus Limited has been recognised in profit or loss in the period, net of a deferred tax charge of HK\$31,000. Had the Group's previous accounting policy been followed, the carrying amount of the investment retained would have been regarded as cost for the purpose of subsequent accounting as an available-for-sale investment under HKAS 39 and the movement in fair value (and related deferred tax) would have been recognised in other comprehensive income. This increase will be offset by a decrease in profits of an equivalent amount when the investment is disposed of in future accounting periods.</p> <p>Improvements to HKFRSs (issued in October 2008)</p> <p>The Improvements include 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied, and have resulted in a number of changes in the Group's accounting policies. The only amendment included in Improvements to HKFRSs that has had a material impact on the Group's accounting policies is the amendment to HKAS 38 <i>Intangible Assets</i>, which has been amended to state that an entity is permitted to recognise a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues have been specifically identified as a form of advertising and promotional activities. In the past, the Group recognised its inventories of catalogues held as an asset up to the date of dispatch. The amendment to HKAS 38 has been applied retrospectively in accordance with the relevant transitional provisions, resulting in a reduction in inventories held at 1 January 2008 of HK\$132,000 and the recognition of a current tax refund due of HK\$40,000 at the same date, leading to a net adjustment to retained earnings at 1 January 2008 of HK\$92,000. [Distribution expenses/raw materials and consumables used] for the six months ended 30 June 2009 have been increased by HK\$12,000 (2008: HK\$7,000), and the current tax charge reduced by HK\$4,000 (2008: HK\$2,000). The impact of the change at 30 June 2009 has been to decrease inventories by HK\$63,000 (31 December 2008: HK\$85,000), to increase current tax assets by HK\$40,000 (31 December 2008: HK\$40,000), and to decrease retained earnings by HK\$23,000 (31 December 2008: HK\$45,000).</p> <p>3. SEGMENT INFORMATION</p> <p><i>Note: The information set out below goes beyond the ongoing requirements of HKAS 34 because, in the first year of implementation, additional information is required that will not have been provided in the previous year's annual financial statements (see section 6 of this guide for further discussion).</i></p>

Source	Checklist	Kowloon GAAP Limited
		<p data-bbox="539 286 1433 342">NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued</p> <p data-bbox="635 376 1433 768">The Group has adopted HKFRS 8 <i>Operating Segments</i> with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (HKAS 14 <i>Segment Reporting</i>) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed.</p> <p data-bbox="635 801 1449 1104">In prior years, segment information reported externally was analysed on the basis of the types of goods supplied by the Group's operating divisions (ie electronic equipment, leisure goods, toys and 'other'). However, information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance focuses more specifically on the category of customer for each type of goods. The principal categories of customer for these goods are direct sales to major customers, wholesalers and retailers. The Group's reportable segments under HKFRS 8 are therefore as follows:</p> <p data-bbox="635 1137 1098 1227">Electronic equipment - direct sales - wholesalers - retail outlets</p> <p data-bbox="635 1261 1098 1317">Leisure goods - wholesalers - retail outlets</p> <p data-bbox="635 1350 707 1384">Other</p> <p data-bbox="635 1417 1433 1507">The leisure goods segments supply sports shoes and equipment, outdoor play equipment and toys prior to discontinuation (see note 17).</p> <p data-bbox="635 1541 1433 1630">Other operations include the development, sale and installation of computer software for specialised business applications, leasing specialised storage equipment, and distribution services.</p> <p data-bbox="635 1664 1449 1809">In prior years, the Group was involved in the manufacture and sale of toys, which was reported as a separate segment under HKAS 14. That operation was discontinued with effect from 30 April 2009 (see note 17). For HKFRS 8 purposes, the toy operation is included in the leisure goods reportable segments.</p> <p data-bbox="635 1843 1449 1933">Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.</p>

Source	Checklist	Kowloon GAAP Limited				
		NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued				
		The following is an analysis of the Group's revenue and results by operating segment for the periods under review:				
			<u>Revenue</u>		<u>Segment profit</u>	
		Six months ended		Six months ended		
		<u>30/6/09</u>	<u>30/6/08</u>	<u>30/6/09</u>	<u>30/6/08</u>	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		Continuing operations				
		Electronic equipment				
		– direct sales	99,817	64,116	7,642	4,309
		– wholesalers	84,106	43,339	6,719	2,895
		– retail outlets	81,117	40,746	6,339	2,693
		Leisure goods (excluding toys)				
		– wholesalers	98,411	83,554	7,722	5,589
		– retail outlets	79,700	50,339	6,319	3,367
		Other	6,926	15,242	933	1,487
		<hr/>	<hr/>	<hr/>	<hr/>	
		Total for continuing operations	450,077	297,336	35,674	20,340
		<hr/>	<hr/>	<hr/>	<hr/>	
		Investment revenue				
		Central administration and directors' salaries				
		(2,934) (2,666)				
		Finance costs				
		(11,859) (8,492)				
		Gain recognised on disposal of interest in former associate				
		582 -				
		Share of profit of associates				
		4,818 1,669				
		<hr/>	<hr/>	<hr/>	<hr/>	
		Profit before tax (continuing operations)		29,208	11,894	
		<hr/>	<hr/>	<hr/>	<hr/>	
		Discontinued operation				
		Leisure goods (toys)				
		– wholesalers	35,714	34,977	557	879
		– retail outlets	28,033	20,288	(625)	(1,829)
		<hr/>	<hr/>	<hr/>	<hr/>	
		Total for discontinued operation	63,747	55,265	(68)	(950)
		<hr/>	<hr/>	<hr/>	<hr/>	
		Central administration and directors' salaries				
		(386) (362)				
		Gain on disposal of toy manufacturing operation				
		3,883 -				
		<hr/>	<hr/>	<hr/>	<hr/>	
		Profit (loss) before tax (discontinued operation)		3,429	(1,312)	
		<hr/>	<hr/>	<hr/>	<hr/>	
		Profit before tax (continuing and discontinued)		32,637	10,582	
		Income tax charge (continuing and discontinued)				
		(5,336) (1,146)				
		<hr/>	<hr/>	<hr/>	<hr/>	
		Consolidated revenue (excluding investment revenue) and profit for the period	513,824	352,601	27,301	9,436
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	

Source	Checklist	Kowloon GAAP Limited																																																						
		<p>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued</p> <p>All of the segment revenue reported above is from external customers.</p> <p>Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, investment revenue and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.</p> <p>The following is an analysis of the Group's assets by operating segment :</p> <table style="width: 100%; margin-top: 20px;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 15%; text-align: right;"><u>30/6/09</u></th> <th style="width: 15%; text-align: right;"><u>31/12/08</u></th> </tr> <tr> <th></th> <th style="text-align: right;">HK\$'000</th> <th style="text-align: right;">HK\$'000</th> </tr> </thead> <tbody> <tr> <td colspan="3">Continuing operations</td> </tr> <tr> <td>Electronic equipment</td> <td></td> <td></td> </tr> <tr> <td>– direct sales</td> <td style="text-align: right;">191,561</td> <td style="text-align: right;">159,454</td> </tr> <tr> <td>– wholesalers</td> <td style="text-align: right;">165,567</td> <td style="text-align: right;">107,133</td> </tr> <tr> <td>– retail outlets</td> <td style="text-align: right;">160,571</td> <td style="text-align: right;">102,150</td> </tr> <tr> <td>Leisure goods (excluding toys)</td> <td></td> <td></td> </tr> <tr> <td>– wholesalers</td> <td style="text-align: right;">189,828</td> <td style="text-align: right;">206,792</td> </tr> <tr> <td>– retail outlets</td> <td style="text-align: right;">158,635</td> <td style="text-align: right;">124,573</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">22,462</td> <td style="text-align: right;">37,910</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">888,624</td> <td style="text-align: right; border-top: 1px solid black;">738,012</td> </tr> <tr> <td colspan="3">Discontinued operation</td> </tr> <tr> <td>Leisure goods (toys)</td> <td></td> <td></td> </tr> <tr> <td>– wholesalers</td> <td style="text-align: right;">-</td> <td style="text-align: right;">86,995</td> </tr> <tr> <td>– retail outlets</td> <td style="text-align: right;">-</td> <td style="text-align: right;">52,091</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">-</td> <td style="text-align: right; border-top: 1px solid black;">139,086</td> </tr> <tr> <td>Total segment assets</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">888,624</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">877,098</td> </tr> </tbody> </table>		<u>30/6/09</u>	<u>31/12/08</u>		HK\$'000	HK\$'000	Continuing operations			Electronic equipment			– direct sales	191,561	159,454	– wholesalers	165,567	107,133	– retail outlets	160,571	102,150	Leisure goods (excluding toys)			– wholesalers	189,828	206,792	– retail outlets	158,635	124,573	Other	22,462	37,910		888,624	738,012	Discontinued operation			Leisure goods (toys)			– wholesalers	-	86,995	– retail outlets	-	52,091		-	139,086	Total segment assets	888,624	877,098
	<u>30/6/09</u>	<u>31/12/08</u>																																																						
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Source	Checklist	Kowloon GAAP Limited	
		NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued	
HKAS 34.16(b)	H3020(a)	4. RESULTS FOR THE PERIOD	
		[Provide explanatory comments about the seasonality or cyclicity of the interim operations, where applicable.]	
App 16.40(4) GR 18.61 HKAS 34.16(c)	H3020(b) H3022	5. COST OF SALES/CHANGES IN INVENTORIES	
		Included in [cost of sales/changes in inventories of finished goods and work in progress] for the six months ended 30 June 2009 is an amount of HK\$2.79 million (six months ended 30 June 2008: HK\$1.02 million) in respect of exceptional allowances recognised to reduce the carrying amount of inventories to their net realisable value.	
App 16.40(1) App 16.4(1)(c) GR 18.55(8) GR 18.50B(1)(h)	H3016(c)	6. INCOME TAX CHARGE	
			Six months ended <u>30/6/09</u> <u>30/6/08</u> HK\$'000 HK\$'000
		Continuing operations	
		Current tax	
		Hong Kong	2,553 944
		Other jurisdictions	613 100
			<hr/> 3,166 1,044 <hr/>
		Deferred tax	
		Current period	1,432 246
			<hr/> 4,598 1,290 <hr/>
		Income tax charge relating to continuing operations	
			4,598 1,290
		Income tax charge (credit) relating to discontinued operation	
		Current tax in Hong Kong	738 (144)
			<hr/> 5,336 1,146 <hr/>
		Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods.	
		Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.	

Source	Checklist	Kowloon GAAP Limited									
App 16.40(1) App 16.4(1) GR 18.55(8) GR 18.50B(1)	H3016	NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued									
		7. PROFIT FOR THE PERIOD									
		<table border="0"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">Six months ended</th> </tr> <tr> <th></th> <th style="text-align: center;"><u>30/6/09</u></th> <th style="text-align: center;"><u>30/6/08</u></th> </tr> <tr> <th></th> <th style="text-align: center;">HK\$'000</th> <th style="text-align: center;">HK\$'000</th> </tr> </thead> </table>		Six months ended			<u>30/6/09</u>	<u>30/6/08</u>		HK\$'000	HK\$'000
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<table border="0"> <tr> <td style="width: 60%;">Total depreciation and amortisation</td> <td style="text-align: right; width: 20%;">16,208</td> <td style="text-align: right; width: 20%;">14,028</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> <td style="text-align: right;"><hr/></td> </tr> </table>	Total depreciation and amortisation	16,208	14,028		<hr/>	<hr/>					
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<p><i>Note: The Listing Rules and GEM Rules identify a number of specific items to be disclosed in half-year interim financial reports. Where the Group has a discontinued operation and the condensed [statement of comprehensive income/income statement] does not show the gross amounts of the items required, an additional note is required to disclose the gross amount of the required items. Please see item H3016 in Appendix II to this guide.</i></p>											

Source	Checklist	Kowloon GAAP Limited																																																						
App 16.40(1) App 16.4(1)(g) GR 18.55(8) GR 18.50B(1) (m) HKAS 34.11	H3017 H3016(g)	<p>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued</p> <p>8. EARNINGS PER SHARE</p> <p>From continuing and discontinued operations</p> <p>The calculation of the basic and diluted earnings per share is based on the following data:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">Six months ended 30/6/09 HK\$'000</th> <th style="text-align: right;">30/6/08 HK\$'000</th> </tr> </thead> <tbody> <tr> <td colspan="3">Earnings</td> </tr> <tr> <td>Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)</td> <td style="text-align: right;">20,705</td> <td style="text-align: right;">6,776</td> </tr> <tr> <td></td> <td style="text-align: right;"><u> </u></td> <td style="text-align: right;"><u> </u></td> </tr> <tr> <td>Number of shares</td> <td style="text-align: right;">'000</td> <td style="text-align: right;">'000</td> </tr> <tr> <td>Weighted average number of ordinary shares for the purpose of basic earnings per share</td> <td style="text-align: right;">142,343</td> <td style="text-align: right;">142,343</td> </tr> <tr> <td>Effect of dilutive share options</td> <td style="text-align: right;">37,749</td> <td style="text-align: right;">35,984</td> </tr> <tr> <td></td> <td style="text-align: right;"><u> </u></td> <td style="text-align: right;"><u> </u></td> </tr> <tr> <td>Weighted average number of ordinary shares for the purposes of diluted earnings per share</td> <td style="text-align: right;">180,092</td> <td style="text-align: right;">178,327</td> </tr> <tr> <td></td> <td style="text-align: right;"><u> </u></td> <td style="text-align: right;"><u> </u></td> </tr> <tr> <td colspan="3">From continuing operations</td> </tr> <tr> <td colspan="3">Earnings figures are calculated as follows:</td> </tr> <tr> <td></td> <td style="text-align: right;">Six months ended 30/6/09 HK\$'000</td> <td style="text-align: right;">30/6/08 HK\$'000</td> </tr> <tr> <td>Profit for the period attributable to owners of the Company</td> <td style="text-align: right;">20,705</td> <td style="text-align: right;">6,776</td> </tr> <tr> <td>Less: (profit) loss for the period from discontinued operation</td> <td style="text-align: right;">(2,691)</td> <td style="text-align: right;">1,168</td> </tr> <tr> <td></td> <td style="text-align: right;"><u> </u></td> <td style="text-align: right;"><u> </u></td> </tr> <tr> <td>Earnings for the purposes of basic and diluted earnings per share from continuing operations</td> <td style="text-align: right;">18,014</td> <td style="text-align: right;">7,944</td> </tr> <tr> <td></td> <td style="text-align: right;"><u> </u></td> <td style="text-align: right;"><u> </u></td> </tr> </tbody> </table> <p>The denominators used are the same as those detailed above for both basic and diluted earnings per share.</p>		Six months ended 30/6/09 HK\$'000	30/6/08 HK\$'000	Earnings			Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	20,705	6,776		<u> </u>	<u> </u>	Number of shares	'000	'000	Weighted average number of ordinary shares for the purpose of basic earnings per share	142,343	142,343	Effect of dilutive share options	37,749	35,984		<u> </u>	<u> </u>	Weighted average number of ordinary shares for the purposes of diluted earnings per share	180,092	178,327		<u> </u>	<u> </u>	From continuing operations			Earnings figures are calculated as follows:				Six months ended 30/6/09 HK\$'000	30/6/08 HK\$'000	Profit for the period attributable to owners of the Company	20,705	6,776	Less: (profit) loss for the period from discontinued operation	(2,691)	1,168		<u> </u>	<u> </u>	Earnings for the purposes of basic and diluted earnings per share from continuing operations	18,014	7,944		<u> </u>	<u> </u>
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HKAS 34.16 HKAS 34.17	H3020 Note 1	<p>10. PROPERTY, PLANT AND EQUIPMENT</p> <p>During the period, the Group spent approximately HK\$58 million on the final stage of construction of its new office premises and on additions to the manufacturing plant in the PRC, in order to upgrade its manufacturing capabilities. During the six months ended 30 June 2008, the Group spent approximately HK\$29 million on additions to plant and machinery.</p> <p>In addition, during the current period, the Group disposed of certain of its machinery and tools with a carrying amount of HK\$30 million for proceeds of about HK\$33 million. During the six months ended 30 June 2008, the Group disposed of certain of its machinery and tools with a carrying amount of HK\$9 million for proceeds of about HK\$10 million.</p> <p>The Group revalued its land and buildings in the PRC at 30 June 2009 and recognised a revaluation gain of about HK\$32 million (2008: a revaluation loss of HK\$ 2 million). The valuation was carried out by Messrs R.P. Trent & Co.</p>												

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HKAS 34.16(i)	H3020(g)	<p>11. INVESTMENTS IN ASSOCIATES</p> <p>On 25 May 2009, the Group acquired a 30 per cent interest in A Plus Limited, a company incorporated in Hong Kong and engaged in the manufacture of electronic goods. The consideration for the acquisition was HK\$34.5 million.</p> <p>At 31 December 2008, the Group held a 40 per cent interest in K Plus Limited and accounted for the investment as an associate. In June 2009, the Group transferred a 30 per cent interest to a third party for proceeds of HK\$1.245 million. The Group has retained the remaining 10 per cent interest as an available-for-sale investment. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:</p>																															
			HK\$'000																														
		Proceeds of disposal	1,245																														
		Plus: fair value of investment retained	360																														
		Less: carrying amount of investment on the date of loss of significant influence	(1,023)																														
			<hr/>																														
		Profit recognised	582																														
			<hr/> <hr/>																														
		A current tax charge of HK\$143,000 arose on the gain realised in the period, and a deferred tax charge of HK\$31,000 has been recognised in respect of the portion of the gain not taxable until the remaining interest is disposed of.																															
HKFRS 3(2008). B67(d)	H3038(d)	<p>12. GOODWILL</p> <p>Gross</p>																															
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App 16.40(1) App 16.4(2)(b)(ii) GR 18.55(8) GR 18.50B(2)(b)(ii)	H3019(b) (ii)	<p>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued</p> <p>13. TRADE AND OTHER RECEIVABLES</p> <p>The Group allows an average credit period of 60 days to its trade customers.</p> <p>The following is an aged analysis of trade receivables at the reporting date:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;"><u>30/6/09</u></th> <th style="text-align: right;"><u>31/12/08</u></th> </tr> <tr> <th></th> <th style="text-align: right;">HK\$'000</th> <th style="text-align: right;">HK\$'000</th> </tr> </thead> <tbody> <tr> <td>0-60 days</td> <td style="text-align: right;">163,806</td> <td style="text-align: right;">132,339</td> </tr> <tr> <td>61-90 days</td> <td style="text-align: right;">16,691</td> <td style="text-align: right;">8,118</td> </tr> <tr> <td>> 90 days</td> <td style="text-align: right;">967</td> <td style="text-align: right;">1,605</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">181,464</td> <td style="text-align: right; border-top: 1px solid black;">142,062</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 3px double black;">181,464</td> <td style="text-align: right; border-top: 3px double black;">142,062</td> </tr> </tbody> </table>		<u>30/6/09</u>	<u>31/12/08</u>		HK\$'000	HK\$'000	0-60 days	163,806	132,339	61-90 days	16,691	8,118	> 90 days	967	1,605		181,464	142,062		181,464	142,062
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HKAS 34.16(c)	H3020(b)	<p>15. BORROWINGS</p> <p>During the period, the Group obtained a new short-term bank loan in the amount of HK\$50 million (2008: HK\$30 million). The loan bears interest at variable market rates and is repayable within one year. The proceeds were used to meet short-term expenditure needs. Repayments of other bank loans amounting to HK\$19.8 million (2008: HK\$18.2 million) were made in line with the relevant repayment terms.</p>																					
HKAS 34.16(e)	H3020(d)	<p>16. ISSUED CAPITAL</p> <p>Issued capital as at 30 June 2009 amounted to HK\$142,343,000. There were no movements in the issued capital of the Company in either the current or the prior interim reporting periods.</p>																					

Source	Checklist	Kowloon GAAP Limited													
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HKAS 34.16(i)	H3020(g)	<p>17. DISPOSALS OF SUBSIDIARIES</p> <p>Disposal of interest in a subsidiary</p> <p>On 31 January 2009, the Group disposed of 20% of its interest in B Sub Limited, reducing its continuing interest to 80%. The proceeds on disposal of HK\$4.5 million were received in cash.</p> <p>The difference of HK\$1.286 million between the disposal proceeds and the amount transferred to non-controlling interests of HK\$3.214 million has been recognised directly in equity.</p> <p>Disposal of a subsidiary (discontinued operation)</p> <p>On 30 April 2009, the Group disposed of Sub A Limited, which carried out all of its toy manufacturing operation. The proceeds on disposal of HK\$30.9 million were received in cash.</p>													
HKAS 34.16(i)	H3020(g)	<p>The profit (loss) for the period from the discontinued operation is analysed as follows:</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: right;">4 months ended <u>30/4/09</u> HK\$'000</th> <th style="text-align: right;">6 months ended <u>30/6/08</u> HK\$'000</th> </tr> </thead> <tbody> <tr> <td>Loss of toy manufacturing operation for the period</td> <td style="text-align: right;">(1,192)</td> <td style="text-align: right;">(1,168)</td> </tr> <tr> <td>Gain on disposal of toy manufacturing operation</td> <td style="text-align: right;">3,883</td> <td style="text-align: right;">-</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>2,691</u></td> <td style="text-align: right;"><u>(1,168)</u></td> </tr> </tbody> </table>		4 months ended <u>30/4/09</u> HK\$'000	6 months ended <u>30/6/08</u> HK\$'000	Loss of toy manufacturing operation for the period	(1,192)	(1,168)	Gain on disposal of toy manufacturing operation	3,883	-		<u>2,691</u>	<u>(1,168)</u>	
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		<p>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued</p> <p>The results of the toy manufacturing operation for the relevant periods were as follows:</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">4 months ended <u>30/4/09</u> HK\$'000</th> <th style="text-align: right;">6 months ended <u>30/6/08</u> HK\$'000</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">63,747</td> <td style="text-align: right;">55,265</td> </tr> <tr> <td>Operating costs</td> <td style="text-align: right;">(64,201)</td> <td style="text-align: right;">(56,577)</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> <td style="text-align: right;"><hr/></td> </tr> <tr> <td>Loss before tax</td> <td style="text-align: right;">(454)</td> <td style="text-align: right;">(1,312)</td> </tr> <tr> <td>Income tax (charge) credit</td> <td style="text-align: right;">(738)</td> <td style="text-align: right;">144</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> <td style="text-align: right;"><hr/></td> </tr> <tr> <td>Loss after tax</td> <td style="text-align: right;">(1,192)</td> <td style="text-align: right;">(1,168)</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/><hr/></td> <td style="text-align: right;"><hr/><hr/></td> </tr> </tbody> </table> <p>The net assets of Sub A Limited at the date of disposal were as follows:</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">HK\$'000</th> </tr> </thead> <tbody> <tr> <td>Net assets disposed of</td> <td style="text-align: right;">25,998</td> </tr> <tr> <td>Attributable goodwill</td> <td style="text-align: right;">1,019</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> </tr> <tr> <td>Profit on disposal</td> <td style="text-align: right;">27,017</td> </tr> <tr> <td></td> <td style="text-align: right;">3,883</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> </tr> <tr> <td>Total consideration</td> <td style="text-align: right;">30,900</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/><hr/></td> </tr> <tr> <td>Satisfied by cash, and net cash inflow arising on disposal</td> <td style="text-align: right;">30,900</td> </tr> <tr> <td></td> <td style="text-align: right;"><hr/></td> </tr> </tbody> </table> <p>No tax charge or credit arose on the disposal of Sub A Limited.</p>		4 months ended <u>30/4/09</u> HK\$'000	6 months ended <u>30/6/08</u> HK\$'000	Revenue	63,747	55,265	Operating costs	(64,201)	(56,577)		<hr/>	<hr/>	Loss before tax	(454)	(1,312)	Income tax (charge) credit	(738)	144		<hr/>	<hr/>	Loss after tax	(1,192)	(1,168)		<hr/> <hr/>	<hr/> <hr/>		HK\$'000	Net assets disposed of	25,998	Attributable goodwill	1,019		<hr/>	Profit on disposal	27,017		3,883		<hr/>	Total consideration	30,900		<hr/> <hr/>	Satisfied by cash, and net cash inflow arising on disposal	30,900		<hr/>
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HKAS 34.16(i) HKFRS 3(2008). B64(a)-(d)	H3020(g) H3035 (a)-(d)	<p>18. ACQUISITION OF A SUBSIDIARY</p> <p>On 15 May 2009, the Group acquired an 80% interest in Sub X Limited. Sub X Limited is engaged in distribution activities and was acquired with the objective of significantly improving the Group's distribution logistics.</p>																						
HKFRS 3(2008). B64(f)	H3035(f)	<p>Consideration transferred</p> <p style="text-align: right;">HK\$'000</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash</td> <td style="text-align: right;">9,691</td> </tr> <tr> <td>Contingent consideration arrangement (i)</td> <td style="text-align: right;">115</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">9,806</td> </tr> </table>	Cash	9,691	Contingent consideration arrangement (i)	115		9,806																
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HKFRS 3(2008). B64(g)	H3035(g)	<p>(i) Based on the relevant agreement, the Group is required to pay an additional amount of HK\$300,000 if Sub X Limited's profit before interest and tax (PBIT) in each of the calendar years 2009 and 2010 exceeds HK\$500,000. Sub X's PBIT for the past three years has been HK\$350,000 on average and the directors do not expect that the specified target will be met. HK\$115,000 represents the estimated fair value of this obligation.</p>																						
HKFRS 3(2008). B64(m)	H3035(m)	<p>Acquisition-related costs amounting to HK\$145,000 have been excluded from the cost of acquisition and have been recognised as an expense in the period, within the 'other expenses' line item in the [statement of comprehensive income/income statement].</p>																						
HKFRS 3(2008). B64(i)	H3035(i)	<p>Assets and liabilities recognised at the date of acquisition</p> <p style="text-align: right;">HK\$'000</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Current assets</td> </tr> <tr> <td>Cash & cash equivalents</td> <td style="text-align: right;">200</td> </tr> <tr> <td>Trade & other receivables</td> <td style="text-align: right;">2,943</td> </tr> <tr> <td>Inventories</td> <td style="text-align: right;">3,631</td> </tr> <tr> <td colspan="2">Non-current assets</td> </tr> <tr> <td>Plant & equipment</td> <td style="text-align: right;">7,512</td> </tr> <tr> <td colspan="2">Current liabilities</td> </tr> <tr> <td>Trade & other payables</td> <td style="text-align: right;">(2,358)</td> </tr> <tr> <td colspan="2">Non-current liabilities</td> </tr> <tr> <td>Deferred tax liabilities</td> <td style="text-align: right;">(58)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">11,870</td> </tr> </table>	Current assets		Cash & cash equivalents	200	Trade & other receivables	2,943	Inventories	3,631	Non-current assets		Plant & equipment	7,512	Current liabilities		Trade & other payables	(2,358)	Non-current liabilities		Deferred tax liabilities	(58)		11,870
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HKFRS 3(2008). B64(h)	H3035(h)	<p>The receivables acquired (which principally comprised trade receivables) with a fair value of HK\$2.943 million had gross contractual amounts of HK\$3.302 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected is HK\$359,000.</p> <p>Non-controlling interests</p> <p>The non-controlling interest (20%) in Sub X Limited recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to HK\$2.531 million. This fair value was estimated by applying an income approach. The following were the key assumptions used in determining the fair value:</p> <ul style="list-style-type: none"> ■ discount rate of 22%; and ■ long-term sustainable growth rates of 3% - 5%. <p>Goodwill arising on acquisition</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">HK\$'000</td> </tr> <tr> <td>Consideration transferred</td> <td style="text-align: right;">9,806</td> </tr> <tr> <td>Plus: non-controlling interests (at fair value)</td> <td style="text-align: right;">2,531</td> </tr> <tr> <td>Less: fair value of identifiable net assets acquired</td> <td style="text-align: right;">(11,870)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">467</td> </tr> </table>		HK\$'000	Consideration transferred	9,806	Plus: non-controlling interests (at fair value)	2,531	Less: fair value of identifiable net assets acquired	(11,870)		467
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HKFRS 3(2008). B64(o)	H3035(o)											
HKFRS 3(2008). B64(e)	H3035(e)	<p>Goodwill arose on the acquisition of Sub X Limited because the acquisition included the customer lists and customer relationships of Sub X Limited as part of the acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.</p>										
HKFRS 3(2008). B64(k)	H3035(k)	<p>None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.</p> <p>Net cash outflow arising on acquisition</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">HK\$'000</td> </tr> <tr> <td>Consideration paid in cash</td> <td style="text-align: right;">9,691</td> </tr> <tr> <td>Less: cash and cash equivalent balances acquired</td> <td style="text-align: right;">(200)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">(9,491)</td> </tr> </table>		HK\$'000	Consideration paid in cash	9,691	Less: cash and cash equivalent balances acquired	(200)		(9,491)		
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Source	Checklist	Kowloon GAAP Limited
		<p>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 – continued</p> <p>Impact of acquisition on the results of the Group</p> <p>Included in the profit for the interim period is HK\$35,000 attributable to Sub X Limited. Revenue for the period includes HK\$673,000 in respect of Sub X Limited.</p> <p>Had the acquisition of Sub X Limited been effected at 1 January 2009, the revenue of the Group from continuing operations for the six months ended 30 June 2009 would have been HK\$454.9 million, and the profit for the period from continuing operations would have been HK\$24.8 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2009, nor is intended to be a projection of future results.</p> <p>In determining the 'pro-forma' revenue and profit of the Group had Sub X Limited been acquired at the beginning of the current reporting period, the directors have calculated depreciation and amortisation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.</p>
HKFRS 3(2008). B64(q)	H3035(q)	
		<p>19. CONTINGENCIES AND COMMITMENTS</p> <p>[Changes in contingent liabilities or contingent assets since the end of the previous reporting period.]</p>
HKAS 34.16(j)	H3020(h)	
		<p>20. EVENTS AFTER THE END OF THE REPORTING PERIOD</p> <p>[Material events subsequent to the end of the interim reporting period that have not been reflected in the financial statements for the interim period.]</p>
HKAS 34.16(h)	H3020(f)	
HKAS 34.17(j)	H3020 Note 1	
		<p>21. RELATED PARTY TRANSACTIONS</p> <p>[Details of significant related party transactions for the period.]</p>

Source	Checklist	Kowloon GAAP Limited																																										
App 16.41(1) App 16.10(4) GR 18.55(3)	H4001	<p><u>ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES</u></p> <p>PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES</p> <p>During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.</p>																																										
App 16.41(2) App 16.13(1), (2) PN 5(3.2), (3.3) PN 5(4) GR 18.55(9) GR 18.56(1), (2) GR 18.58 GR 18.58A GR 18.57	H4002 to H4011	<p>DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHARE OPTIONS</p> <p>At 30 June 2009, the interests of the directors and chief executive of the Company in the shares and share options of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:</p> <p>Long positions</p> <p>(a) Ordinary shares of HK\$1 each of the Company</p> <table border="1"> <thead> <tr> <th><u>Name</u></th> <th><u>Capacity</u></th> <th><u>Number of issued ordinary shares held</u></th> <th><u>Percentage of the issued share capital of the Company</u></th> </tr> </thead> <tbody> <tr> <td colspan="4"><u>Directors</u></td> </tr> <tr> <td rowspan="2">Mr. Gary D.K. Wong</td> <td>Beneficial owner</td> <td>3,250,000</td> <td>2.3%</td> </tr> <tr> <td>Held by trust (note 1)</td> <td>3,250,000</td> <td>2.3%</td> </tr> <tr> <td colspan="2"></td> <td style="border-top: 1px solid black;">6,500,000</td> <td style="border-top: 1px solid black;">4.6%</td> </tr> <tr> <td rowspan="2">Mr. Daniel D.D. Lee</td> <td>Held by spouse (note 2)</td> <td>1,700,000</td> <td>1.2%</td> </tr> <tr> <td>Held by controlled corporation (note 3)</td> <td>1,830,000</td> <td>1.3%</td> </tr> <tr> <td colspan="2"></td> <td style="border-top: 1px solid black;">3,530,000</td> <td style="border-top: 1px solid black;">2.5%</td> </tr> <tr> <td colspan="2"></td> <td style="border-top: 1px solid black;">10,030,000</td> <td style="border-top: 1px solid black;">7.1%</td> </tr> <tr> <td colspan="4"><u>Chief executive</u></td> </tr> <tr> <td>Mr. Bruno Gimelli</td> <td>Beneficial owner</td> <td>11,000,000</td> <td>7.7%</td> </tr> </tbody> </table>	<u>Name</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held</u>	<u>Percentage of the issued share capital of the Company</u>	<u>Directors</u>				Mr. Gary D.K. Wong	Beneficial owner	3,250,000	2.3%	Held by trust (note 1)	3,250,000	2.3%			6,500,000	4.6%	Mr. Daniel D.D. Lee	Held by spouse (note 2)	1,700,000	1.2%	Held by controlled corporation (note 3)	1,830,000	1.3%			3,530,000	2.5%			10,030,000	7.1%	<u>Chief executive</u>				Mr. Bruno Gimelli	Beneficial owner	11,000,000	7.7%
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Source	Checklist	Kowloon GAAP Limited			
	(b)	Share options			
		<u>Name</u>	<u>Capacity</u>	<u>Number of options held</u>	<u>Number of underlying shares</u>
		<u>Directors</u>			
		Mr. Gary D.K.Wong	Beneficial owner	120,000	120,000
		Mr. Daniel D.D. Lee	Held by spouse (note 2)	50,000	50,000
			Held by controlled corporation (note 3)	50,000	50,000
				100,000	100,000
				220,000	220,000
		<u>Chief executive</u>			
		Mr. Bruno Gimelli	Beneficial owner	95,000	95,000
		<i>Notes:</i>			
		1. <i>Mr. Gary D.K. Wong is deemed to be interested in 3,250,000 ordinary shares of the Company as he is the founder of ABC trust, which beneficially owns 3,250,000 ordinary shares of the Company.</i>			
		2. <i>Mr. Daniel D.D. Lee is deemed to be interested in 1,700,000 ordinary shares of the Company and 50,000 options to acquire shares of the Company, being the interests held beneficially by his spouse.</i>			
		3. <i>Mr. Daniel D.D. Lee beneficially owns 10,000 shares of HK\$1 each in XY Limited, representing approximately 40% of the issued share capital of that company. XY Limited beneficially owns 1,830,000 ordinary shares of the Company and 50,000 options to acquire shares of the Company.</i>			
		Other than as disclosed above, neither the directors nor the chief executive, nor any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2009.			

Source	Checklist	Kowloon GAAP Limited				
PN 5(3.3)(1) Note 3 GR 18.58A(1) Note 3 PN 5(3.4)(1) Note 4 GR 18.58B(1) Note 3 LR 17.07 LR 17.09 GR 23.07 GR 23.09	H4011 H4019 H4017	SHARE OPTIONS				
		The following table discloses details of options outstanding under the Company's share option scheme and movements during the period:				
			<u>Option type</u>	<u>Outstanding at beginning of period</u>	<u>Granted during period</u>	<u>Outstanding at end of period</u>
		<u>Directors and Chief Executive</u>				
		Mr. Gary D.K. Wong	2007A 2008A 2009A	30,000 30,000 -	- - 60,000	30,000 30,000 60,000
				<u>60,000</u>	<u>60,000</u>	<u>120,000</u>
		Mr. Daniel D.D. Lee	2007A 2009A	50,000 -	- 50,000	50,000 50,000
				<u>50,000</u>	<u>50,000</u>	<u>100,000</u>
		Mr. Bruno Gimelli	2008A	95,000	-	95,000
		Total directors and chief executive		<u>205,000</u>	<u>110,000</u>	<u>315,000</u>
		<u>Substantial Shareholder</u>				
		Mr. Francis F.G.Chan	2007A	40,000	-	40,000
		Total substantial shareholder		<u>40,000</u>	<u>-</u>	<u>40,000</u>
		<u>Employees</u>				
			2007A 2008A	660,000 255,000	- -	660,000 255,000
		Total employees		<u>915,000</u>	<u>-</u>	<u>915,000</u>
		Total		<u><u>1,160,000</u></u>	<u><u>110,000</u></u>	<u><u>1,270,000</u></u>

Source	Checklist	Kowloon GAAP Limited																				
		<p>Details of specific categories of options are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th><u>Date of grant</u></th> <th><u>Vesting period</u></th> <th><u>Exercise period</u></th> <th><u>Exercise price</u></th> </tr> </thead> <tbody> <tr> <td>2007A</td> <td>28.11.2007</td> <td>1 year</td> <td>28.11.2008 – 27.11.2012</td> <td>2.54</td> </tr> <tr> <td>2008A</td> <td>15.04.2008</td> <td>1 year</td> <td>15.04.2009 – 14.04.2013</td> <td>2.36</td> </tr> <tr> <td>2009A</td> <td>18.03.2009</td> <td>1 year</td> <td>18.03.2010 – 17.03.2014</td> <td>2.42</td> </tr> </tbody> </table>		<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercise period</u>	<u>Exercise price</u>	2007A	28.11.2007	1 year	28.11.2008 – 27.11.2012	2.54	2008A	15.04.2008	1 year	15.04.2009 – 14.04.2013	2.36	2009A	18.03.2009	1 year	18.03.2010 – 17.03.2014	2.42
	<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercise period</u>	<u>Exercise price</u>																		
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2009A	18.03.2009	1 year	18.03.2010 – 17.03.2014	2.42																		
LR 17.07 GR 23.07	H4019	The closing price of the Company's shares immediately before 18 March 2009, the date of grant of the 2009A options, was HK\$2.42.																				
LR 17.08 GR 23.08	H4020 H4022	The fair value of the options granted in the current period, measured at the date of grant on 18 March 2009, was approximately HK\$239,700. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:																				
LR 17.08 GR 23.08	H4021 H4025	<ol style="list-style-type: none"> 1) an expected volatility of 125%; 2) annual dividends of 12% earnings; and 3) the estimated expected life of the options granted during 2009 is two years. The interest rate of the corresponding two-year Hong Kong Exchange Fund Notes at the date of grant was 2.95%. 																				
LR 17.08 Note 4 GR 23.08 Note 4	H4024	The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in estimating the fair value of the share options are based on the directors' best estimate. Changes in subjective input assumptions can materially affect the fair value estimate.																				
LR 17.08 GR 23.08	H4028	The fair value of services received under an equity-settled share-based payment arrangement is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). Details of the accounting policy for equity-settled share-based payment transactions are set out in the Group's financial statements for the year ended 31 December 2008.																				

Source	Checklist	Kowloon GAAP Limited																								
App 16.41(2) App 16.13(3) PN 5(3.2), (3.4) GR 18.55(9) GR 18.57 GR 18.58 GR 18.58B	H4012 to H4017	<p>SUBSTANTIAL SHAREHOLDERS</p> <p>As at 30 June 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:</p> <p>Long positions</p> <p>(a) Ordinary shares of HK\$1 each of the Company</p> <table border="1"> <thead> <tr> <th data-bbox="635 696 847 723"><u>Name of shareholder</u></th> <th data-bbox="906 696 995 723"><u>Capacity</u></th> <th data-bbox="1134 622 1254 723"><u>Number of issued ordinary shares held</u></th> <th data-bbox="1294 622 1445 723"><u>Percentage of the issued share capital of the Company</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="635 752 847 779">Mr. Francis F.G. Chan</td> <td data-bbox="906 752 1086 804">Held by controlled corporation (note)</td> <td data-bbox="1134 775 1254 801">15,500,000</td> <td data-bbox="1334 775 1406 801">10.9%</td> </tr> <tr> <td data-bbox="635 831 847 857">Group Holdings Limited</td> <td data-bbox="906 831 1070 857">Beneficial owner</td> <td data-bbox="1134 831 1254 857">15,500,000</td> <td data-bbox="1334 831 1406 857">10.9%</td> </tr> <tr> <td colspan="2"></td> <td data-bbox="1134 909 1254 936"><u>31,000,000</u></td> <td data-bbox="1334 909 1406 936"><u>21.8%</u></td> </tr> </tbody> </table> <p>(b) Share options</p> <table border="1"> <thead> <tr> <th data-bbox="635 1155 847 1182"></th> <th data-bbox="906 1099 995 1126"><u>Capacity</u></th> <th data-bbox="1134 1070 1262 1126"><u>Number of share options</u></th> <th data-bbox="1318 1048 1422 1126"><u>Number of underlying shares</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="635 1155 847 1182">Mr. Francis F.G. Chan</td> <td data-bbox="906 1155 1086 1207">Held by controlled corporation (note)</td> <td data-bbox="1158 1178 1238 1205">40,000</td> <td data-bbox="1334 1178 1414 1205">40,000</td> </tr> </tbody> </table> <p>Note: Mr. Francis F.G. Chan beneficially owns 100 shares of HK\$1 each in YZ Limited, representing approximately 60% of the issued share capital of that company. YZ Limited beneficially owns 15,500,000 ordinary shares of the Company and 40,000 options to acquire shares of the Company.</p> <p>Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2009.</p>	<u>Name of shareholder</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held</u>	<u>Percentage of the issued share capital of the Company</u>	Mr. Francis F.G. Chan	Held by controlled corporation (note)	15,500,000	10.9%	Group Holdings Limited	Beneficial owner	15,500,000	10.9%			<u>31,000,000</u>	<u>21.8%</u>		<u>Capacity</u>	<u>Number of share options</u>	<u>Number of underlying shares</u>	Mr. Francis F.G. Chan	Held by controlled corporation (note)	40,000	40,000
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Mr. Francis F.G. Chan	Held by controlled corporation (note)	40,000	40,000																							

Source	Checklist	Kowloon GAAP Limited
App 16.44(1) GR 18.55(4)	H4029	<p>CORPORATE GOVERNANCE</p> <p>Compliance with the Code on Corporate Governance Practices</p> <p>The Company has complied throughout the six months ended 30 June 2009 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.</p>
App 16.44(2) GR 18.55(5)	H4030	<p>Compliance with the Model Code set out in Appendix 10 of the Listing Rules</p> <p>The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.</p>

APPENDIX II

PRESENTATION AND DISCLOSURE CHECKLIST – INTERIM FINANCIAL REPORT (HALF-YEAR)

CONTENTS		PAGE
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SECTION 1 HALF-YEAR INTERIM FINANCIAL REPORTS – REQUIREMENTS TO PREPARE

Ref.	Requirement	Source
	Main Board listed entities	
H1001	In respect of the first 6 months of each financial year, unless that financial year is 6 months or less, entities listed on the Main Board are required to prepare an interim report.	App 16.37
H1002	Not later than 3 months after the end of the interim period, the interim report should be sent to: <ul style="list-style-type: none"> a) every member of the listed entity; and b) every other holder of its listed securities (not being bearer securities). <p><i>Note: The entity is required to send one copy of the interim report (both Chinese and English language versions) to the SEHK at the same time as it is sent to the holders of its listed securities with registered addresses in Hong Kong.</i></p>	LR 13.48(1) LR 13.46(1) LR 13.48(3)
H1003	The interim report must be reviewed by the entity's audit committee. In the event that the audit committee disagreed with an accounting treatment which had been adopted or the statement made in accordance with App 16.38, full details of such disagreement must be disclosed in the interim report. <p><i>Note: It is the responsibility of the audit committee of the listed entity to determine the scope and extent of the review. In reviewing an interim report, the audit committee may refer to relevant statements of auditing standards and auditing guidelines in relation to the review of interim financial reports for guidance.</i></p>	App 16.39 App 16 Note 39.1
	GEM listed entities	
H1004	In respect of the first 6 month of each financial year, GEM listed entities are required to prepare a half-year interim report.	GR 18.53
H1005	Within 45 days after the end of each half-year interim reporting period, the interim report should be submitted for publication on the GEM website.	GR 18.53 GR 16.04(2)
H1006	As soon as is reasonably practicable after publishing its half-year interim report, the entity is required to send a copy of the interim report to: <ul style="list-style-type: none"> ■ every member of the listed entity; and ■ every other holder of its listed securities. <p><i>Note: The entity is required to send one copy of the interim report (both Chinese and English language versions) to the SEHK at the same time as it is sent to the holders of its listed securities with registered addresses in Hong Kong.</i></p>	GR 18.54 GR 18.03 GR 18.54 Note

Ref.	Requirement	Source
H1007	<p>The half-year interim report must be reviewed by the entity's audit committee in accordance with Rule 5.30 of the GEM Rules. In the event that the audit committee disagreed with an accounting treatment which had been adopted in the preparation of the entity's half-year report, full details of such disagreement together with a quantification of the financial effect arising from the disagreement should be disclosed. Where it is not possible to quantify the effect of the disagreement, or the effect is not significant, a statement to this effect should be made.</p>	GR 18.55 Note 2

SECTION 2 MANAGEMENT DISCUSSION AND ANALYSIS

Ref.	Requirement	Source
H2001	<p>The interim report should include a discussion and analysis of the entity's performance in the interim period covering all of the matters set out in item H2002 below.</p> <p><i>Notes:</i></p> <p>1. <i>The discussion should:</i></p> <ul style="list-style-type: none"> ■ <i>include any significant information needed for investors to make an informed assessment of the trend of the entity's activities and profit (or loss);</i> ■ <i>identify and explain any special factor which has influenced the activities of the entity and its profit (or loss) during the period; and</i> ■ <i>provide a comparison with the corresponding period of the preceding year and should also, as far as possible, give an indication of the entity's prospects for the current period.</i> <p>2. <i>For interim reporting purposes, the discussion may focus only on the significant changes in the entity's performance since the most recent published annual report. Where the current information in relation to those matters set out in item H2002 has not changed materially from the information disclosed in the most recent published annual report, a statement to that effect may be made and no additional disclosure is required.</i></p>	<p>App 16.40(2) GR 18.59</p> <p>App 16.40(2) GR 18.59</p> <p>App 16.40(2) GR 18.59</p>
H2002	<p>The discussion and analysis of the entity's performance during the interim period should emphasise trends and identify significant events or transactions during the interim period under review, and should address all of the following points:</p> <p>a) the entity's liquidity and financial resources. This may include comments on the level of borrowings at the end of the reporting period, the seasonality of borrowing requirements, and the maturity profile of borrowings and committed borrowing facilities. Reference may also be made to the funding requirements for capital expenditure commitments and authorisations;</p> <p>b) the capital structure of the entity in terms of the maturity profile of debt and obligation, type of capital instruments used, currency and interest rate structure. The discussion may cover:</p> <ul style="list-style-type: none"> i) funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled; ii) the currencies in which borrowings are made and in which cash and cash equivalents are held; iii) the extent to which borrowings are at fixed interest rates; 	<p>App 16.32 GR 18.41</p>

Ref.	Requirement	Source
	iv) the use of financial instruments for hedging purposes; and	
	v) the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments;	
	c) the state of the entity's order book (where applicable) and prospects for new business, including new products and services introduced or announced;	
	d) significant investments held, their performance during the financial year and their future prospects;	
	e) details of material acquisitions and disposals of subsidiaries and associated companies in the course of the interim period;	
	f) comments on segmental information. This may cover changes in industry segments, developments within the segments and their effect on the results of those segments. It may also include changes in market conditions, new products and services introduced or announced and their impact on the entity's performance and changes in turnover and margins;	
	g) where applicable, details of the number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes;	
	h) details of charges on entity assets;	
	i) details of future plans for material investments or capital assets and their expected sources of funding in the coming year;	
	<i>Note: It is the responsibility of the directors to determine what investment or capital asset is material in the context of the entity's business, operations and financial performance. The materiality of an investment or a capital asset varies from one entity to another according to its financial performance, assets and capitalisation, the nature of its operations and other factors.</i>	App 16 Note 32.1 GR 18.41 Note 1
	j) gearing ratio;	
	<i>Note: The basis on which the gearing ratio is computed should be disclosed.</i>	App 16 Note 32.2 GR 18.41 Note 2
	k) exposure to fluctuations in exchange rates and any related hedges; and	
	l) details of contingent liabilities, if any.	

SECTION 3 FINANCIAL INFORMATION

Ref.	Requirement	Source
	<p>Interim financial statements</p> <p>Requirements under HKAS 34</p> <p><i>Note: HKAS 34 defines the minimum content of an interim financial report as including condensed financial statements and selected explanatory notes. The interim financial report is intended to provide an update on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events and circumstances, and does not duplicate information previously reported.</i></p>	HKAS 34.6
H3001	<p>An interim financial report shall include, at a minimum, the following components:</p> <ul style="list-style-type: none"> a) a condensed statement of financial position; b) a condensed statement of comprehensive income, presented as either: <ul style="list-style-type: none"> i) a condensed single statement; or ii) a condensed separate income statement and a condensed statement of comprehensive income; c) a condensed statement of changes in equity; d) a condensed statement of cash flows; and e) selected explanatory notes. <p><i>Note: If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of HKAS 1 (as revised in 2007), it presents interim condensed information from that separate statement.</i></p>	HKAS 34.8
	<p>Requirements under the Listing Rules/GEM Rules</p>	HKAS 34.8A
H3002	<p>The interim financial report shall include, at a minimum, the following components:</p> <ul style="list-style-type: none"> a) a balance sheet that includes at a minimum each of the major components of assets, liabilities and equity that were presented in the most recent published annual balance sheet; b) an income statement that includes at a minimum each component of income and expense that were presented in the most recent published annual income statement; c) a cash flow statement that includes at a minimum the major subtotals of cash flows that were presented in the most recent published annual cash flow statement; d) a statement of changes in equity; 	App 16.37 GR 18.55(1)

Ref.	Requirement	Source
	<p>e) comparative figures for the statements referred to in (a) to (d) above inclusive for the corresponding previous period; and</p> <p>f) accounting policies and explanatory notes.</p> <p>Notes:</p> <p>1. <i>HKAS 1 Presentation of Financial Statements was revised in 2007. The revised HKAS 1, which is effective for annual periods beginning on or after 1 January 2009, has made changes to the titles of financial statements. Under HKAS 1 (revised 2007), the title for a 'balance sheet' is changed to 'statement of financial position' and the title for a 'cash flow statement' is changed to 'statement of cash flows'. In addition, HKAS 1 (revised 2007) requires changes in non-owners' equity to be presented in either a single statement (ie a statement of comprehensive income) or in two statements (ie an income statement and a statement of comprehensive income). As a consequential amendment of HKAS 1, HKAS 34 Interim Financial Reporting was also amended, resulting in changes in the titles and layout of certain of the financial statements to be included in interim financial reports. These amendments are effective for periods beginning on or after 1 January 2009.</i></p> <p>2. <i>The SEHK has not yet made equivalent terminology changes to the Listing Rules/GEM Rules. The Listing Rules/GEM Rules state that, at a minimum, half-year interim financial reports should include (a) a balance sheet, (b) an income statement, (c) a cash flow statement and (d) a statement of changes in equity. [App 16.37; GR 18.55(1)] A 'balance sheet' and a 'cash flow statement' are equivalent to a 'statement of financial position' and a 'statement of cash flows' respectively. Therefore, for users' convenience, this guide uses 'statement of financial position' and 'statement of cash flows' in place of 'balance sheet' and 'cash flow statement' respectively. However, the requirements in the Listing Rules/GEM Rules to include an income statement in interim financial reports is not very clear as to whether entities are required to present a statement of comprehensive income or a statement that merely shows profit or loss items. We noted that the Listing Rules/GEM Rules do require entities to comply with HKAS 34 for the purposes of the preparation of half-year interim financial reports. Therefore, to be consistent with HKAS 34 requirements, we believe that entities should present a statement of comprehensive income in order to satisfy the requirements in Listing Rules/GEM Rules. Specifically, when entities choose to present non-owner changes in equity in two statements, they should present the two statements. Likewise, we noted that the Listing Rules/GEM Rules require entities to include an income statement in their preliminary announcements of half-year results. To be consistent, we believe that a statement of comprehensive income should be presented in preliminary announcements of half-year results. Throughout this guide, we use 'statement of comprehensive income' in place of 'income statement' when we prescribe the Listing Rules/GEM Rules requirements to include 'income statement' in half-year interim financial reports and preliminary announcements of half-year results.</i></p>	

Ref.	Requirement	Source
H3003	<p>If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of HKAS 1 for a complete set of financial statements.</p> <p><i>Note: Even where a condensed interim financial report is prepared, certain requirements of HKAS 1 apply. The sections applicable to condensed interim financial reports, as set out in HKAS 1, deal with:</i></p> <ul style="list-style-type: none"> ■ <i>true and fair view and compliance with HKFRSs;</i> ■ <i>going concern;</i> ■ <i>accrual basis of accounting;</i> ■ <i>materiality and aggregation; and</i> ■ <i>offsetting.</i> 	<p>HKAS 34.9</p> <p>HKAS 1.15 - 35</p>
H3004	<p>If an entity publishes a set of condensed financial statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in the entity's most recent annual financial statements and the selected explanatory notes as required by HKAS 34.</p>	HKAS 34.10
H3005	<p>Additional line items or notes shall be included if their omission would make the condensed interim financial statements misleading.</p> <p><i>Note: Where the entity has opted to publish a complete set of financial statements for the interim period, the recognition and measurement guidance in HKAS 34 applies to those financial statements, and such statements should include all of the disclosures required by HKAS 34 (particularly the selected note disclosures in HKAS 34.16) as well as those required by other Standards.</i></p> <p>Periods for which interim financial statements are required to be presented</p>	<p>HKAS 34.10</p> <p>HKAS 34.7</p>
H3006	<p>Interim reports shall include interim financial statements (condensed or complete) for periods as follows:</p> <ol style="list-style-type: none"> a) statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year; b) statements of comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year; <p><i>Note: As permitted by HKAS 1 (as revised in 2007), an interim report may present for each period either a single statement of comprehensive income, or a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).</i></p>	<p>HKAS 34.20</p> <p>App 16.37</p> <p>GR 18.55(1)</p>

Ref.	Requirement	Source
	<p>c) statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year; and</p> <p>d) statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.</p> <p><i>Notes:</i></p> <p>1. <i>Appendix A to HKAS 34 illustrates the periods to be presented by an entity that reports half-yearly and an entity that reports quarterly.</i></p> <p>2. <i>Because Main Board listed entities are not required to prepare quarterly reports, the current interim period will generally be the same as the year-to-date. An exception could possibly arise where an entity chooses to publish an interim report twice in one year, eg where there has been a change of year-end reporting date.</i></p> <p>3. <i>For an entity whose business is highly seasonal, financial information for the twelve months ending on the interim reporting date and comparative information for the prior twelve-month period may be useful. Accordingly, entities whose business is highly seasonal are encouraged (but not required) to consider reporting such information in addition to the information specified in item H3006.</i></p> <p>4. <i>If a change in the financial year end is proposed, the SEHK should be consulted as to the period or periods to be covered by the interim report.</i></p>	<p>HKAS 34.22</p> <p>HKAS 34.21</p> <p>App 16 Note 37.1 GR 18.55 Note 3</p>
	<p>Basis of preparation</p>	
H3007	<p>The interim report shall comply with the requirements of HKAS 34 <i>Interim Financial Reporting</i>.</p> <p><i>Note: For entities reporting under International Financial Reporting Standards, the equivalent reference is IAS 34, which is the same as HKAS 34.</i></p>	<p>App 16.38 GR 18.55 Note 1</p>
H3008	<p>If an entity's interim financial report is in compliance with HKAS 34, that fact shall be disclosed.</p> <p><i>Note: An interim financial report shall not be described as complying with HKFRSs unless it complies with all of the requirements of HKFRSs.</i></p>	<p>HKAS 34.19</p>
H3009	<p>An entity shall apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.</p>	<p>HKAS 34.28 App 16.38 GR 18.55 Note 5</p>

Ref.	Requirement	Source
	<p><i>Note: The Listing Rules/GEM Rules restrict changes of accounting policies to those that are required by a new Accounting Standard. We consider that this is unnecessarily restrictive and that voluntary changes of accounting policies which result in a more appropriate presentation of events or transactions are also acceptable, provided that the conditions of HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors are met, that the changes are to be reflected in the next annual financial statements and that appropriate disclosures are made.</i></p>	App 16 Note 37.4 GR 18.55 Note 5
H3010	Where there has been any significant departure from item H3009 above, the entity shall include a statement setting out particulars of, and reasons for, the departure.	App 16.38
H3011	<p>A change in accounting policy (other than one for which the transition is specified by a new HKFRS) shall be reflected by:</p> <p>a) restating the financial statements of prior interim periods of the current financial year and the comparable interim periods of any prior financial years that will be restated in the annual financial statements in accordance with HKAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>; or</p> <p>b) when it is impracticable to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, adjusting the financial statements of prior interim periods of the current financial year and comparable interim periods of prior financial years to apply the new accounting policy prospectively from the earliest date practicable.</p>	HKAS 34.43
	<p><i>Note: One objective of the preceding principle is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire financial year. Under HKAS 8, a change in accounting policy is reflected by retrospective application, with restatement of prior period financial data as far back as is practicable. However, if the cumulative amount of the adjustment relating to prior financial years is impracticable to determine, then under HKAS 8 the new policy is applied prospectively from the earliest date practicable. The effect of the principle in paragraph 43 of HKAS 34 (see above) is to require that within the current financial year any change in accounting policy is applied either retrospectively or, if that is not practicable, prospectively, from no later than the beginning of the financial year.</i></p>	HKAS 34.44
H3012	The interim financial report shall include a statement that the same accounting policies and methods of computation are followed in the interim financial statements as were followed in the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.	HKAS 34.16(a) App 16.38 GR 18.55 Note 5
H3013	Where it is not possible to quantify the effects of a change in accounting policy, or the effects are not significant, the fact shall be stated.	App 16 Note 38.1
H3014	The frequency of an entity's reporting (annual, half-yearly, or quarterly) shall not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis.	HKAS 34.28

Ref.	Requirement	Source
H3015	<p><i>Note: Paragraphs 29 to 36 of HKAS 34 provide more guidance on the application of the principles set out in HKAS 34.28.</i></p> <p>An interim financial report is prepared on a consolidated basis if the entity's most recent annual financial statements were consolidated statements.</p> <p><i>Note: The parent's separate financial statements are not consistent or comparable with the consolidated statements in the most recent annual financial report. If an entity's annual financial report included the parent's separate financial statements in addition to consolidated financial statements, HKAS 34 neither requires nor prohibits the inclusion of the parent's separate statements in the entity's interim financial report.</i></p>	<p>HKAS 34.14</p> <p>HKAS 34.14</p>
H3016	<p>Detailed financial information</p> <p><i>Statement of comprehensive income (or income statement when non-owner changes in equity are presented in two statements)</i></p> <p>The following items are required to be disclosed in the statement of comprehensive income (or income statement when non-owner changes in equity are presented in two statements), for all entities other than banking companies:</p> <ul style="list-style-type: none"> a) turnover; b) profit (or loss) before taxation; c) taxation on profits (Hong Kong and overseas), in each case indicating the basis of computation; d) profit (or loss) attributable to minority interests (referred to as non-controlling interests under HKFRS 3 (revised 2008)); e) profit (or loss) attributable to shareholders; f) 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); g) earnings per share; h) investment and other income; i) cost of goods sold; j) interest on borrowings, k) depreciation / amortisation; and l) profit (or loss) on sale of investments or properties. m) share of profit (or loss) of associated companies and jointly controlled entities attributable to equity holders (ie after tax and minority interests in the associated companies and jointly controlled entities). 	<p>App 16.40(1)</p> <p>App 16.4(1)</p> <p>GR 18.55(8)</p> <p>GR 18.50B(1)</p>

Ref.	Requirement	Source
	<p><i>Notes:</i></p> <p>1. <i>Where an entity presents changes in non-owners' equity in a single statement (ie statement of comprehensive income), the above items required by the Listing Rules/GEM Rules should be disclosed in the statement of comprehensive income.</i></p> <p>2. <i>Comparative figures are required for the corresponding previous period for the matters specified in item H3016 above.</i></p> <p>3. <i>Where the items of information specified for disclosure are unsuited to an entity's activities, appropriate adjustments should be made. Where the requirements are unsuited to the entity's activities or circumstances, the SEHK may require suitable adaptations to be made.</i></p> <p>4. <i>The SEHK may authorise the omission of any information from the interim report if it considers:</i></p> <ul style="list-style-type: none"> ■ <i>such omission to be necessary or appropriate; or</i> ■ <i>disclosure of such information would be contrary to the public interest or seriously detrimental to the entity,</i> <p><i>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.</i></p> <p>5. <i>For GEM listed entities, all movements to and from reserves shall be disclosed.</i></p>	<p>App 16.4(1)(n) GR 18.50B(1)(o)</p> <p>App 16 Note 4.1 GR 18.55 Note 6 GR 18.50B Note 1</p> <p>App 16 Note 40.2 GR 18.55 Note 7 GR 18.50B Note 2</p> <p>GR 18.50B(1)(l)</p>
	<p>Earnings per share</p>	
H3017	<p>In the statement that presents the components of profit or loss for an interim period, an entity shall present basic and diluted earnings per share for that period when the entity is within scope of HKAS 33 <i>Earnings per Share</i>.</p> <p><i>Note: If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of HKAS 1 (revised 2007), it presents basic and diluted earnings per share in that separate statement.</i></p>	<p>HKAS 34.11 HKAS 34.11A App 16.40(1) App 16.4(1)(g) GR 18.55(8) GR 18.50B(1)(m)</p>
	<p>Segment information</p>	
H3018	<p>If HKFRS 8 <i>Operating Segments</i> requires the entity to disclose segment information in its annual financial statements, the following segment information shall be disclosed in its interim financial statements:</p> <p>a) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;</p> <p>b) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;</p>	<p>HKAS 34.16(g)</p>

Ref.	Requirement	Source
	<p>c) a measure of segment profit or loss;</p> <p>d) total assets for which there has been a material change from the amount disclosed in the last annual financial statements;</p> <p>e) a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss; and</p> <p>f) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.</p> <p><i>Notes:</i></p> <p>1 <i>The SEHK states that listed entities are required to provide the information required by HKFRS 8 Operating Segments (or the equivalent IFRS 8 or US Standard, where applicable) in their half-year interim reports, which would imply that the same disclosures are required for interim reporting purposes as are required in annual financial statements. However, we have confirmed with the SEHK that, for those listed entities that have adopted HKAS 34 and present condensed financial statements in their interim report, the requirement for segment information is limited to the information specified in HKAS 34.16(g) only.</i></p> <p>2. <i>Segment information need only normally be reported on a year-to-date basis.</i></p>	
H3019	<p>Statement of financial position</p> <p>The following items are required to be disclosed in the statement of financial position, for all entities other than banking companies:</p> <p>a) fixed assets;</p> <p>b) current assets:</p> <p style="padding-left: 20px;">i) inventories;</p> <p style="padding-left: 20px;">ii) debtors, including credit policy and aged analysis of accounts receivable;</p> <p style="padding-left: 20px;">iii) cash at bank and in hand; and</p> <p style="padding-left: 20px;">iv) other current assets;</p> <p>c) current liabilities:</p> <p style="padding-left: 20px;">i) borrowings and debts; and</p> <p style="padding-left: 20px;">ii) aged analysis of accounts payable;</p>	<p>App 16.40(1) App 16.4(3) GR 18.55(8) GR 18.50B(3)</p> <p>App 16.40(1) App 16.4(2) GR 18.55(8) GR 18.50B(2)</p>

Ref.	Requirement	Source
	<p>d) net current assets (liabilities);</p> <p>e) total assets less current liabilities;</p> <p>f) non-current liabilities - borrowings and debts;</p> <p>g) capital and reserves; and</p> <p>h) minority interests (referred to as non-controlling interests under HKFRS 3 (revised 2008).</p> <p>Notes to the condensed financial statements</p> <p><i>Note: A user of an entity's interim financial report will also have access to the most recent annual financial report of that entity. It is unnecessary, therefore, for the notes to an interim financial report to provide relatively insignificant updates to the information that was already reported in the notes to the most recent annual report. At an interim date, an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period is more useful.</i></p>	<p>HKAS 34.15</p>
H3020	<p>The following information (reported on a financial year-to-date basis) should be included in the notes to the interim financial statements.</p> <p>a) explanatory comments about the seasonality or cyclical nature of interim operations;</p> <p>b) the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence;</p> <p>c) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;</p> <p>d) issuances, repurchases, and repayments of debt and equity securities;</p> <p>e) dividends paid (aggregate or per share) separately for ordinary shares and other shares;</p> <p>f) material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;</p> <p>g) the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations; and</p> <p><i>Note: In the case of business combinations, the entity shall disclose the information required by HKFRS 3 Business Combinations (see items H3026 – H3039).</i></p> <p>h) changes in contingent liabilities or contingent assets since the end of the last annual reporting period.</p>	<p>HKAS 34.16(b)</p> <p>HKAS 34.16(c)</p> <p>HKAS 34.16(d)</p> <p>HKAS 34.16(e)</p> <p>HKAS 34.16(f)</p> <p>HKAS 34.16(h)</p> <p>HKAS 34.16(i)</p> <p>HKAS 34.16(j)</p>

Ref.	Requirement	Source
	Materiality	
H3023	In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data.	HKAS 34.23
	<i>Notes:</i>	
	1. <i>In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.</i>	HKAS 34.23
	2. <i>HKAS 1 Presentation of Financial Statements and HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors define an item as material if its omission or misstatement could influence the economic decisions of users of the financial statements. HKAS 1 requires separate disclosure of material items, including (for example) discontinued operations, and HKAS 8 requires disclosure of changes in accounting estimates, errors and changes in accounting policies. Neither Standard contains quantified guidance as to materiality.</i>	HKAS 34.24
	3. <i>While judgement is always required in assessing materiality, HKAS 34 bases the recognition and disclosure decision on data for the interim period by itself for reasons of understandability of the interim figures. Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data to avoid misleading inferences that might result from non-disclosure. The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance during the interim period.</i>	HKAS 34.25
	Disclosure in annual financial statements	
H3024	If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year, but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that financial year.	HKAS 34.26
	<i>Note: HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires disclosure of the nature and (if practicable) the amount of a change in estimate that either has a material effect in the current period or is expected to have a material effect in subsequent periods. Paragraph 16(d) of HKAS 34 requires similar disclosure in an interim financial report. Examples include changes in estimate in the final interim period relating to inventory write-downs, restructurings, or impairment losses that were reported in an earlier interim period of the financial year. The disclosure required by paragraph 26 of HKAS 34 is consistent with the HKAS 8 requirement and is intended to be narrow in scope – relating only to the change in estimate. An entity is not required to include additional interim period financial information in its annual financial statements.</i>	HKAS 34.27

Ref.	Requirement	Source
	<p>Business combinations (entities that have not yet adopted HKFRS 3 (revised 2008))</p> <p><i>Where business combinations have occurred during the interim period, HKAS 34.16(i) requires the entity to disclose all of the details prescribed for annual financial statements by HKFRS 3 Business Combinations.</i></p> <p><i>HKFRS 3 was revised in 2008 and, consequently, revised disclosure requirements apply to interim financial reports. These revised requirements shall be applied for annual periods beginning on or after 1 July 2009. If an entity applies HKFRS 3(revised 2008) for an earlier period, the revised disclosure requirements for interim financial reports shall also be applied for that earlier period.</i></p> <p><i>This section of the checklist sets out the disclosure requirements for entities that have not yet adopted HKFRS 3 (revised 2008). The disclosure requirements of the revised Standard are set out in the following section.</i></p>	
H3025	<p>The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that were effected:</p> <ul style="list-style-type: none"> a) during the period; and b) after the end of the reporting period but before the financial statements are authorised for issue. <p><i>Note: Paragraphs 67 to 71 of HKFRS 3, as set out below, specify the minimum disclosures required to satisfy the requirement.</i></p>	HKFRS 3.66
	<p>Business combinations effected during the period</p> <p><i>Note: The information listed below shall be disclosed in aggregate for business combinations effected during the period that are individually immaterial.</i></p>	HKFRS 3.68
H3026	<p>The acquirer shall disclose the following information for each business combination that was effected during the period:</p> <ul style="list-style-type: none"> a) the names and descriptions of the combining entities or businesses; b) the acquisition date; c) the percentage of voting equity instruments acquired; d) the cost of the combination and a description of the components of that cost, including any costs directly attributable to the combination; and e) where equity instruments have been issued or become issuable as part of the cost of the combination, the following information: <ul style="list-style-type: none"> i) the number of equity instruments issued or issuable; ii) the fair value of the equity instruments issued or issuable; and iii) the basis for determining that fair value; 	<p>HKFRS 3.67(a)</p> <p>HKFRS 3.67(b)</p> <p>HKFRS 3.67(c)</p> <p>HKFRS 3.67(d)</p> <p>HKFRS 3.67(d)</p>

Ref.	Requirement	Source
f)	in disclosing the basis for determining the fair value of equity instruments issued or issuable as part of the cost of the combination, if a published price for the instruments did not exist at the date of exchange, the significant assumptions used to determine fair value;	HKFRS 3.67(d)
g)	in disclosing the basis for determining the fair value of equity instruments issued or issuable as part of the cost of the combination, if a published price for the instruments existed at the date of exchange, but was not used as the basis for determining the cost of the combination:	HKFRS 3.67(d)
	i) that fact;	
	ii) the reasons the published price was not used;	
	iii) the method and significant assumptions used to attribute a value to the equity instruments; and	
	iv) the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments;	
h)	details of any operations the entity has decided to dispose of as a result of the business combination;	HKFRS 3.67(e)
i)	the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities;	HKFRS 3.67(f)
j)	unless disclosure would be impracticable, the carrying amounts of each class of the acquiree's assets, liabilities and contingent liabilities, determined in accordance with HKFRSs, immediately before the combination;	HKFRS 3.67(f)
k)	if disclosure of such HKFRS carrying amounts immediately before combination is impracticable, that fact, together with an explanation of why this is the case;	HKFRS 3.67(f)
l)	in respect of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost;	HKFRS 3.67(g)
	i) the amount of any such excess recognised in profit or loss in accordance with paragraph 56 of HKFRS 3; and	
	ii) the line item in the statement of comprehensive income in which the excess is recognised;	
m)	a description of the factors that contributed to a cost that results in the recognition of goodwill, including a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably;	HKFRS 3.67(h)
n)	a description of the nature of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost, recognised in profit or loss in accordance with paragraph 56 of HKFRS 3;	HKFRS 3.67(h)

Ref.	Requirement	Source
	o) unless impracticable, the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period; and	HKFRS 3.67(i)
	p) if it is impracticable to disclose the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period:	HKFRS 3.67(i)
	i) that fact; and	
	ii) an explanation of why this is the case.	
H3027	If the initial accounting for a business combination that was effected during the period has been determined only provisionally as described in paragraph 62 of HKFRS 3, the entity shall disclose:	HKFRS 3.69
	a) that fact; and	
	b) an explanation of why this is the case.	
H3028	Unless impracticable, the following information shall be disclosed:	HKFRS 3.70
	a) the revenue of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period; and	
	b) the profit or loss of the combined entity for the period as though the acquisition date for all business combinations effected during the period had been the beginning of the period.	
H3029	If disclosure of the information required by paragraphs 70(a) and 70(b) of HKFRS 3 (see above) would be impracticable, the entity shall disclose:	HKFRS 3.70
	a) that fact; and	
	b) an explanation of why this is the case.	
	<i>Business combinations effected after the end of the reporting period</i>	
H3030	Where practicable, the acquirer shall disclose the information required by paragraphs 67 of HKFRS 3 (see above) for each business combination effected after the end of the reporting period but before the financial statements are authorised for issue.	HKFRS 3.71
H3031	If disclosure of any of the information required by paragraph 71 of HKFRS 3 (see above) in respect of business combinations effected after the end of the reporting period would be impracticable, the entity shall disclose:	HKFRS 3.71
	a) that fact; and	
	b) an explanation of why this is the case.	

Ref.	Requirement	Source
	<i>The effect of adjustments recognised that relate to business combinations that were effected in the current or in previous periods</i>	
H3032	<p>The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of gains, losses, error corrections and other adjustments recognised in the current period that relate to business combinations that were effected in the current or in previous periods.</p> <p><i>Note: Paragraph 73 of HKFRS 3, as set out below, specifies the minimum disclosures required to satisfy this requirement.</i></p>	HKFRS 3.72
H3033	<p>The entity shall disclose:</p> <p>a) the amount, and an explanation, of any gain or loss recognised in the current reporting period and that relates to the identifiable assets acquired or liabilities or contingent liabilities assumed in a business combination that was effected in either the current or a previous period that is of such a size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance;</p> <p>b) if the initial accounting for a business combination that was effected in the immediately preceding period was determined only provisionally at the end of that period, the amounts, and explanations of adjustments to the provisional values recognised during the current period; and</p> <p>c) the information about error corrections required to be disclosed by HKAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> for any of the acquiree's identifiable assets, liabilities or contingent liabilities, or changes in values assigned to those items, that the acquirer recognises during the current period in accordance with paragraphs 63 and 64 of HKFRS 3.</p>	<p>HKFRS 3.73(a)</p> <p>HKFRS 3.73(b)</p> <p>HKFRS 3.73(c)</p>
	Business combinations (entities that have adopted HKFRS 3 (revised 2008))	
	<p><i>Where business combinations have occurred during the interim period, HKAS 34.16(i) requires the entity to disclose all of the details prescribed for annual financial statements by HKFRS 3 Business Combinations.</i></p> <p><i>HKFRS 3 was revised in 2008 and, consequently, revised disclosure requirements apply to interim financial reports. These revised requirements shall be applied for annual periods beginning on or after 1 July 2009. If an entity applies HKFRS 3 (revised 2008) for an earlier period, the revised disclosure requirements for interim financial reports shall also be applied for that earlier period.</i></p> <p><i>This section of the checklist sets out the disclosure requirements for entities that have already adopted HKFRS 3 (revised 2008). The disclosure requirements of the previous version of the Standard are set out in the previous section.</i></p>	

Ref.	Requirement	Source
g)	for contingent consideration arrangements and indemnification assets:	HKFRS 3(2008).B64(g)
i)	the amount recognised as of the acquisition date;	
ii)	a description of the arrangement and the basis for determining the amount of the payment; and	
iii)	an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact;	
h)	for acquired receivables: (disclosures required by major class of receivable)	HKFRS 3(2008).B64(h)
i)	the fair value of the receivables;	
ii)	the gross contractual amounts receivable; and	
iii)	the best estimate at the acquisition date of the contractual cash flows not expected to be collected;	
i)	the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed;	HKFRS 3(2008).B64(i)
j)	for each contingent liability recognised in accordance with paragraph 23, the information required in paragraph 85 of HKAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> . If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer shall disclose:	HKFRS 3(2008).B64(j)
i)	the information required by paragraph 86 of HKAS 37; and	
ii)	the reasons why the liability cannot be measured reliably;	
k)	the total amount of goodwill that is expected to be deductible for tax purposes;	HKFRS 3(2008).B64(k)
l)	for transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the business combination in accordance with paragraph 51(pre-existing relationships):	HKFRS 3(2008).B64(l)
i)	a description of each transaction;	
ii)	how the acquirer accounted for each transaction;	
iii)	the amounts recognised for each transaction and the line item in the financial statements in which each amount is recognised; and	
iv)	if the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount;	

Ref.	Requirement	Source
	<p>m) the disclosure of separately recognised transactions required by (l) shall include the amount of acquisition-related costs and, separately, the amount of those costs recognised as an expense and the line item or items in the statement of comprehensive income in which those expenses are recognised. The amount of any issue costs not recognised as an expense and how they were recognised shall also be disclosed;</p>	HKFRS 3(2008).B64(m)
	<p>n) in a bargain purchase:</p> <p>i) the amount of any gain recognised in accordance with paragraph 34 and the line item in the statement of comprehensive income in which the gain is recognised; and</p> <p>ii) a description of the reasons why the transaction resulted in a gain;</p>	HKFRS 3(2008).B64(n)
	<p>o) for each business combination in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at the acquisition date:</p> <p>i) the amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount; and</p> <p>ii) for each non-controlling interest in an acquiree measured at fair value, the valuation techniques and key model inputs used for determining that value;</p>	HKFRS 3(2008).B64(o)
	<p>p) in a business combination achieved in stages:</p> <p>i) the acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date; and</p> <p>ii) the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination (see paragraph 42 of HKFRS 3 (revised 2008)) and the line item in the statement of comprehensive income in which that gain or loss is recognised; and</p>	HKFRS 3(2008).B64(p)
	<p>q) the following information;</p> <p>i) the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period; and</p> <p>ii) the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.</p>	HKFRS 3(2008).B64(q)
	<p><i>Note: If disclosure of any of the information required by HKFRS 3(2008).B64(q) is impracticable (as defined in HKAS 8), the acquirer shall disclose that fact and explain why the disclosure is impracticable.</i></p>	HKFRS 3(2008).B64(q)

Ref.	Requirement	Source
	<i>Business combinations effected after the end of the reporting period</i>	
H3036	If the acquisition date of a business combination is after the end of the reporting period but before the financial statements are authorised for issue, the acquirer shall disclose the information required by paragraph B64 of HKFRS 3(revised 2008) (see above) unless the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.	HKFRS 3(2008).B66
	<i>The effect of adjustments recognised that relate to business combinations that occurred in the period or previous reporting periods</i>	
H3037	The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current reporting period that relate to business combinations that occurred in the period or in previous reporting periods.	HKFRS 3(2008).61
	<i>Note: Paragraph B67 of HKFRS 3(revised 2008), as set out below, specifies the minimum disclosures required to satisfy the requirement.</i>	HKFRS 3(2008).62
H3038	The entity shall disclose the following information for each material business combination or in the aggregate for individually immaterial business combinations that are material collectively:	
	a) if the initial accounting for a business combination is incomplete (see paragraph 45 of HKFRS 3(revised 2008)) for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the business combination thus have been determined only provisionally:	HKFRS 3(2008).B67(a)
	i) the reasons why the initial accounting for the business combination is incomplete;	
	ii) the assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete; and	
	iii) the nature and amount of any measurement period adjustments recognised during the reporting period in accordance with paragraph 49 of HKFRS 3 (revised 2008);	
	b) for each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:	HKFRS 3(2008).B67(b)
	i) any changes in the recognised amounts, including any differences arising upon settlement;	
	ii) any changes in the range of outcomes (undiscounted) and the reasons for those changes; and	
	iii) the valuation techniques and key model inputs used to measure contingent consideration;	

Ref.	Requirement	Source
	<p>c) for contingent liabilities recognised in a business combination, the acquirer shall disclose the information required by paragraphs 84 and 85 of HKAS 37 for each class of provision;</p>	HKFRS 3(2008).B67(c)
	<p>d) a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period showing separately:</p> <p>i) the gross amount and accumulated impairment losses at the beginning of the reporting period;</p> <p>ii) additional goodwill recognised during the reporting period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>;</p> <p>iii) adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period in accordance with paragraph 67 of HKFRS 3(revised 2008);</p> <p>iv) goodwill included in a disposal group classified as held for sale in accordance with HKFRS 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale;</p> <p>v) impairment losses recognised during the reporting period in accordance with HKAS 36. (HKAS 36 requires disclosure of information about the recoverable amount and impairment of goodwill in addition to this requirement.);</p> <p>vi) net exchange rate differences arising during the reporting period in accordance with HKAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>;</p> <p>vii) any other changes in the carrying amount during the reporting period; and</p> <p>viii) the gross amount and accumulated impairment losses at the end of the reporting period; and</p>	HKFRS 3(2008).B67(d)
	<p>e) the amount and an explanation of any gain or loss recognised in the current reporting period that both:</p> <p>i) relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period; and</p> <p>ii) is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity's financial statements.</p>	HKFRS 3(2008).B67(e)
H3039	If the specific disclosures required by HKFRS 3 (revised 2008) and other HKFRSs do not meet the objective set out in paragraphs 59 and 61 of HKFRS 3 (revised 2008) (see above), the acquirer shall disclose whatever additional information that is necessary to meet those objectives.	HKFRS 3(2008).63

Ref.	Requirement	Source
	Audit/review of interim financial information	
H3040	An entity's audit committee must review the interim financial report. In the event that the audit committee disagreed with an accounting treatment which had been adjusted or, for Main Board listed entities, the statement made in accordance with item H3012 above, full details of such disagreement shall be disclosed in the interim financial report. For GEM listed entities, a quantification of the financial effect arising from the disagreement must be disclosed. In addition, for GEM listed entities, where it is not possible to quantify the event of the disagreement, or the effect is not significant, a statement to that effect should be made.	App 16.39 GR 18.55 Note 2
H3041	Where the accounting information given in an interim financial report has not been audited, that fact must be stated.	App 16.43 GR 18.55(9) GR 18.64
H3042	If the accounting information contained in an interim financial report has been audited by the external auditor, the auditor's report thereon, including any qualifications, shall be reproduced in full in the interim financial report.	App 16.43 GR 18.55(9) GR 18.64

SECTION 4 OTHER INFORMATION

Ref.	Requirement	Source
H4001	<p>Purchase, sale or redemption of securities</p> <p>The interim financial report shall contain particulars of any purchase, sale or redemption by the entity, or any of its subsidiaries, of its listed securities during the interim period, <u>or an appropriate negative statement.</u></p> <p>Notes:</p> <ol style="list-style-type: none"> 1. <i>For Main Board listed entities, the statement required by item H4001 must include the aggregate price paid or received by the entity for such purchases, sales or redemptions and should distinguish between those securities purchased or sold:</i> <ol style="list-style-type: none"> a) <i>on the SEHK;</i> b) <i>on another stock exchange;</i> c) <i>by private arrangement; and</i> d) <i>by way of a general offer.</i> 2. <i>For Main Board listed entities, the statement required by item H4001 must also distinguish between those listed securities which are purchased by the entity (and, therefore cancelled) and those which are purchased by a subsidiary of the entity.</i> 	<p>App 16.41(1) GR 18.55(3)</p> <p>App 16.10(4)</p> <p>App 16.10(4)</p>
	<p>Interests or short positions in shares and debentures</p> <p><i>Part XV of the Securities and Futures Ordinance (SFO) deals with the notification of interests and short positions held by chief executives and directors, and substantial shareholders to the concerned listed entity and to the SEHK, and with the requirements for the listed entity to keep registers of such interests and short positions. Correspondingly, the Listing Rules and GEM Rules have set out interim financial report disclosure requirements. In particular, separate disclosure is required of:</i></p> <ol style="list-style-type: none"> a) <i>the interests and short positions in any shares, underlying shares and debentures of the entity or any of its associated corporations, held by directors and chief executives at the end of the interim period;</i> b) <i>the interests and short positions in any shares and underlying shares of the entity or any of its associated corporations, held by substantial shareholders at the end of the interim period; and</i> c) <i>the interests and short positions notified to the entity and to the SEHK by other persons in accordance with the requirements of the SFO.</i> 	

Ref.	Requirement	Source
	<i>Directors' and chief executives' interests or short positions in shares</i>	
H4002	<p>A statement is required at the end of the interim period showing:</p> <p>a) the interests of each director and chief executive of the entity in any shares, underlying shares and debentures of the entity or any of its associated corporations; and</p> <p>b) the short positions of each director and chief executive of the entity in any shares, underlying shares and debentures of the entity or any of its associated corporations,</p> <p>as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the entity and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers for Main Board listed entities (for GEM listed entities – the required standard of dealings by directors as referred to in GR 5.46) <u>or, if there are no such interests or short positions, a statement of that fact.</u></p>	<p>App 16.41(2) App 16.13(1) GR 18.55(9) GR 18.56(1)</p>
H4003	The statement required under item H4002 must specify the entity in which each interest or short position is held, the class to which the securities belong, and the number of such securities held.	<p>App 16.13(2) GR 18.56(2)</p>
H4004	The statement required under item H4002 should describe the capacity in which each interest or short position is held, and the nature of the interest or short position, as disclosed in the prescribed form used by the director or chief executive when notifying the entity and the SEHK of the interest or short position.	<p>PN 5(3.2) GR 18.58</p>
H4005	<p>The following details are required to be disclosed for each director and chief executive:</p> <p>a) the aggregate long position in any shares and underlying shares and in debentures, showing separately:</p> <p style="margin-left: 40px;">i) interests in shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds);</p> <p style="margin-left: 40px;">ii) interests in underlying shares held under equity derivatives specifying whether they are listed or unlisted, and whether they are to be settled by shares, by cash or by some other method; and</p> <p style="margin-left: 40px;">iii) interests in debentures.</p>	<p>PN 5(3.3) GR 18.58A</p>

Ref.	Requirement	Source
	<p>b) the aggregate short position in any shares, underlying shares and in debentures, showing separately:</p> <p>i) short positions in respect of shares arising under a stock borrowing and lending agreement; and</p> <p>ii) short positions in underlying shares held under equity derivatives, specifying whether they are listed or unlisted, and whether they are to be settled by shares, by cash or by some other method.</p>	
H4006	The information required by items H4005(a) and (b) is required to be separately disclosed for each entity in which an interest or a short position is held.	PN 5(3.3) GR 18.58A
H4007	The percentages of the issued share capital of the entity or its associated corporation, which the aggregate long position or the aggregate short position in shares represents, should be disclosed.	PN 5(3.3)(1) Note 1 PN 5(3.3)(2) Note 1 GR 18.58A(1) Note 1 GR 18.58A(2) Note 1
H4008	Where interests or short positions are held 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.	PN 5(3.2) GR 18.58
H4009	Particulars should be given of the extent of any duplication that occurs, between the interests of directors, chief executives, substantial shareholders, and their associates.	PN 5(4) GR 18.57 Note
H4010	<p>Where interests arising from the holding of securities as qualifying shares are not disclosed pursuant to the exception allowed in App 16.13(2)/GR 18.56(2), a general statement should be made to indicate that the directors hold qualifying shares.</p> <p><i>Note: App 16.13(2)/GR 18.56(2) allows that non-beneficial interests of directors and chief executives need not be disclosed if they are holdings of qualifying shares or if the interest is held solely for the purpose of ensuring that the relevant subsidiary has more than one member and there is a legally enforceable declaration of trust in favour of the parent entity of that subsidiary.</i></p>	App 16.13(2) GR 18.56(2)
H4011	Where share options are granted to directors and chief executives, particulars of the share options and movements as required under LR 17.07(1)/GR 23.07(1) (see item H4019 below) should be disclosed.	PN 5(3.3)(1) Note 3 GR 18.58A(1) Note 3

Ref.	Requirement	Source
	Notes:	
1.	<i>For these purposes, a "director" includes a shadow director and any person occupying the position of director by whatever name called. A "shadow director" means a person in accordance with whose directions or instructions the directors of a company are accustomed to act.</i>	SFO Schedule 1
2.	<i>For these purposes, a "chief executive" means a person employed or otherwise engaged by a corporation who, either alone or together with one or more persons, is or will be responsible, under the immediate authority of the board of directors, for the conduct of the business of the corporation.</i>	SFO s308
3.	<i>"Associated corporation" means a corporation:</i> <ul style="list-style-type: none"> ■ <i>which is a subsidiary or holding company of the company or a subsidiary of the company's holding company; or</i> ■ <i>(not being a subsidiary of the company) in which the company has an interest in the shares of a class of exceeding 20% of the nominal value of the issued shares of that class.</i> 	SFO s308
4.	<i>Interests and short positions of a director or a chief executive extend to include interests held by the following persons and trusts:</i> <ul style="list-style-type: none"> ■ <i>his or her spouse;</i> ■ <i>children under the age of 18;</i> ■ <i>their respective controlled companies (with control of management or one third of the voting rights, either directly or indirectly through another corporation in which they control one third of the voting rights);</i> ■ <i>persons having a joint interest or short position with him or her;</i> ■ <i>a trust, if he or she is a trustee of the trust (other than a trust where he or she is a bare trustee);</i> ■ <i>a discretionary trust, if he or she is a founder of the trust; and</i> ■ <i>a trust, if he or she is a beneficiary.</i> 	SFO s344(1) SFO s344(2) SFO s344(3) SFO s344(4) SFO s346 SFO s345(4)(b) SFO s345(4)(a)
5.	<i>A long position under an equity derivative arises where a person is a party to an equity derivative, by virtue of which the person:</i> <ul style="list-style-type: none"> ■ <i>has a right to take the underlying shares;</i> ■ <i>is under an obligation to take the underlying shares;</i> ■ <i>has a right to receive money if the price of the underlying shares increases; or</i> ■ <i>has a right to avoid or reduce a loss if the price of the underlying shares increases.</i> 	PN 5(3.3)(1) Note 2 GR 18.58A(1) Note 2

Ref.	Requirement	Source
	<p>6. <i>A short position under an equity derivative arises:</i></p> <p>a) <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;</i></p> <p>b) <i>where the person is the holder, writer or issuer of any equity derivatives, by virtue of which the person:</i></p> <ul style="list-style-type: none"> ■ <i>has a right to require another person to take the underlying shares of the equity derivatives;</i> ■ <i>is under an obligation to deliver the underlying shares of the equity derivatives to another person;</i> ■ <i>has a right to receive money from another person if the price of the underlying shares declines; or</i> ■ <i>has a right to avoid a loss if the price of the underlying shares declines.</i> <p>7. <i>Compliance with the requirements in respect of the interests and short positions of each director and chief executive in any associated corporation may be modified or waived if, in the opinion of the SEHK, full disclosure would result in particulars being given which are not material in the context of the entity and are of excessive length.</i></p>	<p>PN 5(3.3)(2) Note 2 GR 18.58A(2) Note 2</p> <p>App 16.13(1) GR 18.56(1)</p>
	<p><i>Substantial shareholders' interests or short positions in shares</i></p>	
H4012	<p>A statement is required, as at the end of the interim period, showing interests and short positions in the shares and underlying shares of the entity, other than those of the directors and chief executives, as recorded in the register required to be kept under section 336 of the SFO, and the amount of such interests and short positions <u>or, if there is no such interest or short position recorded in the register, a statement of that fact.</u></p>	<p>App 16.41(2) App 16.13(3) GR 18.55(9) GR 18.57</p>
H4013	<p>The statement required under item H4012 should describe the capacity in which each interest or short position is held, and the nature of the interest or short position, as disclosed in the prescribed form used by the substantial shareholder when notifying the entity and the SEHK of the interest or short position.</p>	<p>PN 5(3.2) GR 18.58</p>
H4014	<p>The following details are required to be disclosed for each substantial shareholder:</p> <p>a) the aggregate long position in the shares and underlying shares of the entity, showing separately:</p> <ul style="list-style-type: none"> i) interests in shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds); and ii) interests in underlying shares held under equity derivatives specifying whether they are listed or unlisted, and whether they are to be settled by shares or by cash; and 	<p>PN 5(3.4) GR 18.58B</p>

Ref.	Requirement	Source
	<p>b) the aggregate short position in shares and underlying shares of the entity, showing separately:</p> <p style="margin-left: 20px;">i) short positions in respect of shares arising under a stock borrowing and lending agreement; and</p> <p style="margin-left: 20px;">ii) short positions in underlying shares under equity derivatives, specifying whether they are listed or unlisted, and whether they are to be settled by shares or by cash.</p>	
H4015	The percentages of the issued share capital of the entity, which the aggregate long position or the aggregate short position in shares represents, should be disclosed.	PN 5(3.4)(1) Note 2 PN 5(3.4)(2) Note 1 GR 18.58B(1) Note 1 GR 18.58B(2) Note 1
H4016	Where interests or short positions are held through corporations that are not wholly-owned by the person making disclosure, the percentage interests held by such person should be disclosed.	PN 5(3.2) GR 18.58
H4017	Where share options are granted to substantial shareholders, particulars of the share options and movements as required under LR 17.07(1)/GR 23.07(1) should be disclosed (see item H4019 below).	PN 5(3.4)(1) Note 4 GR 18.58B(1) Note 3
	<i>Notes:</i>	
	1. <i>A duty to disclose under this section arises where a person has a notifiable interest. A person has a notifiable interest at any time where he is interested in shares comprised in the relevant share capital of the company with an aggregate nominal value representing not less than 5%, or such other percentage prescribed by regulations, of the issued equity share capital.</i>	SFO s311(3) SFO s315(1)
	2. <i>A duty to disclose short positions arises where a person has a notifiable interest (as defined in the previous paragraph), and has a short position in shares comprised in the relevant share capital of the company, representing not less than 1%, or such other percentage prescribed by regulations, of the issued equity share capital.</i>	SFO s313(5) SFO s315(2)
	3. <i>"Relevant share capital" means the company's issued share capital of a class which carry rights to vote in all circumstances at general meetings of the corporation, including unissued shares in the company's share capital of a class which, if issued, would carry rights to vote in all circumstances at general meetings of the company.</i>	SFO s308
	4. <i>"Issued equity share capital" means the company's issued share capital of a class which carry rights to vote in all circumstances at general meetings of the company.</i>	SFO s308
	5. <i>A person's interests and short positions in shares include those held by the following persons and trusts:</i>	

Ref.	Requirement	Source
	<ul style="list-style-type: none"> ■ <i>his or her spouse, or any child of his/hers under 18;</i> ■ <i>their respective controlled companies (with control of management or one third of the voting rights of such companies either directly or through another corporation in which they control one third of the voting rights);</i> ■ <i>parties to any agreement to acquire shares in the relevant share capital of the company, if (i) the agreement includes provisions imposing obligations or restrictions on the use, retention or disposal of their interest; (ii) the agreement provides for the making of a loan or the providing of security for a loan, by a controlling person or a director of the company to any person on the understanding or with the knowledge that such loan would be used for the acquisition of the interests; and (iii) any interest in the company's shares is in fact acquired by any of the parties pursuant to an agreement;</i> ■ <i>a trust, if he or she is a trustee of the trust, other than a trust where he or she is a bare trustee;</i> ■ <i>a discretionary trust, where he or she is the founder of the trust; and</i> ■ <i>a trust, where he or she is a beneficiary, other than a discretionary trust.</i> <p><i>Interests and short positions held by controlled companies on behalf of their customers in the ordinary course of their businesses as an investment manager, custodian or trustee are excluded, provided that specific conditions under section 316(5) of the SFO are met.</i></p>	<p>SFO s316(1)</p> <p>SFO s316(2)</p> <p>SFO s317</p> <p>SFO s323</p> <p>SFO s322(4)(b)</p> <p>SFO s322(4)(a)</p>
	<p>6. <i>The circumstances in which a long position arises under an equity derivative are set out in Note 5 to the previous section "Directors' and chief executives' interests or short positions in shares".</i></p> <p>7. <i>The circumstances in which a short position arises under an equity derivative are set out in Note 6 to the previous section "Directors' and chief executives' interests or short positions in shares".</i></p>	<p>PN 5(3.4)(1) Note 3 GR 18.58B(1) Note 2</p> <p>PN 5(3.4)(2) Note 2 GR 18.58B(2) Note 2</p>
	<p>Other notifiable interests</p>	
H4018	<p>A statement is required of other interests recorded in the register kept by the company under section 336 of the SFO.</p> <p><i>Note: Under the SFO, certain persons other than directors and chief executives, and substantial shareholders, are required to make notification of interests and short positions in shares and underlying shares of the entity to the entity and to the SEHK. To the extent that such interests and short positions are recorded in the entity's register (kept under section 336 of the SFO), disclosures in the interim financial report are required. The disclosure requirements are the same as those set out in the previous section in relation to substantial shareholders.</i></p>	<p>App 16.41(2) App 16.13(3) PN 5(3.5) GR 18.55(9) GR 18.57 GR 18.58C</p>

Ref.	Requirement	Source
	<p>Share option schemes</p> <p><i>Notes:</i></p> <p>1. <i>The information listed in items H4019 to H4028 is required to be disclosed in respect of each share option scheme of the entity and any of its subsidiaries.</i></p> <p>2. <i>The information should be provided separately for (i) each of the directors, chief executives, substantial shareholders and, for GEM listed entities, management shareholders, and their respective associates; (ii) each participant with options granted in excess of the individual limit; (iii) aggregate figures for employees; (iv) aggregate figures for suppliers of goods or services; and (v) all other participants as an aggregate whole.</i></p> <p>3. <i>Background information relating to the rules and structures of share option schemes required to be disclosed in annual reports need not be disclosed in interim financial report.</i></p> <p>Details of options outstanding and movements in the period</p>	
H4019	<p>The interim financial report should disclose the following information:</p> <p>a) particulars of outstanding options at the beginning and at the end of the interim period, including the number of options, date of grant, vesting period, exercise period and exercise price;</p> <p>b) particulars of options granted during the interim period, including the number of options, date of grant, vesting period, exercise period, exercise price and the closing price of the shares immediately before the date on which the options were granted;</p> <p>c) the number of options exercised during the interim period with the exercise price and the weighted average closing price of the securities immediately before the dates on which the options were exercised;</p> <p>d) the number of options cancelled during the interim period together with the exercise price of the cancelled options; and</p> <p>e) the number of options which lapsed in accordance with the terms of the scheme during the interim period.</p>	<p>LR 17.07 GR 23.07</p> <p>LR 17.09 GR 23.09</p> <p>LR 17.07 GR 23.07</p>

Ref.	Requirement	Source
	<i>Fair value of options granted in the period</i>	
H4020	The entity is encouraged to disclose in its interim financial information the value of options granted to participants during the period.	LR 17.08 GR 23.08
H4021	<p>The entity should disclose a description of the model and significant assumptions used to estimate the value of the options, taking into account factors such as risk-free interest rate, expected life, expected volatility and expected dividend, if applicable.</p> <p><i>Notes:</i></p> <ol style="list-style-type: none"> 1. <i>In respect of the disclosure of the value of options in the interim financial information, the entity should use the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology to calculate the value of options.</i> 2. <i>Where the calculation of the value is referable to a risk-free interest rate, such rate should be the rate prevailing on debt securities issued by the state, such as the Exchange Fund Notes in the case of Hong Kong based entities.</i> 	<p>LR 17.08 Note 1 GR 23.08 Note 1</p> <p>LR 17.08 Note GR 23.08 Note</p> <p>LR 17.08 Note 1(i) GR 23.08 Note 1(i)</p>
H4022	The entity should disclose the measurement date, which should be the date on which the options were granted.	LR 17.08 Note 2 GR 23.08 Note 2
H4023	The entity should disclose the treatment of forfeiture prior to the expiry date.	LR 17.08 Note 3 GR 23.08 Note 3
H4024	The entity should disclose a warning statement with regard to the subjectivity and uncertainty of the values of options to the effect that such values are subject to a number of assumptions and with regard to the limitations of the model.	LR 17.08 Note 4 GR 23.08 Note 4
H4025	<p>The listed entity should set out the expected volatility used in calculating the value, with an explanation of any deviations from the historical volatility of the securities.</p> <p><i>Note: The listed issuer may choose the period of time that it considers appropriate for calculating such historical volatility. However, such period may not be less than one year or, where securities have been listed for less than one year from the date of commencement of dealings in such securities, such period is to be from the date of commencement of such dealings to the date of the calculation.</i></p>	<p>LR 17.08 Note 1(ii) GR 23.08 Note 1(ii)</p>
H4026	<p>An explanation should be provided of any adjustments made to dividend estimates for publicly-available information indicating that future performance is reasonably expected to differ from past performance.</p> <p><i>Note: Expected dividends should generally be based on historical dividends.</i></p>	<p>LR 17.08 Note 1(iii) GR 23.08 Note 1(iii)</p>
H4027	Where the entity considers that disclosure of the value of options granted during the period as encouraged by item H4020 is not appropriate, it should state the reason for such non-disclosure in its interim financial information.	LR 17.08 GR 23.08
H4028	The entity should disclose the accounting policy adopted for share options granted in the period.	LR 17.08 GR 23.08

Ref.	Requirement	Source
	<p>Corporate governance</p>	
H4029	<p><i>Compliance with the Code on Corporate Governance Practices</i></p> <p>The entity should include in its interim financial report, a statement in relation to the accounting period covered by the interim financial report on whether the entity meets the code provisions set out in the Code on Corporate Governance Practices (the Code) contained in Appendix 14 (GR Appendix 15). Where there are any deviations from the code provisions in the Code, the entity must give considered reasons for the deviations from the code provisions, either by:</p> <p>a) giving considered reasons for each deviation; or</p> <p>b) to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the immediately preceding annual report and providing details of any changes together with considered reasons for any deviation not reported in that annual report. Any such references must be clear and unambiguous and the interim financial report must not only contain a cross-reference without any discussion of the matter.</p>	<p>App 16.44(1) GR 18.55(4)</p>
	<p><i>Securities transactions by directors of listed issuers set out in Appendix 10 to the Listing Rules/GR 5.48 to 5.67</i></p>	
H4030	<p>The entity should include a statement in relation to the accounting period covered by the interim report on:</p> <p>a) whether the entity has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the required standard of dealings;</p> <p>b) having made specific enquiry of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard of dealings and its code of conduct regarding directors' securities transactions; and</p> <p>c) in the event of any non-compliance with the required standard of dealings, details of such non-compliance and an explanation of the remedial steps taken by the entity to address such non-compliance.</p>	<p>App 16.44(2) GR 18.55(5)</p>
	<p><i>Appointment of independent non-executive directors (INEDs)</i></p>	
H4031	<p>If there is a non-compliance with LR 3.10(1) and (2)/GR 5.05(1) and (2), which relate to the appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualification, or accounting or related financial management expertise, the entity should include the following information in the interim financial report:</p> <p>a) details of such non-compliance; and</p> <p>b) an explanation of the remedial steps taken by the entity to address such non-compliance.</p>	<p>App 16.44(3) GR 18.55(6)</p>

Ref.	Requirement	Source
H4032	<p>Audit committee</p> <p>If there is a non-compliance with LR 3.21/GR 5.28, which relates to the establishment of an audit committee, the entity should include the following information in the interim financial report:</p> <p>a) details of such non-compliance; and</p> <p>b) an explanation of the remedial steps taken by the entity to address such non-compliance.</p>	App 16.44(4) GR 18.55(7)
	<p>Exposure to borrowers and other specific circumstances that may require disclosures</p> <p><i>Notes:</i></p> <p>1. <i>LR 13.13 to 13.22/GR 17.14 to 17.24 give guidance on specific circumstances (see below) that may require timely public disclosure under the general disclosure obligation placed on entities under LR 13.09/GR 17.10. If any of the specified circumstances occurs, the entity is required to make a public announcement immediately. In addition, if the circumstances specified in LR 13.13 to 13.19/GR 17.15 to 17.21 continue to exist at the entity's interim period end, specific disclosures are required.</i></p> <p>2. <i>The specific circumstances addressed by LR 13.13 to 13.19/ GR 17.15 to 17.21 include:</i></p> <ul style="list-style-type: none"> ■ <i>advances to an entity amounting to more than 8% of the assets ratio and any subsequent increase of such amount accounting for 3% or more of the assets ratio;</i> <p><i>Note: Where (1) any trade receivable (other than as a result of the provision of financial assistance) arose in the ordinary and usual course of business of the issuer; and (2) the transaction from which the trade receivable arose was on normal commercial terms, the trade receivable should not be regarded as a relevant advance to an entity.</i></p> <ul style="list-style-type: none"> ■ <i>financial assistance and guarantees to affiliated companies together in aggregate amounting to more than 8% of the assets ratio;</i> ■ <i>pledging of shares by the controlling shareholder to secure debts of the entity or to secure guarantees or support other obligations of the entity;</i> ■ <i>loan agreements which include conditions imposing specific performance obligations on a controlling shareholder where breaches of such obligations will cause a default in respect of loans that are significant to the operations of the entity; and</i> ■ <i>breaches of the terms of a loan agreement by the entity such that the lender may demand immediate repayment of a significant loan.</i> 	<p>LR 13.13 LR 13.14 GR 17.15 GR 17.16</p> <p>LR 13.15A GR 17.17A</p> <p>LR 13.16 GR 17.18</p> <p>LR 13.17 GR 17.19</p> <p>LR 13.18 GR 17.20</p> <p>LR 13.19 GR 17.21</p>

Ref.	Requirement	Source
	<p>3. <i>In addition, GR 17.43 imposes disclosure obligations on GEM listed entities in respect of the pledging or charging of any interests in securities of the entity by any controlling shareholder. If the circumstances continue to exist, disclosure is required in subsequent interim financial reports.</i></p>	<p>GR 17.23 GR 17.43</p>
	<p>4. <i>The expression "affiliated company" refers to a company which, in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is recorded using the equity method of accounting in an entity's financial statements. This includes associates and jointly controlled entities as defined in those Standards.</i></p>	<p>LR 13.11(2)(a) GR 1.01</p>
	<p><i>Advances to an entity</i></p>	
H4033	<p>Where the entity has been required to make disclosure during the period in respect of advances to an entity, and the circumstances giving rise to the disclosure continue to exist at the interim period end, the following information (as at the period end) should be included in the interim financial report:</p> <p>a) details of the balances;</p> <p><i>Note: For GEM listed entities, disclosure of the details of the relevant advance to an entity is required.</i></p> <p>b) the nature of events or transactions giving rise to the amounts;</p> <p>c) the identity of the debtor group; and</p> <p>d) interest rate, repayment terms and collateral.</p> <p><i>Note: A general disclosure obligation arises where the relevant advance to an entity exceeds 8% of the assets ratio. The expression 'relevant advance to an entity' refers to the aggregate of amounts due from and all guarantees given on behalf of:</i></p> <ul style="list-style-type: none"> ■ <i>an entity;</i> ■ <i>the entity's controlling shareholder;</i> ■ <i>the entity's subsidiaries;</i> ■ <i>the entity's affiliated companies; and</i> ■ <i>(for GEM listed entities only) any other entity with the same controlling shareholder as the entity in question.</i> 	<p>LR 13.13 LR 13.20 LR 13.15 GR 18.55(9) GR 18.60 GR 17.22 GR 17.17</p> <p>LR 13.13 LR 13.11(2)(c) GR 17.15 GR 17.14 Note 2</p>

Ref.	Requirement	Source
H4034	<p><i>Financial assistance and guarantees to affiliated companies of the listed entity</i></p> <p>Where the entity has been required to make disclosure during the period in respect of financial assistance and guarantees to affiliated companies, and the circumstances giving rise to the disclosure continue to exist at the interim period end, the interim financial report should include a combined statement of financial position of affiliated companies as of the latest practicable date.</p> <p><i>Notes:</i></p> <ol style="list-style-type: none"> 1. <i>A general disclosure obligation arises where financial assistance given to affiliated companies of the entity, and guarantees given for facilities granted to affiliated companies, together in aggregate exceed 8% of the assets ratio.</i> 2. <i>The combined statement of financial position of affiliated companies should include significant statement of financial position classifications and state the attributable interest of the entity in the affiliated companies. In cases where it is not practicable to prepare the combined statement of financial position of affiliated companies, the SEHK, on application from the entity, may consider accepting, 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.</i> <p><i>Pledging of shares by the controlling shareholder</i></p>	<p>LR 13.22 GR 18.55(9) GR 18.60 GR 17.24 GR 17.18</p> <p>LR 13.16 GR 17.18</p> <p>LR 13.22 GR 17.24</p>
H4035	<p>Where the entity has been required to make disclosure during the period because the controlling shareholder has pledged its interest in shares of the entity to secure debts of the entity, and the circumstances continue to exist at the interim period end, the following disclosures should be made in the interim financial report:</p> <ol style="list-style-type: none"> a) the number and class of shares pledged; b) the amount of debts, guarantees or other support for which the pledge is made; and c) any other details that are considered necessary for an understanding of the arrangements. <p><i>Note: A general disclosure obligation arises where the controlling shareholder of the entity has pledged its interest in shares of the entity to secure debts of the entity or to secure guarantees or support other obligations of the entity.</i></p> <p><i>Loan agreements imposing specific performance on controlling shareholder</i></p>	<p>LR 13.21 LR 13.17 GR 18.55(9) GR 18.60 GR 17.23 GR 17.19</p>
H4036	<p>Where the entity has been required to make disclosure during the period in respect of loan agreements with covenants relating to specific performance of the controlling shareholder, and breaches of such obligations will cause a default in respect of loans that are significant to the operations of the entity, and the circumstances continue to exist at the interim period end, the following disclosures should be made in the interim financial report:</p>	<p>LR 13.21 LR 13.18 GR 18.55(9) GR 18.60 GR 17.23 GR 17.20</p>

Ref.	Requirement	Source
	<p>a) the aggregate level of the facilities that may be affected by such a breach;</p> <p>b) the life of the facility; and</p> <p>c) the specific performance obligation imposed on any controlling shareholder.</p> <p><i>Note: A general disclosure obligation arises where the entity (or any of its subsidiaries) has entered into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholder (eg a requirement to maintain a specified minimum holding in the share capital of the entity), and breach of such obligation will cause a default in respect of loans that are significant to the operations of the entity.</i></p> <p>Breaches of loan agreements – general</p>	
H4037	<p>If disclosure has been required during the period of a breach of terms of a loan agreement by the entity, and the circumstances continue to exist at the interim period end, disclosure of the circumstances is also required in the interim financial report.</p> <p><i>Note: A general disclosure obligation arises where there is a breach of the terms of a loan agreement by the entity for a loan that is significant to the operations of the entity, such that the lender may demand immediate repayment of the loan and where the lender has not issued a waiver in respect of the breach.</i></p> <p>Additional information for GEM listed entities only</p> <p>Statement of investment risk</p>	<p>LR 13.21 LR 13.19 GR 18.55(9) GR 18.60 GR 17.23 GR 17.21</p>
H4038	<p>Each interim financial report should contain, in a prominent position and in bold type, a statement about the characteristics of GEM, as follows:</p> <p>"Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Exchange")</p> <p>GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.</p> <p>Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.</p>	<p>GR 18.55 Note 9 GR 2.20</p>

Ref.	Requirement	Source
H4039	<p><i>Progress of business plan</i></p> <p>In each annual report and half-year report published during at least the first 2 full financial years after listing, a statement by the directors as to the entity's achievement of its business objectives as stated in its listing document at the time of listing under GR 14.19. The discussion in the statement should include a balanced and concise analysis of the level of achievement of the business objectives in terms of both qualitative and quantitative financial and non-financial information. There should be a description of the principal risks and uncertainties facing the company and a commentary on the directors' approach to them, together with an explanation of any material differences between the disclosure in the listing document and actual business progress in the relevant period (including as to the use of proceeds as indicated in the listing document).</p>	GR 18.08A
H4040	<p><i>Compliance Adviser's interests</i></p> <p>Disclosure is required of the interests (if any) of the Compliance Adviser, and of its directors, employees and associates, as notified to the entity pursuant to GR 6A.32.</p>	GR 18.55(9) GR 18.63
H4041	<p><i>Interests in competitors</i></p> <p>Disclosure is required of any business or interest of each director, management shareholder and, in relation only to the initial listing document, substantial shareholder and the respective associates of each that competes or may compete with the business of the entity, and any other conflicts of interest which any such person has or may have with the entity. The disclosures made should include:</p> <ul style="list-style-type: none"> a) the name of each entity; b) the nature of its business; and c) details of the directorship and/or ownership of the entity's directors or management shareholders and substantial shareholders and their respective associates in such entity. 	GR 18.63 GR 11.04 GR 11.04 Note 3
	<p><i>Note: For this purpose, a controlling shareholder is deemed to be a management shareholder.</i></p>	GR 11.04 Note 1

SECTION 5 ADDITIONAL FINANCIAL INFORMATION – FINANCIAL CONGLOMERATES

Ref.	Requirement	Source
	Notes:	
	<p>1. <i>Items H5001 to H5004 relate only to financial conglomerates. A financial conglomerate is defined as an entity that:</i></p> <ul style="list-style-type: none"> ■ <i>any of the percentage ratios (as defined under LR 14.04(9) /GR 19.04(9) of its financial business exceeds 5%. For the avoidance of doubt, the entity must compare the total assets of its financial business to that of the group as at the end of the period for the purpose of the assets ratio under LR 14.07/GR 19.07. The entity must compare the revenue and profits of its financial business during the period under review to that of the entity for the purpose of the revenue ratio and profits ratio under LR 14.07/GR 19.07; and</i> ■ <i>as at the end of the period, its financial business has total assets of over HK\$1 billion or has customer deposits plus financial instruments held by the public of over HK\$300 million.</i> 	App 16.36 GR 18.37B
	<p>2. <i>For the purpose of this section, financial business includes, but is not limited to, the business of securities trading; giving advice in connection with securities; commodities trading; leveraged foreign exchange trading; insurance activities; and money lending.</i></p>	App 16 Note 36.1 GR 18.37B Note
	<p>3. <i>The information required by items H5001 to H5003, to be presented either on the face of the primary statements or in the notes, is considered to be part of the financial information and therefore, where applicable, will be subject to review/audit by the audit committee/external auditor. The information required by item H5004 will be presented outside the financial statements, generally as part of the MDA.</i></p>	App 16.35 GR 18.37A
	<p>4. <i>For GEM listed entities, comparative amounts may be omitted for the information required by H5001 to H5003 in the first year of presentation.</i></p>	GR 18.37A Note 4
H5001	<p>The following items should be disclosed in the statement of comprehensive income (or income statement when non-owner changes in equity are presented in two statements) of a financial conglomerate:</p> <ol style="list-style-type: none"> a) interest income; b) interest expense; c) gains less losses arising from dealing in foreign currencies; d) gains less losses on trading securities or other investments in securities; e) gains less losses from other dealing activities; 	App 16.40(3) App 16.35(1) GR 18.55(2) GR 18.37A(1)

Ref.	Requirement	Source
	<p>f) gains less losses arising from derivative products;</p> <p>g) charge for bad and doubtful debts;</p> <p>h) gains less losses from disposal of investment securities or non-trading securities;</p> <p>i) provisions on held-to-maturity securities and investment securities or provisions on held-to-maturity securities and non-trading securities; and</p> <p>j) operating profit by products and divisions.</p>	
H5002	<p>The following items should be disclosed in the statement of financial position of a financial conglomerate:</p> <p>a) cash and short-term funds (with an analysis between cash and balances with banks and other financial institutions, money at call and short notice and treasury bills where applicable);</p> <p>b) trading securities or other investments in securities;</p> <p><i>Notes:</i></p> <p>1) <i>The analysis of investments in securities should distinguish between equity and debt securities and they should be analysed between those that are listed and those that are unlisted. The analysis should be provided separately for held-to-maturity securities, investment securities, other investments in securities, trading securities and non-trading securities, where applicable. The market value for the listed securities as at the end of the reporting period should also be disclosed.</i></p> <p>2) <i>The above analysis is made by reference to the categories set out in SSAP 24. Where HKAS 39 is adopted, we consider that the above analysis should be made by reference to the categories set out in HKAS 39, including financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and loans and receivables.</i></p> <p>c) advances and other accounts (with an analysis between advances to customers, advances to banks and other financial institutions, accrued interest and other accounts, provisions for bad and doubtful debts and the related collateral security);</p> <p>d) held-to-maturity securities and investment securities or held-to-maturity securities and non-trading securities;</p> <p><i>Note: The analysis of held-to-maturity securities, investment securities, other investments in securities, trading securities and non-trading securities should distinguish between those issued by central governments and central banks, public sector entities, banks and other financial institutions, corporate entities, and others. The market value of listed securities as at the end of the reporting period should also be disclosed.</i></p>	<p>App 16.40(3) App 16.35(2) GR 18.55(2) GR 18.37A(2)</p>

Ref.	Requirement	Source
	<p>e) issued debt securities;</p> <p>f) other accounts and provisions such as obligations on leases, sale and repurchase agreements, and forward contracts (with an analysis where material); and</p> <p>g) a maturity profile of the following assets and liabilities, unless immaterial:</p> <p style="margin-left: 20px;">i) Assets</p> <ul style="list-style-type: none"> ■ advances to customers; ■ placements with banks and other financial institutions; ■ certificates of deposit held; and ■ debt securities (with an analysis into those included in held-to-maturity securities, trading securities or other investments in securities and investment securities or non-trading securities); and <p style="margin-left: 20px;">ii) Liabilities</p> <ul style="list-style-type: none"> ■ deposits and balances of banks and other financial institutions; ■ current, fixed, savings and other deposits of customers; ■ certificates of deposit issued; and ■ issued debt securities. 	
H5003	<p>The following should be disclosed in respect of the off-balance sheet exposures of a financial conglomerate:</p> <p>a) contingent liabilities and commitments;</p> <p>b) derivatives (with an analysis into those related to exchange rate contracts and interest rate contracts. The aggregate notional amounts of each significant class of derivative instruments should also be analysed into those entered into for trading or hedging purposes);</p> <p><i>Note: In accordance with HKAS 39, derivatives that are within the scope of HKAS 39 should be recognised at fair value.</i></p> <p>c) where applicable, the aggregate credit risk weighted amounts of its contingent liabilities and commitments, exchange rate contracts, interest rate contracts and other derivatives, if any; and</p> <p>d) the aggregate replacement costs of its exchange rate contracts, interest rate contracts, and other derivative contracts, if any.</p>	<p>App 16.40(3) App 16.35(3) GR 18.55(2) GR 18.37A(3)</p>

Ref.	Requirement	Source
H5004	<p>The following supplementary information is required in respect of financial conglomerates:</p> <p>a) Management of risks</p> <p>A description of the main types of risk arising out of its business, including, where appropriate, credit, interest rate, foreign exchange and market risks arising out of its trading book. It should also include a description of the policies, procedures (including hedging policies) and controls used for measuring, monitoring and controlling those risks and for managing the capital required to support them.</p> <p>b) Segmental information</p> <p>Where a geographical segment of the financial business represents 10% or more of the entity's business, then that segment should be further analysed.</p> <p><i>Note: If, in the opinion of the directors of the financial conglomerate, the market risk arising from the trading book is not considered material, a statement to this effect should be made and the information required by item H5004(a) may be omitted.</i></p>	<p>App 16.40(3) App 16.35(4) GR 18.55(2) GR 18.37A(4)</p> <p>App 16.40(3)</p>

SECTION 6 PRELIMINARY ANNOUNCEMENTS OF HALF-YEAR INTERIM RESULTS

Ref.	Requirement	Source
	Main Board listed entities	
H6001	<p>The next business day (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) after the date of board approval of the interim financial report, the entity is required to publish a preliminary announcement in respect of its results for the interim period. The entity must publish such results:</p> <p>a) for half-year accounting periods ending before 30 June 2010 – not later than three months after the end of that period of six months; and</p> <p>b) 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.</p>	LR 13.49(6)
H6002	<p>In circumstances where the entity is unable to make such a preliminary announcement of results, the entity is required to make an announcement within the required time referred to item H6001 above containing:</p> <p>a) a full explanation for its inability to make an announcement based on unaudited financial statements; and</p> <p>b) the expected date of announcement of the unaudited interim results.</p>	LR 13.49(6)
H6003	<p>Any listing document, circular or announcement issued by the entity pursuant to the Listing Rules must disclose the name of each director at the date of the relevant listing document, circular or announcement.</p>	LR 2.14
	Information to accompany preliminary announcement of interim results	
H6004	<p>The following details, as extracted from the interim financial report, should be included in the preliminary announcement of interim results:</p> <p>a) except where the listed entity is a banking company, the disclosures specified for the statement of financial position and the statement of comprehensive income required by items H3016 and H3019 above, with comparative figures as at the end of, or for the comparable period of the immediately preceding financial year, including the notes relating to turnover, taxation, earnings per share, dividends and any other notes that the directors consider necessary for a reasonable appreciation of the results for the interim period;</p> <p><i>Note: The statement of financial position and the statement of comprehensive income should be as they appear in the entity's full interim financial report.</i></p> <p>b) particulars of any purchase, sale or redemption by the entity, or any of its subsidiaries, of its listed securities during the interim period, <u>or an appropriate negative statement</u>;</p>	App 16.46

Ref.	Requirement	Source
	<p>c) a business review that should cover the following information, or where there have been no material changes in respect of such matters since the publication of the latest annual report, an appropriate negative statement in that regard:</p> <ul style="list-style-type: none"> i) a fair review of the development of the business of the entity and its subsidiaries during the interim period and of their financial position at the end of the period; ii) details of important events affecting the entity and its subsidiaries which have occurred since the end of the interim period; and iii) an indication of likely future developments in the business of the entity and its subsidiaries, including the entity's prospects for the current financial year. <p>d) a statement as to whether the entity meets the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14. The entity should also disclose any deviations from the code provisions and give considered reasons for such deviations.</p> <p><i>Note: To the extent that it is reasonable and appropriate, such information may be given by reference to the Corporate Governance Report in the immediately preceding annual report, and summarising any changes since that annual report. Any such reference must be clear and unambiguous.</i></p> <p>e) any supplementary information that is necessary for a reasonable appreciation of the results for the interim period;</p> <p>f) a statement as to whether or not the interim figures have been reviewed by external auditor or the audit committee of the entity;</p> <p>g) full details of any disagreement by the auditor or the audit committee with the accounting treatment adopted by the entity;</p> <p>h) where the accounting information contained in a preliminary interim results announcement has been audited by the entity's auditor and the auditor's report in the entity's interim financial report is qualified or modified (whether or not it is also qualified), details of the qualification or modification; and</p> <p>i) where there are any significant changes in accounting policies, a statement to that fact must be made.</p> <p>GEM listed entities</p>	
H6005	<p>The next business day (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) after the date of board approval of the interim financial report for the first 6 months of each financial year (and in any event, not later than 45 days after the end of the interim period), the entity is required to publish on the GEM website a preliminary announcement in respect of its results for the half-year period.</p>	GR 18.78

Ref.	Requirement	Source
H6006	<p><i>Information to accompany preliminary announcement of interim results</i></p> <p>The following details, as extracted from the half-year interim financial report, should be included in the preliminary announcement of interim results:</p> <p>a) except where the listed entity is a banking company, the disclosures specified for the statement of financial position and the statement of comprehensive income required by items H3016 and H3019 above, including the notes relating to turnover, taxation, earnings per share, dividends and any other notes that the directors consider necessary for a reasonable appreciation of the results for the interim period.</p> <p><i>Note: The statement of financial position and the statement of comprehensive income should be as they appear in the entity's full interim financial report.</i></p>	GR 18.78
	<p>b) all movements to and from any reserves;</p> <p>c) particulars of any purchase, sale or redemption by the entity, or any of its subsidiaries, of its listed securities during the interim period, <u>or an appropriate negative statement;</u></p> <p>d) a business review covering the following information, or where there have been no material changes in respect of such matters since the publication of the latest annual report, an appropriate negative statement in that regard:</p> <p style="margin-left: 20px;">i) a fair review of the development of the business of the entity and its subsidiaries during the interim period and of their financial position at the end of the period;</p> <p style="margin-left: 20px;">ii) details of important events affecting the entity and its subsidiaries which have occurred since the end of the interim period; and</p> <p style="margin-left: 20px;">iii) an indication of likely future developments in the business of the entity and its subsidiaries, including the entity's prospects for the current financial year.</p> <p>e) a statement as to whether the entity meets the code provisions set out in the Code on Corporate Governance Practices contained in GR Appendix 15. The entity should also disclose any deviations from the code provisions and give considered reasons for such deviations;</p> <p><i>Note: To the extent that it is reasonable and appropriate, such information may be given by reference to the Corporate Governance Report in the immediately preceding annual report, and summarising any changes since that annual report. Any such references must be clear and unambiguous.</i></p>	GR 18.50B(1)(l)

Ref.	Requirement	Source
	<p>f) any supplementary information that is necessary for a reasonable appreciation of the results for the interim period;</p> <p>g) a statement as to whether or not the interim results have been reviewed by external auditor or the audit committee of the entity;</p> <p>h) full details of any disagreement by the auditor or the audit committee with the accounting treatment adopted by the entity;</p> <p>i) where there are any significant changes in accounting policies, a statement to that fact must be made; and</p> <p>j) if applicable, the information required by GR 18.63 and 18.64 (see items H3042 and H4041).</p>	

APPENDIX III

MODEL INTERIM FINANCIAL REPORT (QUARTERLY)

The model quarterly interim report of GEM Listed Group Limited is intended to address the presentation and disclosure requirements of the GEM Rules. It illustrates the minimum level of disclosure requirements under the GEM Rules. In practice, however, many GEM listed entities will provide additional financial information on a voluntary basis.

GEM Listed Group Limited is assumed to be a non-banking company listed on the GEM of the SEHK. Quarterly interim reports for such entities are required to comply with the relevant requirements of Chapter 18 of the GEM Rules.

Banking companies are required to comply in their quarterly reports with the requirements of Rule 18.80 of the GEM Rules and with *Interim Financial Disclosure by Locally Incorporated Authorized Institutions* issued by the Hong Kong Monetary Authority. These requirements are not illustrated in this model quarterly interim report.

Source	Checklist	GEM Listed Group Limited
<p>GR 18.68 Note 4 GR 2.20</p>	<p>Q1027</p>	<p>CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (GEM) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE EXCHANGE)</p> <p>GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.</p> <p>Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.</p>

Source	Checklist	GEM Listed Group Limited
<p>GR 18.68(2) GR 18.72</p>	<p>Q1028</p>	<p>MANAGEMENT DISCUSSION AND ANALYSIS (MDA)</p> <p><i>GEM listed entities are required to present in their quarterly interim financial reports an explanatory statement relating to the activities of the entity and profit (or loss) during the interim period. The statement should:</i></p> <ul style="list-style-type: none"> a) <i>include any significant information that enables investors to make an informed assessment of the trend of the activities and profit (or loss) of the entity, together with an indication of any special factor that has influenced those activities and the profit (or loss);</i> b) <i>include any significant information that enables investors to make comparisons with the corresponding period of the preceding financial year; and</i> c) <i>refer to the prospects of the entity in the current financial year, as far as possible.</i> <p><i>We do not consider that it is appropriate to present a 'model' for the MDA. The analysis should focus on the key issues for the particular reporting entity.</i></p>

Source	Checklist	GEM Listed Group Limited																																																																																										
GR 18.68(1) GR 18.79	Q1004 Q1005	<p>CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;"><u>Notes</u></th> <th colspan="2" style="text-align: center;"><u>Three months ended</u></th> <th colspan="2" style="text-align: center;"><u>Nine months ended</u></th> </tr> <tr> <th style="text-align: left;"></th> <th style="text-align: center;"></th> <th style="text-align: center;"><u>30/9/09</u></th> <th style="text-align: center;"><u>30/9/08</u></th> <th style="text-align: center;"><u>30/9/09</u></th> <th style="text-align: center;"><u>30/9/08</u></th> </tr> <tr> <th style="text-align: left;"></th> <th style="text-align: center;"></th> <th style="text-align: center;">(unaudited)</th> <th style="text-align: center;">(unaudited)</th> <th style="text-align: center;">(unaudited)</th> <th style="text-align: center;">(unaudited)</th> </tr> <tr> <th style="text-align: left;"></th> <th style="text-align: center;"></th> <th style="text-align: center;">HK\$'000</th> <th style="text-align: center;">HK\$'000</th> <th style="text-align: center;">HK\$'000</th> <th style="text-align: center;">HK\$'000</th> </tr> </thead> <tbody> <tr> <td>Turnover</td> <td></td> <td style="text-align: right;">258,504</td> <td style="text-align: right;">175,891</td> <td style="text-align: right;">775,512</td> <td style="text-align: right;">527,672</td> </tr> <tr> <td>Profit before taxation</td> <td style="text-align: center;">3</td> <td style="text-align: right;">16,220</td> <td style="text-align: right;">5,461</td> <td style="text-align: right;">48,659</td> <td style="text-align: right;">16,382</td> </tr> <tr> <td>Income tax expense</td> <td style="text-align: center;">4</td> <td style="text-align: right;">(2,757)</td> <td style="text-align: right;">(819)</td> <td style="text-align: right;">(8,271)</td> <td style="text-align: right;">(2,457)</td> </tr> <tr> <td>Profit for the period</td> <td></td> <td style="text-align: right;">13,463</td> <td style="text-align: right;">4,642</td> <td style="text-align: right;">40,388</td> <td style="text-align: right;">13,925</td> </tr> <tr> <td>Profit for the period attributable to:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Owners of the Company</td> <td></td> <td style="text-align: right;">10,165</td> <td style="text-align: right;">3,312</td> <td style="text-align: right;">30,494</td> <td style="text-align: right;">9,935</td> </tr> <tr> <td> Non-controlling interests</td> <td></td> <td style="text-align: right;">3,298</td> <td style="text-align: right;">1,330</td> <td style="text-align: right;">9,894</td> <td style="text-align: right;">3,990</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">13,463</td> <td style="text-align: right;">4,642</td> <td style="text-align: right;">40,388</td> <td style="text-align: right;">13,925</td> </tr> <tr> <td>Earnings per share</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> - Basic</td> <td></td> <td style="text-align: right;">8.46 cents</td> <td style="text-align: right;">3.01 cents</td> <td style="text-align: right;">25.39 cents</td> <td style="text-align: right;">9.02 cents</td> </tr> <tr> <td> - Diluted</td> <td></td> <td style="text-align: right;">5.63 cents</td> <td style="text-align: right;">2.60 cents</td> <td style="text-align: right;">17.67 cents</td> <td style="text-align: right;">7.77 cents</td> </tr> </tbody> </table>		<u>Notes</u>	<u>Three months ended</u>		<u>Nine months ended</u>				<u>30/9/09</u>	<u>30/9/08</u>	<u>30/9/09</u>	<u>30/9/08</u>			(unaudited)	(unaudited)	(unaudited)	(unaudited)			HK\$'000	HK\$'000	HK\$'000	HK\$'000	Turnover		258,504	175,891	775,512	527,672	Profit before taxation	3	16,220	5,461	48,659	16,382	Income tax expense	4	(2,757)	(819)	(8,271)	(2,457)	Profit for the period		13,463	4,642	40,388	13,925	Profit for the period attributable to:						Owners of the Company		10,165	3,312	30,494	9,935	Non-controlling interests		3,298	1,330	9,894	3,990			13,463	4,642	40,388	13,925	Earnings per share						- Basic		8.46 cents	3.01 cents	25.39 cents	9.02 cents	- Diluted		5.63 cents	2.60 cents	17.67 cents	7.77 cents
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GR 18.68(2) GR 18.76	Q1031	<p><i>Note: The GEM Rules do not require entities to prepare their quarterly interim financial reports in accordance with HKAS 34 Interim Financial Reporting. The GEM Rules merely require disclosures of certain profit or loss items in quarterly interim financial reports (see item Q1004 in Appendix IV to this guide). Therefore, when an entity chooses to present non-owner changes in equity in a single statement, we believe that nothing would preclude it from presenting a statement of comprehensive income that shows (a) profit or loss items and (b) items of other comprehensive income to satisfy the GEM Rules requirements. The above illustration assumes that GEM Listed Group Limited chooses to present only the income statement and the specified items required by the GEM Rules for inclusion in its quarterly interim financial reports.</i></p>																																																																																										

Source	Checklist	GEM Listed Group Limited
		<p>NOTES TO THE QUARTERLY INTERIM FINANCIAL REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009</p> <p>1. BASIS OF PREPARATION</p> <p>The interim financial information has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The amounts included in this interim financial report are computed based on the recognition and measurement requirements in accordance with HKAS 34 <i>Interim Financial Reporting</i>. However, this interim financial report does not contain sufficient information to constitute an interim financial report as defined in HKAS 34.</p> <p>2. SIGNIFICANT ACCOUNTING POLICIES</p> <p>The quarterly interim report has been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revalued amounts or fair values, as described in the Group's financial statements for the year ended 31 December 2008.</p> <p>The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2008, except for the adoption of the revised accounting policy for mail order catalogues, as described in the Group's half-year interim report for six months ended 30 June 2009.</p> <p>In addition, the Group has adopted HKAS 1 (as revised in 2007) <i>Presentation of Financial Statements</i> and HKFRS 8 <i>Operating Segments</i> since 1 January 2009, as described in the Group's half-year interim report for the six months ended 30 June 2009. The adoption of these new or revised Standards have had no impact on the reported results or financial position of the Group.</p> <p>Moreover, HKFRS 3 (as revised in 2008) <i>Business Combinations</i> and HKAS 27 (as revised in 2008) <i>Consolidated and Separate Financial Statements</i> have been adopted in advance of their effective dates in relation to a business combination that took place on 1 May 2009, as described in the Group's half-year interim report for the six months ended 30 June 2009. No business combinations took place during the three months ended 30 September 2009.</p>

Source	Checklist	GEM Listed Group Limited																																								
		<p>NOTES TO THE QUARTERLY INTERIM FINANCIAL REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 – continued</p> <p>3. PROFIT BEFORE TAXATION</p> <p>Profit before taxation is arrived at after crediting:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;"><u>Three months ended</u></th> <th colspan="2" style="text-align: center;"><u>Nine months ended</u></th> </tr> <tr> <th></th> <th style="text-align: center;"><u>30/9/09</u></th> <th style="text-align: center;"><u>30/9/08</u></th> <th style="text-align: center;"><u>30/9/09</u></th> <th style="text-align: center;"><u>30/9/08</u></th> </tr> <tr> <th></th> <th style="text-align: center;">HK\$'000</th> <th style="text-align: center;">HK\$'000</th> <th style="text-align: center;">HK\$'000</th> <th style="text-align: center;">HK\$'000</th> </tr> </thead> <tbody> <tr> <td>Share of results of associates</td> <td style="text-align: right;">1,295</td> <td style="text-align: right;">835</td> <td style="text-align: right;">3,884</td> <td style="text-align: right;">2,503</td> </tr> <tr> <td>Share of results of jointly controlled entities</td> <td style="text-align: right;">1,199</td> <td style="text-align: right;">522</td> <td style="text-align: right;">3,597</td> <td style="text-align: right;">1,564</td> </tr> <tr> <td>Share of taxation attributable to associates</td> <td style="text-align: right;">178</td> <td style="text-align: right;">43</td> <td style="text-align: right;">534</td> <td style="text-align: right;">129</td> </tr> <tr> <td>Share of taxation attributable to jointly controlled entities</td> <td style="text-align: right;">148</td> <td style="text-align: right;">26</td> <td style="text-align: right;">443</td> <td style="text-align: right;">78</td> </tr> <tr> <td></td> <td style="text-align: right;"><u> </u></td> <td style="text-align: right;"><u> </u></td> <td style="text-align: right;"><u> </u></td> <td style="text-align: right;"><u> </u></td> </tr> </tbody> </table>		<u>Three months ended</u>		<u>Nine months ended</u>			<u>30/9/09</u>	<u>30/9/08</u>	<u>30/9/09</u>	<u>30/9/08</u>		HK\$'000	HK\$'000	HK\$'000	HK\$'000	Share of results of associates	1,295	835	3,884	2,503	Share of results of jointly controlled entities	1,199	522	3,597	1,564	Share of taxation attributable to associates	178	43	534	129	Share of taxation attributable to jointly controlled entities	148	26	443	78		<u> </u>	<u> </u>	<u> </u>	<u> </u>
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GR 18.79(2) GR 18.79(3)	Q1004(b) Q1004(c)																																									
GR 18.79(2)	Q1004(b)	<p>The profit before taxation is arrived at after charging an amount of HK\$0.9 million arising from an impairment loss recognised in respect of the Company's manufacturing plant and machinery during the 3 months ended 30 September 2009. This loss has arisen due to the identification of obsolete machinery following a detailed inspection of all manufacturing locations.</p>																																								

Source	Checklist	GEM Listed Group Limited			
		NOTES TO THE QUARTERLY INTERIM FINANCIAL REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 – continued			
GR 18.79(3)	Q1004(c)	4. INCOME TAX EXPENSE			
			<u>Three months ended</u> <u>30/9/09</u> HK\$'000	<u>30/9/08</u> <u>30/9/08</u> HK\$'000	<u>Nine months ended</u> <u>30/9/09</u> HK\$'000
			<u>30/9/08</u> <u>30/9/08</u> HK\$'000	<u>30/9/08</u> <u>30/9/08</u> HK\$'000	<u>30/9/08</u> <u>30/9/08</u> HK\$'000
		Current tax:			
		Hong Kong	1,213	77	3,641
		Other jurisdictions	307	50	920
			<u>1,520</u>	<u>127</u>	<u>4,561</u>
			<u>1,520</u>	<u>127</u>	<u>4,561</u>
		Deferred tax for the current period	1,237	692	3,710
			<u>1,237</u>	<u>692</u>	<u>3,710</u>
		Taxation attributable to the Company and its subsidiaries	2,757	819	8,271
			<u>2,757</u>	<u>819</u>	<u>8,271</u>
			<u>2,757</u>	<u>819</u>	<u>8,271</u>
		Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the interim periods.			
		Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.			
GR 18.79(6)	Q1004(f)	5. DIVIDENDS			
		The directors do not recommend the payment of an interim dividend for the three months and nine months ended 30 September 2009 (2008: Nil). No dividends were paid during the period.			

Source Checklist GEM Listed Group Limited

GR 18.79(7)

Q1004(g)

NOTES TO THE QUARTERLY INTERIM FINANCIAL REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009 – continued

6. RESERVES

	Share premium account HK\$'000	Properties revaluation reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Attributable to the owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2008	22,232	38,478	321	(1,133)	149,786	209,684	1,286	210,970
- as originally stated								
- effect of changes in the accounting for mail order catalogues	-	-	-	-	(1,049)	(1,049)	-	(1,049)
- as restated	22,232	38,478	321	(1,133)	148,737	208,635	1,286	209,921
Profit for the period	-	-	-	-	9,935	9,935	3,990	13,925
Loss on revaluation of property	-	(1,985)	-	-	-	(1,985)	-	(1,985)
Exchange differences on translation of foreign operations	-	-	-	1,023	-	1,023	-	1,023
Income tax relating to components of other comprehensive income	-	317	-	-	-	317	-	317
Total comprehensive income for the period	-	(1,668)	-	1,023	9,935	9,290	3,990	13,280
Equity-settled share-based payments	-	-	1,286	-	-	1,286	-	1,286
As 30 September 2008	22,232	36,810	1,607	(110)	158,672	219,211	5,276	224,487
At 1 January 2009 - (as restated)	33,136	34,793	1,805	1,573	156,365	227,672	6,330	234,002
Profit for the period	-	-	-	-	30,494	30,494	9,894	40,388
Gain on revaluation of property	-	32,094	-	-	-	32,094	-	32,094
Exchange differences on translation of foreign operations	-	-	-	(1,344)	-	(1,344)	-	(1,344)
Income tax relating to components of other comprehensive income	-	(6,141)	-	-	-	(6,141)	-	(6,141)
Total comprehensive income for the period	-	25,953	-	(1,344)	30,494	55,103	9,894	64,997
Equity-settled share-based payments	-	-	401	-	-	401	-	401
At 30 September 2009	33,136	60,746	2,206	229	186,859	283,176	16,224	299,400

Source	Checklist	GEM Listed Group Limited																																																													
GR 18.68(1) GR 18.79(10)	Q1026	<p><u>ADDITIONAL INFORMATION REQUIRED BY THE GEM RULES</u></p> <p>PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES</p> <p>During the nine months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.</p>																																																													
GR 18.68(2) GR 18.69(1), (2) GR 18.70 GR 18.71 GR 18.71A	Q1006 to Q1014	<p>DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHARE OPTIONS</p> <p>At 30 September 2009, the interests of the directors and the chief executive of the Company in the shares and share options of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the GEM Rules), were as follows:</p> <p>Long positions</p> <p>(a) Ordinary shares of HK\$1 each of the Company</p> <table border="1"> <thead> <tr> <th><u>Name</u></th> <th><u>Capacity</u></th> <th><u>Number of issued ordinary shares held</u></th> <th><u>Percentage of the issued share capital of the Company</u></th> </tr> </thead> <tbody> <tr> <td colspan="4"><u>Directors</u></td> </tr> <tr> <td rowspan="2">Mr. Gary D.K. Wong</td> <td>Beneficial owner</td> <td>3,250,000</td> <td>2.7%</td> </tr> <tr> <td>Held by trust (note 1)</td> <td>3,250,000</td> <td>2.7%</td> </tr> <tr> <td></td> <td></td> <td><hr/></td> <td><hr/></td> </tr> <tr> <td></td> <td></td> <td>6,500,000</td> <td>5.4%</td> </tr> <tr> <td rowspan="3">Mr. Daniel D.D. Lee</td> <td>Held by spouse (note 2)</td> <td>1,700,000</td> <td>1.4%</td> </tr> <tr> <td>Held by controlled corporation (note 3)</td> <td>1,830,000</td> <td>1.5%</td> </tr> <tr> <td></td> <td><hr/></td> <td><hr/></td> </tr> <tr> <td></td> <td></td> <td>3,530,000</td> <td>2.9%</td> </tr> <tr> <td></td> <td></td> <td><hr/></td> <td><hr/></td> </tr> <tr> <td></td> <td></td> <td>10,030,000</td> <td>8.3%</td> </tr> <tr> <td></td> <td></td> <td><hr/><hr/></td> <td><hr/><hr/></td> </tr> <tr> <td colspan="4"><u>Chief executive</u></td> </tr> <tr> <td>Mr. Bruno Gimelli</td> <td>Beneficial owner</td> <td>11,000,000</td> <td>9.2%</td> </tr> <tr> <td></td> <td></td> <td><hr/><hr/></td> <td><hr/><hr/></td> </tr> </tbody> </table>	<u>Name</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held</u>	<u>Percentage of the issued share capital of the Company</u>	<u>Directors</u>				Mr. Gary D.K. Wong	Beneficial owner	3,250,000	2.7%	Held by trust (note 1)	3,250,000	2.7%			<hr/>	<hr/>			6,500,000	5.4%	Mr. Daniel D.D. Lee	Held by spouse (note 2)	1,700,000	1.4%	Held by controlled corporation (note 3)	1,830,000	1.5%		<hr/>	<hr/>			3,530,000	2.9%			<hr/>	<hr/>			10,030,000	8.3%			<hr/> <hr/>	<hr/> <hr/>	<u>Chief executive</u>				Mr. Bruno Gimelli	Beneficial owner	11,000,000	9.2%			<hr/> <hr/>	<hr/> <hr/>
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Source	Checklist	GEM Listed Group Limited			
	(b)	Share options			
		<u>Name</u>	<u>Capacity</u>	<u>Number of options held</u>	<u>Number of underlying shares</u>
		<u>Directors</u>			
		Mr. Gary D.K.Wong	Beneficial owner	120,000	120,000
		Mr. Daniel D.D. Lee	Held by spouse (note 2)	50,000	50,000
			Held by controlled corporation (note 3)	50,000	50,000
				100,000	100,000
				220,000	220,000
				220,000	220,000
		<u>Chief executive</u>			
		Mr. Bruno Gimelli	Beneficial owner	95,000	95,000
				95,000	95,000
		<i>Notes:</i>			
		1. <i>Mr. Gary D.K. Wong is deemed to be interested in 3,250,000 ordinary shares of the Company as he is the founder of ABC trust, which beneficially owns 3,250,000 ordinary shares of the Company.</i>			
		2. <i>Mr. Daniel D.D. Lee is deemed to be interested in 1,700,000 ordinary shares of the Company and 50,000 options to acquire shares of the Company, being the interests held beneficially by his spouse.</i>			
		3. <i>Mr. Daniel D.D. Lee beneficially owns 10,000 shares of HK\$1 each in XY Limited, representing approximately 40% of the issued share capital of that company. XY Limited beneficially owns 1,830,000 ordinary shares of the Company and 50,000 options to acquire shares of the Company.</i>			
		Other than as disclosed above, and nominee shares in certain subsidiaries held in trust for the Company at 30 September 2009, neither the directors nor the chief executive, nor any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.			

Source	Checklist	GEM Listed Group Limited																								
GR 18.68(2) GR 18.70 GR 18.71 GR 18.71B	Q1015 to Q1019	<p>SUBSTANTIAL SHAREHOLDERS</p> <p>As at 30 September 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests in the shares and share options of the Company:</p> <p>Long positions</p> <p>(a) Ordinary shares of HK\$1 each of the Company</p> <table border="1"> <thead> <tr> <th><u>Name</u></th> <th><u>Capacity</u></th> <th><u>Number of issued ordinary shares held</u></th> <th><u>Percentage of the issued share capital of the Company</u></th> </tr> </thead> <tbody> <tr> <td>Mr. Francis F.G. Chan</td> <td>Held by controlled corporation (note)</td> <td>15,500,000</td> <td>12.9%</td> </tr> <tr> <td>Entity Holdings Limited</td> <td>Beneficial owner</td> <td>15,500,000</td> <td>12.9%</td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black;">31,000,000</td> <td style="border-top: 1px solid black;">25.8%</td> </tr> </tbody> </table> <p>(b) Share options</p> <table border="1"> <thead> <tr> <th><u>Name</u></th> <th><u>Capacity</u></th> <th><u>Number of options held</u></th> <th><u>Number of underlying shares</u></th> </tr> </thead> <tbody> <tr> <td>Mr. Francis F.G. Chan</td> <td>Held by controlled corporation (note)</td> <td>40,000</td> <td>40,000</td> </tr> </tbody> </table> <p><i>Note: Mr. Francis F.G. Chan beneficially owns 100 shares of HK\$1 each in YZ Limited, representing approximately 60% of the issued share capital of that company. YZ Limited beneficially owns 15,500,000 ordinary shares of the Company and 40,000 options to acquire shares of the Company.</i></p>	<u>Name</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held</u>	<u>Percentage of the issued share capital of the Company</u>	Mr. Francis F.G. Chan	Held by controlled corporation (note)	15,500,000	12.9%	Entity Holdings Limited	Beneficial owner	15,500,000	12.9%			31,000,000	25.8%	<u>Name</u>	<u>Capacity</u>	<u>Number of options held</u>	<u>Number of underlying shares</u>	Mr. Francis F.G. Chan	Held by controlled corporation (note)	40,000	40,000
<u>Name</u>	<u>Capacity</u>	<u>Number of issued ordinary shares held</u>	<u>Percentage of the issued share capital of the Company</u>																							
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Mr. Francis F.G. Chan	Held by controlled corporation (note)	40,000	40,000																							
GR 18.68(2) GR 18.70	Q1015	Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2009.																								

APPENDIX IV

PRESENTATION AND DISCLOSURE CHECKLIST – INTERIM FINANCIAL REPORT (QUARTERLY)

Ref.	Requirement	Source
	Requirement to prepare	
Q1001	In respect of each of the first 3 and 9 months of each financial year, GEM listed entities are required to prepare a quarterly interim financial report.	GR 18.66
Q1002	Within 45 days of the end of each quarterly interim period, the quarterly interim financial report should be published.	GR 18.66
Q1003	As soon as is reasonably practicable after publishing the quarterly interim financial report, the interim financial report should be sent to:	GR 18.67 GR 18.03
	a) every member of the entity; and	
	b) every other holder of its listed securities.	
	<i>Note: The entity is required to send one copy of the quarterly interim financial report to the SEHK at the same time as it is sent to the holders of its listed securities with registered addresses in Hong Kong.</i>	GR 18.67 Note
	Quarterly interim results	
Q1004	The following information should be disclosed in the quarterly interim financial reports of all GEM listed entities, other than banking companies:	GR 18.68(1) GR 18.79
	a) turnover;	
	b) 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;	
	c) taxation on profits (Hong Kong and overseas), in each case indicating the basis of computation, with separate disclosure of the taxation on share of affiliated companies' profits;	
	d) profit (or loss) attributable to minority interests (referred to as non-controlling interests under HKFRS 3 (revised 2008));	
	e) profit (or loss) attributable to shareholders;	
	f) 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);	
	g) all movements to and from any reserves; and	
	h) earnings per share.	
Q1005	Comparative figures for the corresponding previous period are required to be disclosed in respect of the matters specified in item Q1004.	GR 18.68(1) GR 18.79

Ref.	Requirement	Source
	<p><i>Notes:</i></p> <p>1. <i>Where the items of information specified by item Q1004 are unsuited to the entity's activities, appropriate adjustments should be made. Where the requirements are unsuited to the entity's activities or circumstances, the SEHK may require suitable adaptations to be made.</i></p> <p>2. <i>The SEHK may authorise the omission of any information from the quarterly report if it considers:</i></p> <ul style="list-style-type: none"> ■ <i>such omission to be necessary or appropriate; or</i> ■ <i>that disclosure of such information would be contrary to the public interest or seriously detrimental to the entity,</i> <p><i>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.</i></p> <p>Directors' and chief executives' interests in shares and debentures</p> <p><i>Part XV of the SFO deals with the notification of interests and short positions held by chief executives and directors, and substantial shareholders, to the concerned listed entity and to the SEHK, and with the requirements for the listed entity to keep registers of such interests and short positions. Correspondingly, the Listing Rules and GEM Rules have set out quarterly report disclosure requirements. In particular, separate disclosure is required of:</i></p> <p>a) <i>the interests and short positions in any shares, underlying shares and debentures of the entity or any of its associated corporations, held by directors and chief executives at the end of the interim period;</i></p> <p>b) <i>the interests and short positions in any shares and underlying shares of the company or any of its associated corporations, held by substantial shareholders at the end of the interim period; and</i></p> <p>c) <i>the interests and short positions notified to the entity by other persons in accordance with the requirements of the SFO.</i></p>	<p>GR 18.68 Note 1</p> <p>GR 18.68 Note 2</p>
Q1006	<p>A statement is required at the end of the interim period showing:</p> <p>a) the interests of each director and chief executive of the entity in any shares, underlying shares and debentures of the entity or any of its associated corporations; and</p> <p>b) the short positions of each director and chief executive of the entity in any shares, underlying shares and debentures of the entity or any of its associated corporations,</p> <p>as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the entity and the SEHK pursuant to the required standards of dealing by directors of the entity as referred to in GR 5.46 <u>or, if there are no such interests or short positions, a statement of that fact.</u></p>	<p>GR 18.68(2) GR 18.69(1)</p>

Ref.	Requirement	Source
Q1007	The statement required under item Q1006 should specify the entity in which each interest or short position is held, the class to which the securities belong, and the number of such securities held.	GR 18.69(2)
Q1008	The statement required under Q1006 should describe the capacity in which each interest and short position is held, and the nature of the interest or short position, as disclosed in the prescribed form used by the director or chief executive when notifying the entity and the SEHK of the interest or short position.	GR 18.71
Q1009	<p>The following details are required to be disclosed for each director and chief executive:</p> <p>a) the aggregate long position in any shares and underlying shares, and in debentures, showing separately:</p> <p style="margin-left: 40px;">i) interests in shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds);</p> <p style="margin-left: 40px;">ii) interests in underlying shares held under equity derivatives (eg share options, warrants), specifying whether they are listed or unlisted, and whether they are to be settled by shares, by cash or by some other method; and</p> <p style="margin-left: 40px;">iii) interests in debentures; and</p> <p>b) the aggregate short position in any shares and underlying shares and in debentures, showing separately:</p> <p style="margin-left: 40px;">i) short positions in respect of shares arising under a stock borrowing and lending agreement; and</p> <p style="margin-left: 40px;">ii) short positions in underlying shares held under equity derivatives, specifying whether they are listed or unlisted, and whether they are to be settled by shares, by cash or by some other method.</p>	GR 18.71A
Q1010	The information required by item Q1009(a) and (b) is required to be separately disclosed for each entity in which an interest or a short position is held.	GR 18.71A
Q1011	The percentage of the issued share capital of the company or its associated corporation which each interest in shares represents should be disclosed.	GR 18.71A(1) Note 1 GR 18.71A(2) Note 1
Q1012	Where interests or short positions are held through corporations that are not wholly-owned by the director or chief executive, the percentage interests held by the director or chief executive in such corporations should be disclosed.	GR 18.71
Q1013	Particulars should be given of the extent of any duplication that occurs, between the interests of directors, chief executives, shareholders, their associates and substantial shareholders.	GR 18.70 Note

Ref.	Requirement	Source
Q1014	<p>Where interests arising from the holding of securities as qualifying shares are not disclosed pursuant to the exception allowed in GR 18.69(2), a general statement should be made to indicate that the directors hold qualifying shares.</p> <p><i>Note: GR 18.69(2) allows that non-beneficial interests of directors and chief executives need not be disclosed if they are holdings of qualifying shares, or if the interest is held solely for the purpose of ensuring that the relevant subsidiary has more than one member and there is a legally enforceable declaration of trust in favour of the parent entity of that subsidiary.</i></p> <p><i>Notes:</i></p> <ol style="list-style-type: none"> 1. For these purposes, a "director" includes a shadow director and any person occupying the position of director by whatever name called. A "shadow director" means a person in accordance with whose directions or instructions the directors of a company are accustomed to act. 2. For these purposes, a "chief executive" means a person employed or otherwise engaged by a corporation who, either alone or together with one or more persons, is or will be responsible under the immediate authority of the board of directors, for the conduct of the business of the corporation. 3. "Associated corporation" means a corporation: <ul style="list-style-type: none"> ■ which is a subsidiary or holding company of the company or a subsidiary of the company's holding company; or ■ (not being a subsidiary of the company) in which the company has an interest in the shares of a class of exceeding 20% of the nominal value of the issued shares of that class. 4. Interests and short positions of a director or a chief executive extend to include interests held by the following persons and trusts: <ul style="list-style-type: none"> ■ his or her spouse; ■ children under the age of 18; ■ their respective controlled companies (with control of management or one third of the voting rights, either directly or indirectly through another corporation in which they control one third of the voting rights); ■ persons having a joint interest or short position with him or her; ■ a trust, if he or she is a trustee of the trust (other than a trust where he or she is a bare trustee); ■ a discretionary trust, if he or she is a founder of the trust; and ■ a trust, if he or she is a beneficiary. 	<p>GR 18.69(2) Note</p> <p>SFO Schedule 1</p> <p>SFO s308</p> <p>SFO s308</p> <p>SFO s344(1)</p> <p>SFO s344(2)</p> <p>SFO s344(3)</p> <p>SFO s344(4)</p> <p>SFO s346</p> <p>SFO s345(4)(b)</p> <p>SFO s345(4)(a)</p>

Ref.	Requirement	Source
	<p>5. <i>A long position under an equity derivative arises where a person is a party to an equity derivative, by virtue of which the person:</i></p> <ul style="list-style-type: none"> ■ <i>has a right to take the underlying shares; or</i> ■ <i>is under an obligation to take the underlying shares; or</i> ■ <i>has a right to receive money if the price of the underlying shares increases; or</i> ■ <i>has a right to avoid or reduce a loss if the price of the underlying shares increases.</i> <p>6. <i>A short position under an equity derivative arises where the person is the borrower of shares under a securities borrowing and lending agreement, has an obligation to deliver the underlying shares to another, or where the person is the holder, writer or issuer of any equity derivative, by virtue of which the person:</i></p> <ul style="list-style-type: none"> ■ <i>has a right to require another person to take the underlying shares of the equity derivatives; or</i> ■ <i>is under an obligation to deliver the underlying shares of the equity derivatives to another person; or</i> ■ <i>has a right to receive money if the price of the underlying shares declines; or</i> ■ <i>has a right to avoid or reduce a loss if the price of the underlying shares declines.</i> <p>7. <i>Compliance with the requirements in respect of the interests and short positions of each director and chief executive in any associated corporation may be modified or waived if, in the opinion of the SEHK, full disclosure would result in particulars being given which are not material in the context of the entity and are of excessive length.</i></p>	<p>GR 18.71A(1) Note 2</p> <p>GR 18.71A(2) Note 2</p> <p>GR 18.69(1)</p>
	<p>Substantial shareholders</p> <p>Q1015 A statement is required, as at the end of the interim period, showing interests and short positions in the shares and underlying shares of the entity, other than those of the directors and chief executives, as recorded in the register required to be kept under section 336 of the SFO and the amount of such interests and short positions <u>or, if there is no such interest or short position recorded in the register, a statement of that fact.</u></p>	<p>GR 18.68(2) GR 18.70</p>
Q1016	<p>The statement required under item Q1015 should describe the capacity in which each interest or short position is held, and the nature of the interest or short position, as disclosed in the prescribed form used by the substantial shareholder when notifying the entity and the SEHK of the interest or short position.</p>	<p>GR 18.71</p>

Ref.	Requirement	Source
Q1017	<p>The following details are required to be disclosed for each substantial shareholder:</p> <p>a) the aggregate long position in the shares and underlying shares of the entity, showing separately:</p> <p style="padding-left: 20px;">i) interests in shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds); and</p> <p style="padding-left: 20px;">ii) interests in underlying shares held under equity derivatives (eg share options, warrants), specifying whether they are listed or unlisted, and whether they are to be settled by shares or by cash; and</p> <p>b) the aggregate short position in shares and underlying shares of company, showing separately:</p> <p style="padding-left: 20px;">i) short positions in respect of shares arising under a stock borrowing and lending agreement; and</p> <p style="padding-left: 20px;">ii) short positions in underlying shares held under equity derivatives, specifying whether they are listed or unlisted, and whether they are to be settled by shares or by cash.</p>	GR 18.71B
Q1018	The percentage of the issued share capital of the entity which each interest in shares represents should be disclosed.	GR 18.71B(1) Note 1 GR 18.71B(2) Note 1
Q1019	<p>Where interests or short positions are held through corporations that are not wholly-owned by the substantial shareholder, the percentage interests held by the substantial shareholder should be disclosed.</p> <p><i>Notes:</i></p> <p>1. <i>A duty to disclose under this section arises where a person has a notifiable interest. A person has a notifiable interest at any time where he is interested in shares comprised in the relevant share capital of the company with an aggregate nominal value representing not less than 5%, or such other percentage prescribed by regulations, of the issued equity share capital.</i></p> <p>2. <i>A duty to disclose short positions arises where a person has a notifiable interest (as defined in the previous paragraph), and has a short position in shares comprised in the relevant share capital of the company, representing not less than 1%, or such other percentage prescribed by regulations, of the issued equity share capital.</i></p> <p>3. <i>"Relevant share capital" means the company's issued share capital of a class which carry rights to vote in all circumstances at general meetings of the corporation, including unissued shares in the company's share capital of a class, which if issued, would carry rights to vote in all circumstances at general meetings of the company.</i></p> <p>4. <i>"Issued equity share capital" means the company's issued share capital of a class which carry rights to vote in all circumstances at general meetings of the company.</i></p>	<p>GR 18.71</p> <p>SFO s311(3) SFO s315(1)</p> <p>SFO s313(5) SFO s315(1)</p> <p>SFO s308</p> <p>SFO s308</p>

Ref.	Requirement	Source
	<p>5. <i>A person's interests and short positions in shares include those held by the following persons and trusts:</i></p> <ul style="list-style-type: none"> ■ <i>his or her spouse, or any child of his/hers under 18;</i> ■ <i>their respective controlled companies (with control of management or one third of the voting rights of such companies either directly or through another corporation in which they control one third of the voting rights);</i> ■ <i>parties to any agreement to acquire shares in the relevant share capital of the company, if (i) the agreement includes provisions imposing obligations or restrictions on the use, retention or disposal of their interest; (ii) the agreement provides for the making of a loan or the providing of security for a loan, by a controlling person or a director of the company to any person on the understanding or with the knowledge that such loan would be used for the acquisition of the interests; and (iii) any interest in the company's shares is in fact acquired by any of the parties pursuant to an agreement;</i> ■ <i>a trust, if he or she is a trustee of the trust, other than a trust where he or she is a bare trustee;</i> ■ <i>a discretionary trust, where he or she is the founder of the trust; and</i> ■ <i>a trust, where he or she is a beneficiary, other than discretionary trust.</i> 	<p>SFO s316(1)</p> <p>SFO s316(2)</p> <p>SFO s317</p> <p>SFO s323</p> <p>SFO s322(4)(b)</p> <p>SFO s322(4)(a)</p>
	<p>6. <i>Interests and short positions held by controlled companies on behalf of their customers in the ordinary course of their businesses as an investment manager, custodian or trustee are excluded, provided that specific conditions under section 316(5) of the SFO are met.</i></p>	
	<p>7. <i>The circumstances under which a long position arises under an equity derivative are set out in Note 5 to the previous section "Directors' and chief executives' interests in shares".</i></p>	<p>GR 18.71B(1) Note 2</p>
	<p>8. <i>The circumstances under which a short position arises under an equity derivative are set out in Note 6 to the previous section "Directors' and chief executives' interests in shares".</i></p>	<p>GR 18.71B(2) Note 2</p>
	<p>Other notifiable interests</p>	
Q1020	<p>A statement is required of other interests recorded in the register kept by the entity under section 336 of the SFO.</p> <p><i>Note: Under the SFO, certain persons other than directors and chief executives, and substantial shareholders, are required to make notification of interests and short positions in shares and underlying shares of the entity to the entity and to the SEHK. To the extent that such interests and short positions are recorded in the entity's register (kept under section 336 of the SFO), disclosure in the quarterly report is required. The disclosure requirements are the same as those set out in the previous section in relation to substantial shareholders.</i></p>	<p>GR 18.68(2) GR 18.70 GR 18.71C</p>

Ref.	Requirement	Source
	<p>Exposure to borrowers and other specific circumstances that may require disclosures</p> <p>Notes:</p> <p>1. <i>GR 17.14 to 17.24 give guidance on specific circumstances (see below) that may require timely public disclosure under the general disclosure obligation placed on entities under GR 17.10. If any of the specified circumstances occurs, the entity is required to make an immediate public announcement immediately. In addition, if the circumstances specified in GR 17.15 to 17.21 continue to exist at the entity's quarter end, specific disclosures are required.</i></p> <p>2. <i>The specific circumstances addressed by GR 17.15 to 17.21 include:</i></p> <ul style="list-style-type: none"> ■ <i>an advance to an entity amounting to more than 8% of the assets ratio and any subsequent increase of such amount accounting for 3% or more of the assets ratio;</i> <p style="margin-left: 40px;"><i>Note: For the purposes of GR 17.15 and 17.16, trade receivables (other than as a result of the provision of financial assistance) arose in the ordinary and usual course of business of the listed entity and trade receivables arose from transactions that were on normal commercial terms should not be regarded as relevant advances to an entity.</i></p> <ul style="list-style-type: none"> ■ <i>financial assistance and guarantees to affiliated companies together in aggregate amounting to more than 8% of the assets ratio;</i> ■ <i>pledging of shares by the controlling shareholder to secure debts of the entity, or to secure guarantees or support other obligations of the entity;</i> ■ <i>loan agreements which include conditions imposing specific performance obligations on a controlling shareholder where breaches of such obligations will cause a default in respect of loans that are significant to the operations of the entity, and</i> ■ <i>breaches of the terms of a loan agreement by the entity such that the lender may demand immediate repayment of a significant loan.</i> <p>3. <i>In addition, GR 17.43 imposes disclosure obligations in respect of the pledging or charging of any interests in the securities of the entity by controlling shareholder. If the circumstances continue to exist, disclosure is required in subsequent quarterly reports.</i></p> <ul style="list-style-type: none"> ■ <i>The expression "affiliated company" refers to a company which, in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is recorded using the equity method of accounting in an entity's financial statements. Therefore, affiliated companies include associates and jointly controlled entities as defined in those Standards.</i> 	<p>GR 17.15 GR 17.16 GR 17.17A</p> <p>GR 17.18</p> <p>GR 17.19</p> <p>GR 17.20</p> <p>GR 17.21</p> <p>GR 17.23 GR 17.43</p> <p>GR 1.01</p>

Ref.	Requirement	Source
	<i>Advances to an entity</i>	
Q1021	<p>Where the entity has been required to make disclosure during the period in respect of advances to another entity, and the circumstances giving rise to the disclosure continue to exist at the quarter end, the following information (as at the period end) should be included in the quarterly report:</p> <p>a) details of the balances;</p> <p>b) the nature of events or transactions giving rise to the amounts;</p> <p>c) the identity of the debtor entity; and</p> <p>d) interest rate, repayment terms and collateral.</p> <p><i>Note: A general disclosure obligation arises where the relevant advance to an entity exceeds 8% of the assets ratio. The expression 'relevant advance to an entity' refers to the aggregate of amounts due from and all guarantees given on behalf of:</i></p> <ul style="list-style-type: none"> ■ <i>an entity;</i> ■ <i>the entity's controlling shareholder;</i> ■ <i>the entity's subsidiaries;</i> ■ <i>the entity's affiliated companies; and</i> ■ <i>any other entity with the same controlling shareholder as the entity in question.</i> 	<p>GR 18.68(2) GR 18.73 GR 17.22 GR 17.17</p> <p>GR 17.15 GR 17.14 Note 2</p>
	<i>Financial assistance and guarantees to affiliated companies of the listed entity</i>	
Q1022	<p>Where the entity has been required to make disclosure during the period in respect of financial assistance and guarantees to affiliated companies, and the circumstances giving rise to the disclosure continue to exist at the quarter end, the quarterly report should include a combined statement of financial position of affiliated companies as of the latest practicable date.</p> <p><i>Notes:</i></p> <p>1. <i>A general disclosure obligation arises where financial assistance given to affiliated companies of the entity, and guarantees given for facilities granted to affiliated companies, together in aggregate exceed 8% of the assets ratio.</i></p> <p>2. <i>The combined statement of financial position of affiliated companies should include significant classifications shown on the statement of financial position and state the effective economic interest of the entity in the affiliated companies. In cases where it is not practicable to prepare the combined statement of financial position of affiliated companies, the SEHK, on application from the entity, may consider accepting, 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.</i></p>	<p>GR 18.68(2) GR 18.73 GR 17.24 GR 17.18</p> <p>GR 17.18</p> <p>GR 17.24</p>

Ref.	Requirement	Source
Q1023	<p><i>Pledging of shares by the controlling shareholder</i></p> <p>Where the entity has been required to make disclosure during the period because the controlling shareholder has pledged its interest in shares of the entity to secure debts of the entity, and the circumstances continue to exist at the quarter end, the following disclosures should be made in the quarterly report:</p> <ul style="list-style-type: none"> a) the number and class of shares pledged; b) the amount of debts, guarantees or other support for which the pledge is made; and c) any other details that are considered necessary for an understanding of the arrangements. <p><i>Note: A disclosure obligation arises where the controlling shareholder of the entity has pledged its interest in shares of the entity to secure debts of the entity or to secure guarantees or support other obligations of the entity.</i></p>	<p>GR 18.68(2) GR 18.73 GR 17.23 GR 17.19</p>
Q1024	<p><i>Loan agreements imposing specific performance on controlling shareholder</i></p> <p>Where the entity has been required to make disclosure during the period in respect of loan agreements with covenants relating to specific performance of the controlling shareholder, and breaches of such obligations will cause a default in respect of loans that are significant to the operations of the entity, and the circumstances continue to exist at the quarter end, the following disclosures should be made in the quarterly report:</p> <ul style="list-style-type: none"> a) the aggregate level of the facilities that may be affected by such a breach; b) the life of the facility; and c) the specific performance obligation imposed on any controlling shareholder. <p><i>Note: A disclosure obligation arises where the entity (or any of its subsidiaries) has entered into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholder (eg a requirement to maintain a specified minimum holding in the share capital of the entity), and breach of such obligation will cause a default in respect of loans that are significant to the operations of the entity.</i></p>	<p>GR 18.68(2) GR 18.73 GR 17.23 GR 17.20</p>

Ref.	Requirement	Source
Q1025	<p>Breaches of loan agreements – general</p> <p>If disclosure has been required during the period of a breach of terms of a loan agreement by the entity, and the circumstances continue to exist at the quarter end, disclosure of the circumstances is also required in the quarterly report.</p> <p><i>Note: A disclosure obligation arises where there is a breach of the terms of a loan agreement by the entity for a loan that is significant to the operations of the entity, such that the lender may demand immediate repayment of the loan and where the lender has not issued a waiver in respect of the breach.</i></p>	<p>GR 18.68(2) GR 18.73 GR 17.23 GR 17.21</p>
Q1026	<p>Purchase, sale or redemption of securities</p> <p>The entity should disclose particulars of any purchase, sale or redemption by the entity or any of its subsidiaries, of its listed securities during the relevant period, <u>or make an appropriate negative statement.</u></p>	<p>GR 18.68(1) GR 18.79(10)</p>
Q1027	<p>Statement of investment risk</p> <p>Each quarterly report should contain, in a prominent position and in bold type, a statement about the characteristics of GEM, as follows:</p> <p>"Characteristics of The Growth Enterprise Market (GEM) of The Stock Exchange of Hong Kong Limited ("the Exchange")</p> <p>GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.</p> <p>Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.</p>	<p>GR 18.68 Note 4 GR 2.20</p>
Q1028	<p>Management discussion and analysis</p> <p>The entity should provide an explanatory statement relating to the activities of the entity 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 entity, 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 entity in the current financial year.</p>	<p>GR 18.68(2) GR 18.72</p>

Ref.	Requirement	Source
	Compliance Adviser's interests	
Q1029	Disclosure is required of the interests (if any) of the Compliance Adviser and its directors, employees and associates, as notified to the entity pursuant to GR 6A.32.	GR 18.68(2) GR 18.75
	Interests in competitors	
Q1030	Disclosure is required of any business or interest of each director, management shareholder and their respective associates of each that competes or may compete with the business of the entity and any other conflicts of interest which any such person has or may have with the entity.	GR 18.68(2) GR 18.75 GR 11.04
	The disclosures made should include:	GR 11.04 Note 3
	a) the name of each entity;	
	b) the nature of its business; and	
	c) details of the directorship and /or ownership of the entity's directors, management shareholders and substantial shareholders and their respective associates in such entity.	
	<i>Note: For these purpose, a controlling shareholder is deemed to be a management shareholder.</i>	GR 11.04 Note 1
	Audit review of quarterly financial report	
Q1031	Each quarterly report must state where or not the information provided therein has been audited (and, if so, must set out a copy of the auditor's report thereon). In the event that the auditor's report thereon (if any) has been qualified or modified, details of such qualification or modification must be set out in the quarterly report.	GR 18.68(2) GR 18.76
	Preliminary announcement of quarterly results	
Q1032	The next business day after the date of board approval of the quarterly report (and in any event, not later than 45 days after the end of the quarter), the entity is required to publish on the GEM website a preliminary announcement in respect of its results for the quarter, containing the information specified for disclosure under items Q1004 and Q1026 above.	GR 18.79
	Additional information	
Q1033	The entity should disclose any supplementary information which, in the opinion of the directors, is necessary for a reasonable appreciation of the results for the relevant period.	GR 18.68(2) GR 18.74

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Interim financial reporting in Hong Kong - A guide for the preparation of interim financial reports is part of a series of publications that provide preparers with useful guidance on the preparation of financial statements in accordance with Hong Kong Financial Reporting Standards (HKFRSs) and the applicable Main Board Listing Rules/GEM Rules.

Specifically, this book prescribes the requirements to prepare interim financial reports, the content and the principles for the recognition and measurement requirements for interim reporting purposes, in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* and the relevant Main Board Listing Rules/GEM Rules. In addition, this book contains illustrative interim financial reports (both half-year and quarterly) prepared by fictitious reporting entities. These illustrative interim financial reports take into account Hong Kong Financial Reporting Standards (HKFRSs) that are effective for periods beginning on or after 1 January 2009.

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