

Chapter 7

GENERAL

ACCOUNTANTS' REPORTS

Basic contents of accountants' report for a listing document

- 7.03 In the case of a new applicant (rule 7.01(1)) and an offer of securities to the public for subscription or purchase falling within rule 7.01(2), the accountants' report must include:—

Statement of ~~movements-changes~~ in equity

- (4B) a statement of ~~movements-changes~~ in equity of the issuer ~~other than those arising from capital transactions with shareholders and distributions to shareholders~~ for each of the two financial years to which the latest audited accounts of the issuer have been made up;

Basic contents of accountants' report for certain notifiable transaction circulars

- 7.05 In the cases referred to in rule 7.01(3) concerning a circular in connection with a major transaction, a very substantial acquisition or a reverse takeover, the accountants' report must include:—

Three year statement of ~~movements-changes~~ in equity

- (2B) a statement of ~~movements-changes~~ in equity of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited accounts of the issuer have been made up, in each case for each of the three financial years (or for each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) to which the latest audited accounts of such business or company (as the case may be) have been made up;

Chapter 18

EQUITY SECURITIES

FINANCIAL INFORMATION

Annual reports

Information to accompany directors' report and annual accounts

18.07 The listed issuer shall include the information set out in rules 18.08 to 18.48 in its directors' report and annual accounts. Each set of financial statements presented in an annual report shall include, at a minimum, the components set out below. Unless stated to the contrary the financial information specified in these rules may be included outside the financial statements and will therefore be outside the scope of the auditors' report on the financial statements. The income statement and balance sheet set out in the financial statements must include at least the information set out in rule 18.50A. Banking companies (meaning banks, restricted licence banks and deposit-taking companies as defined in the Banking Ordinance) shall, in addition, comply with the Financial Disclosure by Locally Incorporated Authorized Institutions as issued by the Hong Kong Monetary Authority.

- (1) balance sheet;
- (2) income statement;
- (3) cash flow statement;
- (4) statement of ~~movements~~ changes in equity ~~other than those arising from capital transactions with shareholders and distributions to shareholders;~~
- (5) comparative figures for the statements referred to in (1) to ~~(3)~~ (4) immediately above for the corresponding previous period; and
- (6) accounting policies and explanatory notes.

Notes: 1 The Exchange may authorise the omission from an annual 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 listed issuer. The Exchange will only authorise such omission provided 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 listed issuer or its representatives will be responsible for the correctness and relevance of the facts on which any application for such exemption is based.

2 The annual report and accounts must contain, at a prominent position, and in bold type, a statement about the characteristics of GEM, in the form set out in rule 2.20.

3 If an accounting estimate reported in prior interim period of the current financial year is changed during the subsequent interim period of the same financial year and has a material effect in that subsequent interim period, the nature and amount of a change in an accounting estimate that has a material effect in the current financial year or which is expected to have a material effect in subsequent periods should be disclosed. If it is impracticable to quantify the amount, this fact should be disclosed.

18.35 ~~Where-If~~ the listed issuer has caused any property assets to be valued (in accordance with Rule 8.01) or has caused any valuation to be made of any other tangible assets and included such a valuation in the prospectus relating to the initial public offer of shares in the listed issuer and those assets are not stated at such valuation (or at subsequent valuation) in its first annual accounts published after listing, then the listed issuer is required to disclose the following additional information in its first annual report published after listing:-

- ~~(1) the amount of such valuation of those properties or other tangible assets as included in the prospectus; and~~
- ~~(2) the additional depreciation (if any) that would be charged against the income statement had those assets been stated at such valuation (or subsequent valuation). the assets shall be stated in the listed issuer's financial statements at such valuation (or subsequent valuation) less the aggregate amount provided or written off for depreciation or diminution in value unless:
 - ~~(1) such assets fall to be treated as investment properties in which case they will be accounted for in the manner specified for such properties in Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants from time to time or the International Accounting Standards as promulgated by the International Accounting Standards Committee from time to time (as appropriate); or~~
 - ~~(2) the ordinary course of business of the listed issuer and the group includes property development and the properties which have been valued are in the course of development or are held for future development and have been classified as such in the accounts of the listed issuer or the group in which case they will be accounted for in accordance with the listed issuer's or the group's accounting policy for such properties; and~~~~

~~in addition, listed issuers are required to state, by way of a note on the financial statements, the additional depreciation (if any) charged against the profit and loss account for the period as a consequence of complying with this rule.~~

~~Note: See also rule 18.46 concerning PRC properties.~~

Preliminary announcement of results for the financial year

Content of preliminary announcement

18.50 The preliminary announcement of results for the financial year must confirm that the issuer's annual accounts have been audited and must contain at least the following information in respect of the group:

- (1) the audited financial statements and the auditors' report thereon. The audited financial statements shall include, at a minimum, the following components:
 - (a) balance sheet;
 - (b) income statement;
 - (c) cash flow statement;
 - (d) statement of ~~movements-changes~~ in equity ~~other than those arising from capital transactions with shareholders and distributions to shareholders;~~

- (e) comparatives figures for the statements referred to in (a) to ~~(e)-(d)~~ above inclusive for the corresponding previous period; and
- (f) accounting policies and explanatory notes;

Half-year reports

Content of half-year reports

18.55 Each half-year report shall contain at least the following information in respect of the group:—

- (1) interim financial statements, which shall include, at a minimum, the following components:
 - (a) balance sheet as of the end of the current interim period and a comparative balance sheet as of the end of the immediately preceding financial year;
 - (b) income statements for the current interim period and cumulatively for the current financial year to date, with comparative income statements for the comparable interim periods (current and year-to-date) of the immediately preceding financial year;
 - (c) cash flow statement 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;
 - (d) statement showing movements-changes in equity ~~other than those arising from capital transactions with shareholders and distributions to shareholders~~ 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
 - (e) accounting policies and explanatory notes.

Appendix 1

CONTENTS OF LISTING DOCUMENTS

Part A

Equity Securities

In the case where listing is sought for equity securities of an issuer no part of whose share capital is already listed

Information about the securities for which listing is sought and the terms and conditions of their issue and distribution

21. A statement of the net tangible asset backing for each class of security for which listing is sought, after making allowance for any new securities to be issued, as detailed in the listing document.
(Note 11)

NOTES

- 11. Where an issuer has caused any property assets to be valued (in accordance with Rule 8.01) or has caused any valuation to be made of any other tangible assets and included such a valuation in the prospectus relating to its initial public offer, the issuer is required to state in its prospectus, by way of note to the adjusted net tangible asset statement, the additional depreciation (if any) that would be charged against the income statement had such assets been stated at valuation.*