Illustrative Interim Financial Report

Under HKFRS Accounting Standards

June 2025

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June 2025

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Contents

Abbreviations

Examples of abbreviations used	Sources
CO	Hong Kong Companies Ordinance (Cap. 622)
S436	Section 436 of the Hong Kong Companies Ordinance (Cap. 622)
HKICPA	Hong Kong Institute of Certified Public Accountants
HKFRS	Hong Kong Financial Reporting Standard
HKAS	Hong Kong Accounting Standard
HKAS 34.C7	Paragraph 7 of Appendix C to Hong Kong Accounting Standard 34
HK (IFRIC)	HK (IFRIC) Interpretation
HK (SIC)	HK (SIC) Interpretation
HK (INT)	HK Interpretation
HKSRE	Hong Kong Standard on Review Engagements
HKSRE 2410.43(a)	Paragraph 43(a) of Hong Kong Standard on Review Engagements 2410
IASB	International Accounting Standards Board
SEHK	The Stock Exchange of Hong Kong Limited
MBLRs	Main Board Listing Rules of the SEHK
D2(40)(1)	Paragraph 40(1) of Appendix D2 to the MBLRs
R13.51A	Rule 13.51A of the MBLRs
CP	Current common practice in Hong Kong or recommended by KPMG (but not specifically required or recommended in any of the various guidelines or standards)

Foreword

This Guide has been prepared primarily to provide guidance for companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (SEHK), which are required to prepare their interim reports in accordance with the applicable disclosure provisions of the Main Board Listing Rules of the SEHK (MBLRs).

This Guide includes:

- an illustrative interim financial report for the six months ended 30 June 2025 issued by a fictitious Main Board listed company, HK Listco Ltd (HK Listco), together with the independent auditor's review report;

- further information on new or amended HKFRS Accounting Standards, including a brief overview of their scope and requirements;

- a table of recent IFRIC agenda decisions, including concise summaries of IFRIC technical conclusions, starting from January 2024; and

- a highlight of HKICPA financial reporting guidance that may have a pervasive impact on entities reporting under HKFRS Accounting Standards.

Recent financial reporting developments

Appendix A to this Guide sets out a list of new or amended HKFRS Accounting Standards which were not yet effective for the 2024 calendar year-ends and therefore may need to be considered for the first time in the preparation of the 2025 interim financial report, including a brief overview of these new or amended HKFRS Accounting Standards. The list is current as of 30 June 2025 and contains two tables:

- table A1 lists those new or amended HKFRS Accounting Standards which are required to be adopted in annual accounting periods beginning on or after 1 January 2025; and

- table A2 lists other new or amended HKFRS Accounting Standards which are available for early adoption in that period, but are not yet mandatory.

All of these new or amended HKFRS Accounting Standards arise from the HKICPA adopting equivalent changes made to IFRS® Accounting Standards by the International Accounting Standards Board (the IASB), word for word and with the same effective dates and transitional provisions. As of 30 June 2025, there are no new standards or amendments to IFRS Accounting Standards which the HKICPA has yet to adopt.

As can be seen from table A1, amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* are the only amendments to the HKFRS Accounting Standards which are required to be adopted for the first time in the 2025 interim financial report. The amendments specify when a currency is "exchangeable" into another currency and when it is not and, when a currency is not exchangeable, how an entity determines a spot rate for measurement purposes. Under the amendments, an entity is required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. As the amendments are of significance only to entities with specific currency exposures, material changes in accounting policies are not expected to be common. However, it is possible that some entities will be affected by these amendments. Management of each entity should check carefully to see whether these amendments could have a material impact on the entity and, if so, to note the transitional requirements. Care should also be taken to tailor the disclosures to suit the entity's circumstances, particularly in the discussion of changes in accounting policies resulting from the amendments.

In January 2025 the HKICPA issued further guidance on accounting for the abolition of the mandatory provident fund (MPF) – long service payment (LSP) offsetting arrangement, specifically regarding the accounting for the related government subsidy scheme (the Subsidy). In this Guide, it is assumed that HK Listco did not receive any Subsidy during the interim period. Further details of the HKICPA guidance can be found in Appendix C to this Guide.

In addition to the above developments, Appendix B to this Guide includes a summary of the IFRIC agenda decisions issued since January 2024, starting with the most recent decisions as of the time of writing. Considering that HKFRS Accounting Standards are derived from IFRS Accounting Standards word-for-word, entities preparing financial statements under HKFRS Accounting Standards or IFRS Accounting Standards are expected to change their accounting policies to align with the guidance in the final agenda decisions, to the extent their existing accounting policies differ from those described in the agenda decisions. The IASB's expectation is that "any necessary accounting policy changes will be implemented on a timely basis—in other words, as soon and as quickly as possible".

Apart from the above, in March 2025, the HKICPA replaced the references to "Hong Kong Financial Reporting Standards" with "HKFRS Accounting Standards" to mirror a similar change with the international standards to better differentiate the financial reporting standards from the sustainability disclosure standards, both of which are issued by the HKICPA.

Other developments

Locally, on 6 June 2025, the Hong Kong SAR Government gazetted the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 (the "2025 Amendment Ordinance") to introduce the global and domestic minimum top-up taxes in Hong Kong, effective for fiscal years beginning on or after 1 January 2025. In this Guide, it is assumed that HK Listco is part of a multinational enterprise group that falls into the scope of these taxes. The disclosures in note 6 to the illustrative interim financial report have been updated for the impacts of these minimum top-up taxes. Further details of the 2025 Amendment Ordinance can be found in footnote 56.

Globally, the recent rapid changes in import tariffs and the resulting economic uncertainties may have ripple effects on the businesses and financial reporting of many entities. Entities should consider carefully these effects both in terms of measurement and disclosures when preparing interim financial reports. In particular, where relevant and material, clear and meaningful disclosures about these effects, including the impact on significant judgement and assumptions, may be required. These effects vary from one entity to the other, and are not specifically illustrated in this Guide.

Illustrative
Interim Financial Report

(for a company listed on the Main Board of the Stock Exchange of Hong Kong)

30 June 2025

This "illustrative interim financial report" is produced by KPMG China's Audit Quality & Professional Practice and is for the use of clients, partners and staff of KPMG. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. In particular, it does not necessarily illustrate all the regulatory or HKFRS Accounting Standard disclosures that may need to be made to reflect the particular circumstances of a reporting entity.

The illustrative interim financial report should not be used as a substitute for referring to the rules, standards and interpretations themselves, in part because a specific requirement may not be addressed in this illustration or there may be uncertainty regarding the correct interpretation of a rule or HKFRS Accounting Standards. Also, the impact of any requirements that may result from current exposure drafts or other current projects of the SEHK, HKICPA, IASB or its interpretive body, IFRS Interpretations Committee, is not illustrated.

Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. All entities and persons mentioned herein are fictitious. Any resemblance to any entities or persons is purely coincidental.

Introduction

The following interim financial report is prepared in accordance with HKAS 34, *Interim financial reporting*, issued by the HKICPA. An "interim financial report" is defined in HKAS 34 as a financial report containing either a complete set of financial statements (as described in HKAS 1, *Presentation of financial statements*) or, as is illustrated here, a set of condensed financial statements (as described in HKAS 34) for an interim period together with selected explanatory notes. An interim period is a financial reporting period shorter than a full financial year.

The interim financial report is assumed to have been issued by a fictitious Main Board listed company, HK Listco Ltd (HK Listco), as a component of their interim report. HK Listco and its subsidiaries are primarily involved in the businesses of manufacturing and sale of electronic products, property development, construction and trading and property investment.

HK Listco is assumed to have been applying HKFRS Accounting Standards in prior periods. As the company has a 31 December year end, the interim financial report illustrates the disclosure of the effects of the changes in accounting policies that have been made as a result of the new and revised HKFRS Accounting Standards which are first effective for annual reporting periods beginning on or after 1 January 2025, and for any interim period that is part of such an annual period. Further details of these changes and how they have been illustrated in HK Listco's interim financial report can be found in the Foreword to this Guide.

As is further highlighted in the Foreword to this Guide, to assist in the assessment of the effects of the new and revised standards, Appendix A to this Guide contains further information on the new or amended HKFRS Accounting Standards. The full text of the HKFRS Accounting Standards is available from the HKICPA's website. For a checklist of disclosures required by HKAS/IAS 34, you may refer to the publication "Disclosure checklist - Guide to condensed interim financial statements" issued by our KPMG International Standards Group.

Sources of disclosure requirements

The interim financial report illustrates the disclosure provisions of HKAS 34 and the Main Board Listing Rules (MBLRs), to the extent that the disclosures would appear in the interim financial report, rather than in information accompanying the interim financial report. Examples of such accompanying information include a separate statement containing management's discussion and analysis of the listed group's performance during the interim period and information relating to directors' securities transactions. The details of the MBLR disclosure requirements for interim reports can be found in paragraphs 37 to 44 of Appendix D2 to the MBLRs and Practice Note 5.

The format and wording of this interim financial report are illustrative only and hence are not intended to be mandatory. Other methods or styles of presentation adopted may be equally acceptable provided that they comply with the presentation and disclosure provisions of the MBLRs and HKAS 34. Similarly, a company is free to disclose more than the minimum level of disclosure required by the SEHK and may, for example, include a complete set of financial statements as defined in HKAS 1 in its interim financial report.

Where the MBLRs and/or HKFRS Accounting Standards state that a specific item should be disclosed references to the relevant paragraphs are provided. For example, the reference

"HKAS 34.8(a)" is given at the start of the statement of financial position as paragraph 8(a) of HKAS 34 specifies that such a statement should be included, as a minimum, in the interim financial report. We have also used "CP" to indicate disclosures that, while not required, are common practice or are in our view likely to be considered best practice.

Extent of disclosures required in a condensed interim financial report

The level of disclosures in a condensed interim financial report may vary considerably from one entity to the next and depends, to a large extent, on the nature of the entity's operations and the level of details provided in its annual financial statements. Even though an item illustrated in the following interim financial report may not be cross-referenced to a specific requirement, it may still be considered necessary disclosure for some entities, in accordance with the following general requirements:

- Paragraph 10 of HKAS 34 requires additional line items or notes to be included in the interim financial report, in addition to headings and subtotals provided in the most recent annual financial statements, if their omission would make the condensed interim financial statements misleading.

- Paragraphs 15 and 15C of HKAS 34 require entities to include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of entities since the end of the last annual reporting period. Paragraph 15B of HKAS 34 provides a list of events and transactions for which disclosures would be required if they are significant, and specifies that this list is not exhaustive (paragraph 40(3) of Appendix D2 to the MBLRs also requires disclosure of any supplementary information which is necessary for a reasonable appreciation of the interim results).

- Paragraph 16A(c) of HKAS 34 requires disclosures of the nature and amounts of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

Materiality is relevant to the presentation and disclosure of items in financial statements. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

In accordance with paragraph 31 of HKAS 1, an entity need not provide a specific disclosure required by a HKFRS Accounting Standard if the information resulting from that disclosure is not material. This is the case even if the HKFRS Accounting Standard contains a list of specific requirements or describes them as "minimum requirements". On the other hand, paragraph 17 of HKAS 1 indicates that an entity should consider whether it needs to provide disclosures in addition to those specifically required by a HKFRS Accounting Standard to help users understand the impact of a particular transaction or event on the entity's financial position and financial performance. In addition, obscuring material information with immaterial information in financial statements will make the financial statements less understandable. HKFRS Practice Statement 2, *Making materiality judgements*, provides guidance and examples on applying materiality in preparing financial statements, including accounting policy disclosures.

In this regard, it should be noted that the fictitious monetary amounts are included to assist users of this Guide and to illustrate the relationship between different captions and between the primary statements and the notes. They are not intended to illustrate the principles of materiality; therefore these numbers, in and of themselves, should not be relied on as a guide to materiality judgement and minimum levels of disclosures.

Compliance with IAS 34, *Interim financial reporting*

HKAS 34 is based very closely on IAS 34, including to the extent of identical paragraph numbering and wording. Therefore, compliance with HKAS 34 will generally ensure compliance with IAS 34 and this Guide can be used as a useful reference source for Main Board issuers preparing their interim financial reports in accordance with IFRS Accounting Standards.

HK Listco Ltd

香 港 上 市 有 限 公 司

(Stock code: ● ● ● ●)[1]

(formerly Model Electronics Company Limited)[2]

2025

Interim Financial Report
for the six months ended 30 June 2025

R13.51A [1] A listed issuer shall set out its stock code in a prominent position on the cover page or, where there is no cover page, the first page of all announcements, circulars and other documents published pursuant to the MBLRs. For an issuer's annual report and interim report, SEHK would consider such requirement to be satisfied if the issuer's stock code is displayed prominently in the corporate or shareholder information section of the report.

HKAS 1.51(a) [2] The name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period, should be prominently displayed and repeated when necessary for a proper understanding of the information presented.

If the name of the company had recently been changed, we would expect that the company will disclose this fact in the interim report. The following is an example wording for describing such change:

"By a special resolution passed on [●], the name of the company was changed from Model Electronics Company Limited to HK Listco Ltd and the company adopted the Chinese name 香港上市有限公司 as part of its legal name."

Contents

HKAS 1.8, 10, 10A
HKAS 34.8(b)

[3] In this illustration, HK Listco uses the titles "Statement of profit or loss" and "Statement of profit or loss and other comprehensive income", which are the titles used in HKAS 1 and HKAS 34. However, as allowed by paragraph 10 of HKAS 1, an entity may use other titles, such as "Income statement" and "Statement of comprehensive income".

Similarly, although HKAS 1 uses the terms "other comprehensive income", "profit or loss" and "total comprehensive income", an entity may use other terms to describe the totals as long as the meaning is clear. For example, an entity may use the term "net income" to describe profit or loss.

Whatever titles and terms are used, care should be taken to ensure that they are used consistently throughout the financial statements.

D2(4) &
D2(40)(1)
HKAS 34.10

[4] MBLRs do not specify the minimum information to be included in the primary statements. Therefore, a listed issuer is allowed to condense the interim statement of comprehensive income to the extent allowed by HKAS 34. However, entities are not prohibited from disclosing more than this minimum. In this illustration, HK Listco chooses to present the same extent of information on the face of the consolidated statement of profit or loss as included in the annual financial statements.

HKAS 34.8A

[5] In accordance with paragraph 8A of HKAS 34, the presentation of comprehensive income under HKAS 1 should be consistent between the interim report and the annual financial statements. That is, if an entity presents total comprehensive income using a two-statement approach (i.e. presents a separate statement of profit or loss (otherwise known as "income statement") and statement of profit or loss and other comprehensive income (otherwise known as "statement of comprehensive income")) in its annual financial statements in accordance with HKAS 1, it should also present such statements in its interim report consistently.

HKAS 34.28

In addition, where an entity applies new policies or enters into new or significant transactions during the interim period, management should consider how they would reflect these in the statement of comprehensive income in a full set of financial statements and make adjustments to the interim statement of comprehensive income accordingly.

CP

[6] Each item on the face of the statement of profit or loss/the statement of profit or loss and other comprehensive income would generally be cross-referenced to any related information in the notes.

D2(43)

[7] Where the information provided in an interim financial report has not been audited, that fact must be stated. If the information contained in an interim financial report has been audited by the listed issuer's auditors, their report thereon including any qualifications shall be reproduced in full in the interim report.

HKAS 1.99

[8] The analysis of expenses can be shown either on the face of the statement of profit or loss, (or the statement of profit or loss and other comprehensive income if a separate statement of profit or loss is not presented), or in the notes. The analysis presented here is referred to as the "function of expense" or "cost of sales" method (paragraph 103 of HKAS 1). The analysis could alternatively be presented using a classification based on the nature of expenses (paragraph 102 of HKAS 1).

HKAS 2.38

When an entity classifies expenses based on function, HKAS 2 notes that the amount of inventories recognised as an expense during the period (often referred to as "cost of sales") consists of those costs previously included in the measurement of inventory that has now been sold, and unallocated production overheads and abnormal amounts of production costs of inventories.

In our view, cost of sales includes only costs directly related to the provision of goods or services for which the entity recognises revenue. These costs include those directly or indirectly attributable to the production process or the delivery of a service, such as direct materials (including any net realisable value write-downs or reversals, and inventory discounts or rebates), salaries and wages, depreciation of assets used, and repair and maintenance costs. In some cases, it may also include distribution, packaging and transport costs.

HKAS 1.45, 85
HKAS 40.76(d)

[9] Neither HKAS 1 nor HKAS 40 prescribes where movements in the fair value of investment properties should be presented on the face of the statement of profit or loss/the statement of profit or loss and other comprehensive income, nor whether they should be separately presented from other items of income and expense. However, once a form of presentation has been adopted by an entity, it should be followed consistently from one period to the next unless it is apparent that another presentation would be more appropriate.

HKAS 34.11A

[10] Paragraph 11A of HKAS 34 requires the basic and diluted earnings per share to be presented in the statement that presents the items of profit or loss for that interim period, i.e. the consolidated statement of profit or loss in the case of HK Listco.

HKAS 1.107, BC75

[11] HKAS 1 does not permit an entity to disclose the amount of dividends to equity owners in either the statement of profit or loss or the statement of profit or loss and other comprehensive income. Instead, as such dividends are an owner change in equity, they are required to be reported in the statement of changes in equity or in the notes. However, as it has been commonplace to refer to dividends in the statement of profit or loss, we expect that users will find useful a cross reference, such as is illustrated here, to where details of the dividends can be found in the financial statements.

HKAS 34.8(b), 8A, 10 & 20(b), D2(4)(1) & D2(40)(1)

Consolidated statement of profit or loss[3, 4, 5, 6] for the six months ended 30 June 2025 – unaudited[7]

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2025 $'000	Six months ended 30 June 2024 $'000
Revenue	3 & 4	542,448	492,620
Cost of sales[8]	5 & 9	(404,254)	(366,788)
Gross profit		138,194	125,832
Valuation gains on investment property		11,490	4,260
Valuation losses on investment property		(2,360)	(1,000)
Net valuation gain on investment property[9]	8(d)	9,130	3,260
Other income[12]	5	8,404	7,081
Distribution costs[8]		(25,281)	(23,514)
Administrative expenses[8]		(41,435)	(38,497)
Research and development costs[8, 13]		(2,780)	(2,400)
HKAS 34.15B(b) Impairment losses on trade receivables and contract assets[14]		(850)	(680)
Other operating expenses[8, 15]		(617)	(701)
Profit from operations		84,765	70,381
Finance costs	5	(10,366)	(7,936)
Share of profits less losses of associates		2,250	1,322
Share of profits of joint venture		335	68
Profit before taxation	5	76,984	63,835
Income tax	6	(13,602)	(10,668)
Profit for the period		63,382	53,167
Attributable to:			
Equity shareholders of the company		58,174	48,083
Non-controlling interests		5,208	5,084
Profit for the period		63,382	53,167
HKAS 34.11 & 11A **Earnings per share[10]**	7		
Basic		$0.58	$0.48
Diluted		$0.58	$0.48

The notes on pages 26 to 54 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 13[11].

HKAS 1.82(a) [12] In this illustration, HK Listco's interest income arises from bank deposits, loans to associates and refundable rental deposits. As HK Listco does not consider such interest income as income arising in the course of its ordinary activities, it includes interest income as part of "other income". If the interest income constituted part of income arising in the course of ordinary activities and therefore "revenue", then paragraph 82(a) of HKAS 1 requires an entity to present interest revenue, calculated using the effective interest method, separately from other sources of revenue.

HKAS 38.126-127 [13] In this illustration, HK Listco presents its expense by function (see footnote 8), and regards "research and development" as a separate function within the entity.

For research and development expenditure, an entity is required to disclose the aggregate amount recognised as an expense during the period. Research and development expenditure comprises all expenditure that is directly attributable to research and development activities. Paragraph 66 of HKAS 38 provides the following examples of directly attributable costs:

- costs of materials and services used or consumed in generating the intangible asset;
- costs of employee benefits arising from the generation of the intangible asset;
- fees to register a legal right; and
- amortisation of patents and licences that are used to generate the intangible asset.

HKAS 34.15B(b) [14] HKAS 34 requires the disclosure of impairment loss recognised or reversed in relation to assets arising from contracts with customers, if 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.

HKAS 1.82(ba) In addition, paragraph 82(ba) of HKAS 1 requires such impairment losses (including reversals of impairment losses or impairment gains) to be presented as a single amount in the statement of profit or loss/the statement of profit or loss and other comprehensive income.

HKAS 1.82 [15] Apart from the items separately presented in this illustration, paragraph 82 of HKAS 1 requires the following line items to be presented as separate items on the face of the statement of profit or loss/the statement of profit or loss and other comprehensive income:

- gains and losses arising from the derecognition of financial assets measured at amortised cost;
- if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date;
- if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss.

These items have not been illustrated, as HK Listco did not have events or transactions to be reflected in those line items during the reporting period.

HKAS 1.82A

[16] Entities are required to present the items of other comprehensive income that may be reclassified to profit or loss in the future (e.g. the effective portion of a cash flow hedge that is recognised in other comprehensive income) separately from those that would never be reclassified to profit or loss (e.g. revaluation surplus of property, plant and equipment).

Also, the items of other comprehensive income arising from equity accounted investments should be presented in aggregate in two line items as follows:

- the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
- the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

In this illustration, HK Listco did not have any share of other comprehensive income of associates and joint ventures during the reporting period.

Individual HKFRS Accounting Standards specify whether and when amounts that were previously recognised in other comprehensive income are reclassified to profit or loss as follows:

HKAS 1.92-96

- Items that will not be reclassified to profit or loss:
  - changes in the revaluation surplus recognised in respect of right-of-use assets under paragraph 35 of HKFRS 16, property, plant and equipment recognised under paragraphs 39 and 40 of HKAS 16, or intangible assets under paragraphs 85 and 86 of HKAS 38;
  - remeasurements of net defined benefit liability (asset) under paragraphs 120(c), 127 to 130 of HKAS 19;
  - remeasurements of equity investments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of HKFRS 9;
- Items that may be reclassified subsequently to profit or loss:
  - gains and losses arising from translating a monetary item that forms part of the net investment in a foreign operation and from translating the financial statements of a foreign operation in accordance with paragraphs 32 and 39 of HKAS 21;
  - gains and losses on remeasuring debt investments in accordance with paragraph 4.1.2A of HKFRS 9; and
  - the effective portion of gains and losses on hedging instruments in a cash flow hedge or hedge of a net investment in a foreign operation in accordance with paragraphs 6.5.11(d) and 6.5.14 of HKFRS 9.

HKAS 34.10

HKAS 1 allows the presentation of reclassification adjustments either in the statement of profit or loss and other comprehensive income or in the notes. This presentation choice should be applied consistently between the interim financial statements and the annual financial statements. Consistent with the choice applied in its annual financial statements, in this illustration HK Listco presents other comprehensive income after reclassification adjustments on the face of the statement of profit or loss and other comprehensive income.

HKFRS 9.6.5.11(d)

In accordance with paragraph 6.5.11(d) of HKFRS 9, when (i) a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or (ii) a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value accounting is applied, an entity should remove that amount from the cash flow hedge reserve and include it directly in the initial carrying amount of the asset or liability (i.e. a basis adjustment). Such removal is not a reclassification adjustment under HKAS 1, and therefore does not impact other comprehensive income. In this illustration, the basis adjustment is shown as a separate line item in the consolidated statement of changes in equity.

HKAS 1.90-91

[17] Entities are allowed to present the items of other comprehensive income on the face of the statement of profit or loss and other comprehensive income either (i) net of related tax effects, or (ii) before related tax effects with the aggregate tax shown separately. If alternative (ii) is elected, then the "aggregate" amount should be allocated between the items that may be reclassified subsequently to profit or loss and those that will not be reclassified subsequently to profit or loss.

HKAS 34.10

Consistent with the choice applied in its annual financial statements, in this illustration HK Listco presents other comprehensive income net of tax on the face of the statement of profit or loss and other comprehensive income.

[18] As explained in footnote 16, HKAS 1 requires an entity to present the items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss in the statement of profit or loss and other comprehensive income. Although there are no such requirements for the statement of changes in equity, it may be useful to specify whether the fair value reserves are recycling or not.

In this illustration, HK Listco only has equity instruments that are designated at FVOCI, for which the accumulated other comprehensive income will not be reclassified to profit or loss (i.e. non-recycling). Accordingly, it has labelled the corresponding fair value reserve as such.

HKAS 34.8(b), 10 & 20(b)

Consolidated statement of profit or loss and other comprehensive income[3, 6] for the six months ended 30 June 2025 – unaudited[7]

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2025	2024
		$'000	$'000
Profit for the period		63,382	53,167
Other comprehensive income[16] for the period (after tax[17] and reclassification adjustments[16]):			
Items that will not be reclassified to profit or loss[16]:			
Surplus on revaluation of land and buildings held for own use	8(d)	13,618	3,416
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)[18]		25	25
		13,643	3,441
Items that are or may be reclassified subsequently to profit or loss[16]:			
Exchange differences on translation of:			
- financial statements of overseas subsidiaries		(1,765)	522
- related borrowings		247	(100)
		(1,518)	422
Cash flow hedge: net movement in hedging reserve		(142)	(132)
		(1,660)	290
Other comprehensive income for the period		11,983	3,731
Total comprehensive income for the period		75,365	56,898
Attributable to:			
Equity shareholders of the company		70,230	51,782
Non-controlling interests		5,135	5,116
Total comprehensive income for the period		75,365	56,898

The notes on pages 26 to 54 form part of this interim financial report.

HKAS 34.8(a), 10 & 20(a), D2(4)(2) & D2(40)(1)

Consolidated statement of financial position[19, 20, 21, 22, 23, 24] at 30 June 2025 – unaudited[7]

(Expressed in Hong Kong dollars)

	Note	At 30 June 2025		At 31 December 2024	
		$'000	$'000	$'000	$'000
Non-current assets[26]					
Property, plant and equipment[30]	8		218,203		201,321
Investment property[30]	8		75,820		66,690
			294,023		268,011
Intangible assets			16,560		14,400
Goodwill			1,100		1,100
Interest in associates			29,893		29,478
Interest in joint venture			32,430		32,095
Equity securities designated at fair value through other comprehensive income ("FVOCI")			4,975		4,950
Financial assets measured at fair value through profit or loss ("FVPL")			24,085		21,886
Financial assets measured at amortised cost			23,388		21,596
Derivative financial instruments			987		1,214
Deferred tax assets			3,017		3,495
			430,458		398,225
Current assets[26]					
Derivative financial instruments		1,270		2,399	
Inventories and other contract costs[24, 2	9	253,389		218,073	
Contract assets[29, 31]		11,299		23,338	
Trade and other receivables[31]	10	66,332		59,074	
Prepayments		455		190	
Trading securities		58,176		58,020	
Cash and cash equivalents	11	73,783		105,088	
		464,704		466,182	
Current liabilities[26]					
Trade and other payables[24]	12	147,344		143,207	
Contract liabilities [29]		8,585		7,173	
Interest-bearing borrowings		4,602		4,598	
Bank loans and overdrafts		33,049		35,716	
Lease liabilities[30]		19,583		15,271	
Derivative financial instruments		212		200	
Other current liabilities		107		108	
Current taxation		3,360		7,244	
Provisions		10,460		9,410	
		227,302		222,927	
CP **Net current assets[23]**			237,402		243,255
CP **Total assets less current liabilities[23]**			667,860		641,480
Non-current liabilities[26]					
Interest-bearing borrowings		70,621		72,251	
Lease liabilities[30]		53,603		53,202	
Derivative financial instruments		78		43	
Net defined benefit retirement obligation		3,540		3,210	
Deferred tax liabilities		16,655		13,850	
Pillar Two tax liabilities[27, 28]		1,512		179	
Provisions		10,183		11,072	
			156,192		153,807
NET ASSETS			511,668		487,673

	Note	At 30 June 2025 $'000	At 31 December 2024 $'000
CAPITAL AND RESERVES	13		
Share capital		175,000	175,000
Reserves		259,538	240,678
Total equity attributable to equity shareholders of the company		434,538	415,678
Non-controlling interests		77,130	71,995
TOTAL EQUITY		511,668	487,673

The notes on pages 26 to 54 form part of this interim financial report.

HKAS 1.10

[19] The CO explicitly uses the term "statement of financial position" in different sections, including in:

- section 387, which requires directors of the company to approve and sign the "statement of financial position"; and
- section 2 of Schedule 4 to the CO, which requires a holding company preparing consolidated financial statements to include a company-level "statement of financial position" in the notes to the financial statements.

D2(4)(2)

Given that these requirements explicitly refer to "statement of financial position", we believe that the company should use the title "statement of financial position", and not other titles such as "balance sheet". This will also be in line with the terminology in Appendix D2 to MBLRs, which uses "statement of financial position" in its requirements.

As far as interim financial statements are concerned, although they are not statutory financial statements and are therefore not required to follow the CO, it is generally expected that the titles of primary statements used in the interim financial statements are consistent with those used in the annual financial statements. We therefore recommend entities to use the title "statement of financial position" in the interim financial statements consistently.

HKAS 34.10, D2(37), D2(40)(1)

[20] As mentioned in footnote 4, MBLRs do not specify the minimum information to be presented in the primary statements. Therefore listed issuers are allowed to condense the interim statement of financial position to an extent consistent with HKAS 34. However, entities are not prohibited from disclosing more than this minimum. For example, in the above statement of financial position, each component of assets, liabilities and equity that was presented in the most recent annual statement of financial position has been included for ease of comparison with that statement of financial position.

HKAS 34.28

Where the interim financial report is prepared applying new policies or an entity entered into transactions which have resulted in new types of, or significant, balances at the end of the interim period, management should also consider how they would reflect these in the statement of financial position for a complete set of financial statements and make adjustments to the interim statement of financial position accordingly.

HKAS 1.10(f)
HKAS 1.40A

[21] For annual financial statements, HKAS 1 requires entities to include a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively, makes a retrospective restatement of items, or when it reclassifies items, and such retrospective application, restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period; in other words, a complete set of annual financial statements will include a minimum of three sets of statement of financial position information in such cases. However, as noted in the Basis for Conclusions to HKAS 1, this requirement regarding comparative information is not extended to interim financial reports prepared in accordance with HKAS 34.

HKAS 1.BC33,
HKAS 34.20

CP [22] Each item on the face of statement of financial position would generally be cross-referenced to any related information in the notes.

CP [23] Although there is no specific requirement under HKFRS Accounting Standards or the MBLRs to disclose the amounts of net current assets (liabilities) and total assets less current liabilities, it is a common local practice to disclose these two subtotals.

HKAS 1.29-30A, 55, 77 [24] Entities should apply judgement in determining whether the following HKFRS 15 items should be presented separately (either in the statement of financial position or in the notes) or aggregated with another line item (and if so, then which line item):

- refund/repurchase liability;
- right to recover a returned good;
- costs to obtain/fulfil a contract (contract costs); and
- asset relating to the consideration paid to the customer.

In this illustration, HK Listco has capitalised contract costs and has aggregated these costs with inventories as a single line item in the statement of financial position in its annual financial statements, because of their similar nature (in both cases, the assets represent costs which are expected to be recognised in future periods in the statement of profit and loss as expenses, as and when revenue from the sale of the related goods or services is recognised). HK Listco also aggregates the asset recognised for its right to recover returned goods with inventories, and refund liabilities arising from right to return and volume rebates with trade and other payables, in the statement of financial position in its annual financial statements because of their similar nature. Accordingly, consistent approaches have been taken in the interim financial report.

In this illustration, it is assumed that HK Listco does not have any liabilities arising from repurchase agreements or assets relating to consideration paid to the customers.

HKAS 1.29, 60, 66 [25] HKFRS 15 requires entities to separately recognise contract costs as assets provided that the capitalisation criteria in paragraphs 91 or 95 of HKFRS 15 are met, but does not specify where such assets should be presented in the statement of financial position. Given this, the general HKAS 1 principles should be followed in respect of the current/non-current distinction (paragraph 66 of HKAS 1) and materiality and aggregation (paragraphs 29 to 31 of HKAS 1).

In this illustration, HK Listco has presented the capitalised costs as current assets as HK Listco's capitalised costs relate to the sale of specific properties to be recognised during HK Listco's normal operating cycle, and hence satisfy the criteria set out in paragraph 66 of HKAS 1 for classification as a current asset. As mentioned in footnote 24, HK Listco has aggregated the capitalised contract costs with inventories as a single line item in the statement of financial position in its annual financial statements. Therefore, a consistent approach has been taken in the interim financial report.

We would expect that in most cases the classification as a current asset will be appropriate, as in most cases the amounts will be charged to profit or loss during the entity's normal operating cycle. An exception to this approach may be when the amortisation period for the contract costs is an extended period which reflects the timing of goods or services to be transferred under a specific anticipated contract (for example services to be provided over some extended future period after renewal of an existing contract). In those cases, the contract costs may be closer in nature to intangible assets for customer relationships recognised in a business combination, and therefore presentation as a non-current asset may be more appropriate if the amortisation period is expected to extend beyond both 12 months and the entity's normal operating cycle. The classification as current or non-current may therefore in some cases involves judgements based on an entity's facts and circumstances.

HKAS 1.60 & 64 [26] Under HKAS 1, presenting assets and liabilities on a liquidity basis is only acceptable when such a presentation provides information that is reliable and more relevant than a current/non-current presentation. A mixed presentation is acceptable when an entity has diverse operations.

[27] Paragraph 56 of HKAS 1 prohibits classifying deferred tax assets or liabilities as *current* assets or liabilities ("current" in terms of the expected timing of realisation of assets or due date of settlement of liabilities). However, this prohibition does not extend to *current tax* assets or liabilities ("current" in terms of an income tax for the current reporting period). Entities should therefore apply the general requirements in paragraphs 66 and 69 of HKAS 1 when classifying *current tax* balances. In our view, the classification analysis under HKAS 1 in particular for *current tax* liabilities is ultimately driven by the payment terms for the relevant tax and not simply the filing date for tax returns, because ultimately a liability is only settled when it is paid. The filing timeframes and payment terms of income taxes could differ across jurisdictions; they could also differ for different types of income taxes within the same jurisdiction, e.g. there may be separate filing timeframes and payment terms for Pillar Two income taxes and other corporate income taxes.

So far as the Hong Kong Pillar Two income tax legislation is concerned, top-up tax is due for payment one month after the expiry date of the return filing deadline (15 months after the last day of the reporting year, or 18 months for the first year that the multinational enterprise group comes within scope of the Pillar Two income tax legislation) or the date of the notice of assessment, whichever is later. As the top-up tax under the Hong Kong Pillar Two income tax legislation is due to be settled after 12 months from the reporting date, HK Listco has classified its *current tax* liabilities arising from the Hong Kong Pillar Two income tax legislation as non-current. In this illustration, it is assumed that the top-up taxes arising from tax legislations in other jurisdictions relevant to HK Listco are also settled after 12 months from the reporting date. Accordingly, HK Listco's Pillar Two income tax liability is wholly classified as non-current.

[28] While HKAS 12 prohibits the discounting of deferred tax balances, the standard does not provide specific guidance on the measurement of current tax balances when the effect of discounting is material, in particular for *current tax* liabilities that are classified as *non-current* under HKAS 1 (see footnote 27). In our view, whether discounting is needed for *current tax* liabilities depends on the nature of an entity's right to defer settlement. If the entity's right to defer the settlement arises from the tax legislation, then the entity should choose an accounting policy and apply it consistently as to discount or not to discount the tax liabilities. If the entity's right to defer the settlement arises from an agreement with the tax authority to restructure an outstanding current tax liability and the restructured tax liability does not bear interest at a market rate, then we believe that the entity should discount the restructured tax liability by analogy to HKFRS 9.

In this illustration, it is assumed that all the tax liabilities relating to the Pillar Two income tax are due for settlement more than 12 months after the reporting date under the tax legislation (see footnote 27). HK Listco has elected not to discount those tax liabilities.

HKFRS 15.105, HKAS 1.60, 66, 69

[29] HKFRS 15 does not specify whether entities are required to present their contract assets and contract liabilities as separate line items or how to classify them as current or non-current in the statement of financial position. Entities should therefore apply the general principles in HKAS 1 for presenting and classifying contract assets and contract liabilities.

In determining whether to classify the entire item as current or non-current or split into current and non-current components, an entity should consider the nature of its contract assets and contract liabilities and apply the guidance for similar assets or liabilities. For example, if contract assets are considered similar in nature to trade receivables, then it may be appropriate to split into current and non-current components. If contract liabilities are considered similar in nature to other operating liabilities, then it may be appropriate to classify the entire balance as current; whereas if they are similar in nature to long-term borrowings, then the balance should be split into current and non-current components.

In this illustration, HK Listco determines that contract assets and contract liabilities are sufficiently material to be disclosed separately. In addition, as it expects these amounts to be realised or settled within its normal operating cycle, it presents them as current in the statement of financial position.

HKFRS 15.109

Also, while HKFRS 15 uses the terms "contract assets" and "contract liabilities", entities are not prohibited from using alternative terms to describe these items in their statements of financial position, provided that the entities give sufficient information to users to distinguish these amounts from receivables and payables, which are different in nature (see footnote 31 for distinction between contract assets and receivables).

In this illustration, it is assumed that HK Listco has used the terms "contract assets" and "contract liabilities" in its annual financial statements. Therefore, these terms are used in this interim financial report consistently.

HKFRS 16.47 — [30] For right-of-use assets and lease liabilities, an entity can as an accounting policy election either to present them separately in the statement of financial position or to disclose them separately in the notes. If the entity chooses not to present right-of-use assets separately in the statement of financial position, the amounts shall be presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned. In this illustration, HK Listco has chosen not to present right-of-use assets separately and therefore includes the amount of the right-of-use assets within "Other property, plant and equipment", i.e. the same line item used to present the underlying assets of the same nature that it owns (see note 8).

HKFRS 16.48 — However, the above accounting policy choice does not apply to right-of-use assets that meet the definition of investment property. These assets are specifically required to be presented as investment property in the statement of financial position.

HKFRS 15.107-108 — [31] HKFRS 15 makes a distinction between contract assets and receivables based on whether the right to the consideration for the performance completed up to date is unconditional or not. If the right to the consideration is unconditional, then this right should be presented as a receivable. A right to consideration is unconditional if only passage of time is required before payment of that consideration is due. This principle is illustrated in Examples 38 to 40 found in paragraphs IE197 to IE208 in the Illustrative Examples accompanying HKFRS 15. If the right to the consideration is conditional on something other than the passage of time, e.g. an entity's future performance, then such right should be presented as a contract asset.

HKAS 34.8(c) — [32] Both the MBLRs and HKAS 34 are not explicit as to the extent of disclosures that should be made in the statement of changes in equity presented in an interim financial report. In particular, they are not explicit as to whether a reconciliation of all changes of each component of equity is required. In this illustration, the same level of detail as that in the annual financial statements has been shown, for ease of comparison.

HKAS 34.28 — Where the interim financial report is prepared applying new policies or the entity entered into new or significant transactions during the interim period, management should also consider how they would reflect these in the statement of changes in equity in a complete set of financial statements and make adjustments to the interim statement of changes in equity accordingly.

HKAS 1.54(q) & 106(a) — [33] As non-controlling interests in the equity of a subsidiary are presented as part of equity and not as a deduction from net assets, they should be included in the statement of changes in equity as one of the components of total equity.

CP — [34] Each item on the face of the statement of changes in equity would generally be cross-referenced to any related information in the notes.

HKAS 34.20(c) — [35] HKAS 34 requires the interim financial report to include a statement of changes in equity for the current financial year-to-date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year. For example, in an interim financial report for the six months ended 30 June 2025, the comparatives in the statement of changes in equity should, at a minimum, cover the six-month period ended 30 June 2024. However, we recommend that the reconciliation of the changes in each component of equity (whether it is provided in the statement of changes in equity or in the notes) should provide additional information about the movements in the second half of the comparative financial year, to help readers link the comparative changes in equity information, which is required for the comparative interim period (i.e. here the six months ended 30 June 2024) to the comparative statement of financial position, which is prepared as of the end of the previous financial year (i.e. here as at 31 December 2024). This is particularly useful where there have been changes in accounting policies which have resulted in adjustments.

HKAS 34.8(c), 10 & 20(c)

Consolidated statement of changes in equity[32, 33, 34] for the six months ended 30 June 2025 - unaudited[7]

(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the company									
		Share capital	Capital reserve	Exchange reserves	Property revaluation reserve	Hedging reserve	Fair value reserve (non-recycling)[18]	Retained profits	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2024		175,000	134	946	2,251	2,823	85	201,971	383,210	61,755	444,965
Changes in equity for the six months ended 30 June 2024:											
Profit for the period		-	-	-	-	-	-	48,083	48,083	5,084	53,167
Other comprehensive income		-	-	390	3,416	(132)	25	-	3,699	32	3,731
Total comprehensive income		-	-	390	3,416	(132)	25	48,083	51,782	5,116	56,898
Amounts transferred from hedging reserve to initial carrying amount of hedged items[16]		-	-	-	-	(90)	-	-	(90)	-	(90)
Dividends approved in respect of the previous years	13(a)	-	-	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Balance at 30 June 2024 and 1 July 2024		175,000	134	1,336	5,667	2,601	110	205,054	389,902	66,871	456,773
Changes in equity for the six months ended 31 December 2024[35]:											
Profit for the period		-	-	-	-	-	-	48,098	48,098	5,083	53,181
Other comprehensive income		-	-	365	2,896	(132)	25	(10)	3,144	41	3,185
Total comprehensive income		-	-	365	2,896	(132)	25	48,088	51,242	5,124	56,366
Amounts transferred from hedging reserve to initial carrying amount of hedged items[16]		-	-	-	-	(91)	-	-	(91)	-	(91)
Equity settled share-based transactions		-	1,625	-	-	-	-	-	1,625	-	1,625
Dividends declared in respect of the current year	13(a)	-	-	-	-	-	-	(27,000)	(27,000)	-	(27,000)
Balance at 31 December 2024		175,000	1,759	1,701	8,563	2,378	135	226,142	415,678	71,995	487,673

	Note	Share capital	Capital reserve	Exchange reserves	Property revaluation reserve	Hedging reserve	Fair value reserve (non-recycling)[18]	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the company									
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2025[35]		175,000	1,759	1,701	8,563	2,378	135	226,142	415,678	71,995	487,673
Changes in equity for the six months ended 30 June 2025:											
Profit for the period		-	-	-	-	-	-	58,174	58,174	5,208	63,382
Other comprehensive income		-	-	(1,445)	13,618	(142)	25	-	12,056	(73)	11,983
Total comprehensive income		-	-	(1,445)	13,618	(142)	25	58,174	70,230	5,135	75,365
Amounts transferred from hedging reserve to initial carrying amount of hedged items[16]		-	-	-	-	(98)	-	-	(98)	-	(98)
Dividends approved in respect of the previous year	13(a)	-	-	-	-	-	-	(49,500)	(49,500)	-	(49,500)
Purchase of own shares	13(c)	-	-	-	-	-	-	(3,330)	(3,330)	-	(3,330)
Equity settled share-based transactions	13(d)	-	1,558	-	-	-	-	-	1,558	-	1,558
Balance at 30 June 2025		175,000	3,317	256	22,181	2,138	160	231,486	434,538	77,130	511,668

The notes on pages 26 to 54 form part of this interim financial report.

HKAS 34.8(d), 20(d)

Condensed consolidated cash flow statement[36, 38] for the six months ended 30 June 2025 – unaudited[7]

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2025 $'000	2024 $'000
Operating activities			
Cash generated from operations[37]		69,645	56,414
Tax paid		(14,927)	(12,650)
Net cash generated from operating activities		54,718	43,764
Investing activities			
Payment for the purchase of property, plant and equipment[36, 37]		(6,816)	(6,353)
Acquisition of subsidiary, net of cash acquired[36]		(1,955)	-
Other cash flows arising from investing activities		(3,069)	(5,567)
Net cash used in investing activities		(11,840)	(11,920)
Financing activities			
Dividends paid to equity shareholders of the company[36]		(49,500)	(45,000)
Other cash flows arising from financing activities[37]		(21,638)	(15,248)
Net cash used in financing activities		(71,138)	(60,248)
Net decrease in cash and cash equivalents		(28,260)	(28,404)
Cash and cash equivalents at 1 January		102,299	122,650
Effect of foreign exchanges rates changes		(1,624)	763
Cash and cash equivalents at 30 June	11	72,415	95,009

The notes on pages 26 to 54 form part of this interim financial report.

HKAS 34.10

[36] As mentioned in footnote 4, MBLRs do not specify the minimum information to be presented in the primary statements. Listed issuers are allowed to condense the interim cash flow statements to an extent consistent with HKAS 34. Paragraph 10 of HKAS 34 requires that a condensed cash flow statement should include, at a minimum, each of the headings and subtotals that were included in the cash flow statement presented in an entity's most recent annual financial statements. Paragraph 10 of HKAS 34 also goes further, by stating that "additional line items should be included if their omission would make the condensed interim financial statements misleading".

The above requirements still leave some uncertainty as to "how much is enough" when disclosing cash flow information. In this regard, the IFRS Interpretation Committee (the Committee) published an agenda decision after its July 2014 meeting which discourages a three-line presentation showing only a total for each of operating, investing and financing cash flow activities. In the agenda decision, the Committee makes reference to the general requirements in paragraphs 15 and 25 of IAS 34 (the source of HKAS 34), which require interim reports to include explanations of significant events or transactions which are necessary to an understanding of the entity's financial position and performance during the interim period, as well as to the specific requirements of paragraph 10 quoted above. Taking all three paragraphs into account, the Committee concluded that IAS 34 requires a condensed cash flow statement to include all information that is relevant in understanding the entity's ability to generate cash flows and the entity's needs to utilise those cash flows and that the Committee did not expect that a three-line condensed cash flow statement showing only a total for each of operating, investing and financing cash flow activities would meet the requirements in IAS 34.

In view of this agenda decision, an entity should consider carefully whether it should present certain cash flow line items separately in its condensed cash flow statement, in addition to those headings and subtotals included in the most recent annual cash flow statement. This will require the exercise of judgement, depending on an entity's facts and circumstances and an assessment of materiality based on the nature and size of the cash flow items. For example, significant cash flows that relate to transactions that occur irregularly, such as a business combination, a significant capital outlay on property, plant and equipment, or significant new sources of financing, may warrant separate presentation within the categories of investing and financing activities respectively, with the balance of that sub-category of cash flows being described as "other". This approach has been illustrated here.

HKFRS 16.50, HKAS 7.16(a)

[37] Most lease-related cash payments are split into (i) capital element classified within financing activities and (ii) interest element classified in accordance with the accounting policy chosen for interest paid. Certain exceptions are as follows:

- Variable lease payments that do not depend on an index or rate (such as turnover rent), rentals under short term leases and/or for low-value assets which are expensed on a systematic basis under the recognition exemptions in paragraphs 5 and 6 of HKFRS 16: these payments are classified as operating cash outflows; and
- Cash outflows to acquire right-of-use assets where the lessor is not providing any financing benefit to the lessee: HKFRS 16 and HKAS 7 are silent on how to classify such payments in the cash flow statement. However, in our experience such cash outflows are normally classified as investing activities, consistent with purchases of other items of property, plant and equipment.

A common example of “cash outflows to acquire right-of-use assets where the lessor is not providing any financing benefit to the lessee” is the purchase of leasehold property in China. Commonly, the entity would pay an upfront lump sum to become the registered owner of the property interest, including the undivided interest in the underlying land use right. During the term of the lease no other payments would be required in respect of the leasehold interest, other than variable payments based on the property’s rateable value, or other property taxes, as assessed by and payable to the relevant government authorities from time to time.

An entity should apply the general principles to determine whether additional line items should be included in the cash flow statement (see footnote 36).

CP

[38] Each item on the face of the cash flow statement would generally be cross-referenced to any related information in the notes.

HKAS 34.8(e)
D2 (37): Note 37.2

Notes to the unaudited interim financial report[39,40]

(Expressed in Hong Kong dollars unless otherwise indicated)[41]

1 BASIS OF PREPARATION

CP

HKAS 34.19
D2(38)

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA")[42,]. It was authorised for issue on 25 August 2025[43].

HKAS 34.16A(a)
D2(38)

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out in note 2.

HKAS 34.5-25

39 HKAS 34 presumes that users of an entity's condensed interim financial report will also have access to its most recent annual financial statements. Therefore, in general the level of detail in terms of disclosures in condensed interim financial reports is expected to be less than that in annual financial statements, and it is not necessary for an interim financial report to duplicate information previously reported in the annual financial statements or to provide relatively insignificant updates to the information previously reported. In this regard, paragraphs 8 to 25 of HKAS 34 provide guidance on the minimum components of an interim financial report and selected explanatory notes.

Specifically, paragraphs 10 and 15 of HKAS 34 require that the entity should consider whether there are additional line items or notes which should be included if their omission would make the condensed interim financial report misleading, and whether there are any events or 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 and need to be disclosed. In this regard, paragraph 15B of HKAS 34 provides a list of events and transactions for which disclosures would be required if they are significant. As specified by paragraph 15B, this list is not exhaustive. There may be other instances where additional disclosures may be required. For example, in our view, where an entity's financial risk management objectives and policies and/or its financial risk exposures change significantly during the interim period, additional disclosures similar to those required by HKFRS 7 may need to be provided in the condensed interim financial report.

HKAS 34.16A

40 If an entity discloses the information required by HKAS 34 outside the interim financial report by a cross-reference to the information in another statement (such as management commentary or risk report), then users of the interim financial report should have access to the information incorporated by the cross-reference on the same terms and at the same time. Otherwise, the interim financial report is incomplete.

In this illustration, HK Listco presents relevant required disclosures within the interim financial report, and has not incorporated any information by cross-reference.

CP

41 Generally, interim financial reports should be prepared using a consistent level of precision throughout. That is, if the primary statements are presented in, for example, round thousands, then any note disclosures which support the primary statements, such as further analyses of income statement or balance sheet captions, would also generally be presented in round thousand amounts, so as to exactly reconcile to the amounts disclosed in the primary statements. However, occasionally it may be appropriate to present specific items of information in the interim financial report using different levels of precision from that used generally. An example of such disclosure is in note 16 where HK Listco discloses the estimated financial effect of a contingent liability in $millions due to the uncertainties involved in estimating the outcome. In such case, the level of precision used should be clearly disclosed and care should be taken to ensure that material information is not omitted.

HKAS 34.19, 7 & 9

42 If the interim financial report of an entity is in compliance with HKAS 34, that fact should be disclosed.

With the exception of this compliance statement in respect of HKAS 34, an interim financial report should not be described as complying with HKFRS Accounting Standards unless it complies with *all* of the requirements of each applicable HKFRS Accounting Standards, i.e. only if the interim financial report includes a complete set of financial statements as described in HKAS 1 and includes all of the disclosures required by individual HKFRS Accounting Standards, in addition to the supplementary disclosures required by HKAS 34. An interim financial report that comprises condensed interim financial statements and selected explanatory notes would not satisfy this requirement.

CP

43 As with annual financial statements, it is important for users to know when an interim financial report was authorised for issue, as the interim financial report does not reflect events after this date. Accordingly, although not mandatory, we recommend entities disclose such information.

CP The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

CP This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2024 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS Accounting Standards.[42]

D2(43)
CP The interim financial report is unaudited, but has been reviewed by KPMG 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 55.

S436 The financial information relating to the financial year ended 31 December 2024 that is included in the interim financial report as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622)[44] is as follows:

The company has delivered the financial statements for the year ended 31 December 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

S436

[44] Section 436 of the CO requires specific disclosures to be made when a company incorporated under the CO circulates, publishes or issues "non-statutory accounts", or otherwise makes them available for public inspection. "Non-statutory accounts" has a broad meaning and refers to a company publishing any statement of financial position or statement of comprehensive income relating to, or purporting to deal with, a financial year of the company (otherwise than in the statutory financial statements). Interim financial reports prepared in accordance with HKAS 34 fall within the scope of these requirements, because the comparative statement of financial position included in the interim financial report is prepared as of a financial year end (i.e. as at the end of the previous financial year).

The requirement in section 436 is to make a statement indicating:
(a) that those accounts are not specified financial statements* in relation to the company;
(b) whether the specified financial statements for the financial year with which those accounts purport to deal have been delivered to the Registrar of Companies;
(c) whether an auditor's report has been prepared on the specified financial statements for the financial year; and
(d) whether the auditor's report –
  (i) was qualified or otherwise modified;
  (ii) referred to any matter which the auditor drew attention by way of emphasis of matter without qualifying the report; or
  (iii) contained a statement under section 406(2) or 407(2) or (3).

* "Specified financial statements" is defined in section 436(6) and in effect refers to a company's annual audited financial statements prepared for the statutory purpose of reporting to its members. These are often referred to as "statutory financial statements".

Accounting Bulletin 6 (AB 6), issued by the HKICPA, provides guidance on the requirements of section 436, including providing illustrative examples of the statements to be attached to the non-statutory accounts.

These disclosure requirements are not applicable to companies that are not incorporated under the CO.

D2(37): Note 37.2

[45] Note 37.2 to paragraph 37 of Appendix D2 to the MBLRs requires a listed issuer to apply the same accounting policies in its interim financial report as are applied in its most recent annual financial statements, except where a change in accounting policy is required by an accounting standard which came into effect during the interim period. A literal interpretation of this requirement would appear to prevent a listed issuer from voluntarily changing its accounting policy during an interim period. However, it is our understanding that a listed issuer may voluntarily change its accounting policies, as long as the policy change is in accordance with HKAS 8.

HKAS 34.16A D2(37): Note 37.2 & D2(38): Note 38.1

[46] In accordance with paragraph 16A(a) of HKAS 34, and notes 37.2 and 38.1 to paragraphs 37 to 38 of Appendix D2 to the MBLRs, when entities change their accounting policies and methods of computation in their interim financial reports, as compared to their most recent annual financial statements, they should describe the reason for the change, and the nature and effect of such changes. Note 38.1 to paragraph 38 of Appendix D2 to the MBLRs also requires that where it is not possible to quantify the effects of the change or the effects are not significant, this should be stated.

In our view, when making these disclosures, consideration should be given to the requirements in paragraphs 28 and 29 of HKAS 8, which set out a list of specific information to be disclosed in a complete set of financial statements when an entity changes its accounting policies and any specific transitional requirements of any new or amended standards being adopted. However, HKAS 34 leaves management certain discretion to decide the extent to which the disclosures in the condensed interim financial report should satisfy all of the requirements applicable to a complete set of financial statements, and therefore a variety of methods and styles of presentation may be acceptable provided they comply with the MBLRs and HKAS 34. In addition, as confirmed in paragraph BC33 of HKAS 1, there is no specific requirement to include in the interim financial report additional statement of financial position information as at the start of the comparative period when comparatives have been restated. The requirement to present an additional statement of financial position when comparatives have been restated only applies to annual financial statements.

2 CHANGES IN ACCOUNTING POLICIES [45, 46, 47]

The group has applied the amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the HKICPA to this interim financial report for the current accounting period. The amendments do not have a material impact on this interim report as the group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency. *[Or disclose the effect if the amendments have a material impact on the entity.]*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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[47] A range of changes relevant to HK Listco has been disclosed in this illustration. The extent of impact of these changes may vary from one entity to another. In addition, there may be other changes in accounting policies which an entity needs to disclose, but have not been illustrated. Care should be taken to tailor the disclosures to suit the entity's own circumstances.

There is no requirement to disclose details of any changes in the requirements of HKFRS Accounting Standards which have no material impact on the group's accounting policies, such as changes which relate only to certain business activities in which the group is not involved. Also, even if changes in the requirements of HKFRS Accounting Standards may be broadly relevant to the group's accounting policies, the impact on the reported net assets and performance may be immaterial at the time of the change, for example, because the change relates only to certain types of transactions that the group has not entered into recently. Therefore, the extent of information that an entity may disclose in respect of recent developments in HKFRS Accounting Standards which do not result in adjustments may vary from one entity to the next.

HKAS 34.16A(g)
HKAS 34.16A(l)

3 REVENUE AND SEGMENT REPORTING[48]

The group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the group's most senior executive management for the purposes of resource allocation and performance assessment, the group has identified six reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue[49]

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2025	2024
	$'000	$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
- Sales of electronic products	472,888	420,219
- Sales of completed properties	52,597	60,383
- Revenue from construction contracts	12,696	8,913
	538,181	489,515
Revenue from other sources		
- Gross rentals from investment properties	4,267	3,105
	542,448	492,620
Disaggregated by geographical location of customers		
- Hong Kong (place of domicile)	383,542	352,253
- Chinese Mainland	875	610
- United States	64,764	50,300
- Singapore	21,734	11,087
- Malaysia	16,296	7,865
- Germany	17,634	22,725
- France	9,387	14,615
- Other countries	28,216	33,165
	158,906	140,367
	542,448	492,620

The geographical analysis above includes property rental income from external customers in Hong Kong and in Chinese Mainland for the six months ended 30 June 2025 of $3,897,000 (six months ended 30 June 2024: $2,797,000) and $370,000 (six months ended 30 June 2024: $308,000) respectively.

HKAS 34.16A(l) Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

HKAS 34.16A(g),(l)

[48] HKFRS 8 applies primarily to entities whose debt or equity securities are listed or quoted in a public market. Entities that fall outside the scope of HKFRS 8 may provide information about segments on a voluntary basis. However, if this information does not comply fully with HKFRS 8, then, as per paragraph 3 of HKFRS 8, this information should not be described as "segment information". Further details of the requirements of HKFRS 8 can be found in footnotes under note 3 of the December 2024 edition of Illustrative annual financial statements under Hong Kong Financial Reporting Standards.

An entity that discloses segment information in its annual financial statements in accordance with HKFRS 8 should disclose the following in its condensed interim financial report prepared in accordance with HKAS 34:

a) a measure of segment profit or loss;
b) revenues from external customers and inter-segment revenues, if included in the measure of segment profit or loss reviewed by, or otherwise provided regularly to, the chief operating decision maker (CODM);
c) a measure of total assets and total liabilities for a particular reportable segment if such amounts are regularly provided to the CODM and if there has been material change from the amount disclosed in the last annual financial statements for that reportable segment;
d) any change in the basis of segmentation or the basis of measuring segment profit or loss; and
e) a reconciliation between the total of the reportable segments' measure of profit or loss to the entity's profit or loss before tax and discontinued operations.

Apart from the above, HKAS 34 also requires an entity to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue disclosed in accordance with paragraph 114 of HKFRS 15 and the revenue information disclosed for each reportable segment (see footnote 49 for further details).

HKAS 34.16A(l), HKFRS 15.114-115, B89

[49] HKAS 34 requires the interim financial report to include the same disaggregated revenue information that is required in the annual financial statements by HKFRS 15. This means that in both the annual financial statements and in the interim financial report an entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors, and shall provide sufficient information to enable users of the financial statements to understand the relationship between that disclosure of disaggregated revenue and the revenue information disclosed for each reportable segment (if the entity applies HKFRS 8).

The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers. Some entities may need to use more than one type of category to meet the disaggregation objective in paragraph 114 of HKFRS 15.

Examples of categories that might be appropriate include, but are not limited to, the following:

- type of good or service, i.e. major products or service lines;
- geographic region, i.e. countries or regions;
- market or types of customer, i.e. wholesale or retails, government or non-government;
- type of contract, i.e. fixed-price or cost-plus;
- contract duration, i.e. short-term or long-term;
- timing of revenue recognition, i.e. at a point in time or over time;
- sales channel, i.e. directly to consumers or through intermediaries.

In this illustration, HK Listco has disclosed revenue analysed by major products and service lines and geographical location of customers in note 3(a) "Disaggregation of revenue" and has provided the analysis of revenue in each segment between those contracts where revenue is recognised at a point in time and those where revenue is recognised over time in the segment disclosure table in note 3(b). Same disaggregated revenue information could be found in its annual financial statements. Other approaches may also be acceptable.

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	For the six months ended	Electronics – Hong Kong 2025 $'000	Electronics – Hong Kong 2024 $'000	Electronics – South East Asia 2025 $'000	Electronics – South East Asia 2024 $'000	Electronics – Rest of the world 2025 $'000	Electronics – Rest of the world 2024 $'000	Property development 2025 $'000	Property development 2024 $'000	Construction contracts 2025 $'000	Construction contracts 2024 $'000	Property leasing 2025 $'000	Property leasing 2024 $'000	Total 2025 $'000	Total 2024 $'000
HKAS 34.16A(l)	**Disaggregated by timing of revenue recognition**[49]														
	Point in time	265,540	224,712	59,550	47,695	100,000	100,806	52,597	60,383	-	-	-	-	477,687	433,596
	Over time	39,678	39,476	8,120	7,530	-	-	-	-	12,696	8,913	4,267	3,105	64,761	59,024
HKAS 34.16A(g)(i)	**Revenue from external customers**	**305,218**	**264,188**	**67,670**	**55,225**	**100,000**	**100,806**	**52,597**	**60,383**	**12,696**	**8,913**	**4,267**	**3,105**	**542,448**	**492,620**
HKAS 34.16A(g)(ii)	Inter-segment revenue	52,055	51,953	625	464	-	-	-	-	-	-	-	-	52,680	52,417
	Reportable segment revenue	**357,273**	**316,141**	**68,295**	**55,689**	**100,000**	**100,806**	**52,597**	**60,383**	**12,696**	**8,913**	**4,267**	**3,105**	**595,128**	**545,037**
HKAS 34.16A(g)(iii)	**Reportable segment profit (adjusted EBITDA)**	54,622	48,806	10,448	9,424	14,628	13,193	19,997	18,965	2,491	1,581	12,710	5,847	114,896	97,816
	Impairment of plant and machinery	-	-	-	-	-	-	(1,200)	-	-	-	-	-	(1,200)	-
	As at 30 June/31 December														
HKAS 34.16A(g)(iv)	**Reportable segment assets**	364,480	354,245	30,177	26,900	44,292	41,050	143,128	140,527	85,700	88,540	78,057	69,036	745,834	720,298
HKAS 34.16A(g)(iv)	**Reportable segment liabilities**	190,520	187,276	46,848	44,617	30,670	29,490	64,261	65,652	570	1,067	10,160	10,164	343,029	338,266

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

(c) Reconciliations of reportable segment profit or loss

HKAS 34.16A(g)(vi)

	Six months ended 30 June 2025 $'000	2024 $'000
Reportable segment profit	114,896	97,816
Elimination of inter-segment profits	(13,170)	(13,103)
Reportable segment profit derived from group's external customers and joint venture	101,726	84,713
Share of profits less losses of associates	2,250	1,322
Other income	8,404	7,081
Depreciation and amortisation	(16,937)	(14,444)
Finance costs	(10,366)	(7,936)
Impairment losses on non-current assets	(1,200)	-
Unallocated head office and corporate expenses	(6,893)	(6,901)
Consolidated profit before taxation	76,984	63,835

HKAS 34.16A(b)

4 SEASONALITY OF OPERATIONS[50]

The group's Electronics division, which comprises three reportable segments (see note 3(b)), on average experiences 20-30% higher sales in the fourth quarter, compared to other quarters in the year, due to the increased retail demand for its products during the Christmas holiday period. The group anticipates this demand by increasing its production to build up inventories during the second half of the year. Excess inventory still held at the end of the holiday season is sold off at reduced prices in the first quarter of the following year. As a result, this division of the group typically reports lower revenues and segment results for the first half of the year, than the second half.

HKAS 34.21

For the twelve months ended 30 June 2025, the Electronics division reported revenue of $998,204,000 (twelve months ended 30 June 2024: $852,306,000), and gross profit of $252,311,000 (twelve months ended 30 June 2024: $214,459,000).

HKAS 34.16A(b) & 21

[50] Paragraph 16A(b) of HKAS 34 requires an entity to explain any seasonality or cyclicality of its interim operations.

In addition, paragraph 21 of HKAS 34 encourages entities with highly seasonal business to supplement the required disclosures with financial information for the 12-month period ending on the interim reporting date, as well as comparatives. There is no guidance on what additional information might be provided and in our view such information may be limited to the information that is affected by seasonality, such as revenue and gross margin.

HKAS 34.15

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June 2025 $'000	2024 $'000
(a) Finance costs		
Interest on bank loans and other borrowings	9,130	7,138
Interest on lease liabilities	2,437	1,813
Dividends on redeemable preference shares (note 13(a))	100	100
Other interest expense	636	440
Total interest expense on financial liabilities not at fair value through profit or loss	12,303	9,491
Interest accrued on advance payments from customers	443	233
Less: interest expense capitalised into properties under development	(2,331)	(1,748)
	10,415	7,976
Interest-rate swap: cash flow hedges, reclassified from equity	(49)	(40)
	10,366	7,936

	Six months ended 30 June 2025 $'000	2024 $'000
(b) Other items		
Amortisation	1,508	918
Depreciation charge		
- owned property, plant and equipment	5,520	5,467
- right-of-use assets	9,909	8,059
HKAS 34.15B(b) Impairment losses on plant and machinery (note 8(c))	1,200	-
HKAS 34.15B(a) Inventory write-down and losses net of reversals (note 9)	6,397	5,287
Dividend and interest income	(1,092)	(1,076)
Net gain on trading securities	(4,296)	(2,140)
Net gain on investments not held for trading	(653)	-

HKAS 34.15

6 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June 2025 $'000	2024 $'000
Current tax - Hong Kong		
Hong Kong Profits Tax	6,272	7,299
Pillar Two income taxes (note 6(b))	989	-
	7,261	7,299
Current tax - Overseas		
Income taxes excluding Pillar Two income taxes	3,553	3,273
Pillar Two income taxes (note 6(b))	523	179
	4,076	3,452
Deferred taxation	2,265	(83)
	13,602	10,668

The provision for Hong Kong Profits Tax[51] is calculated by applying the estimated annual effective tax rate of 16.5% (2024: 16.5%) to the six months ended 30 June 2025, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime[52].

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2024.

Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

HKAS 34.15

(b) Pillar Two income tax[53, 54, 55]

The company is part of a multinational enterprise group which is subject to the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") published by the Organisation for Economic Co-operation and Development.

From 1 January 2024, the group's earnings in [jurisdiction A] is subject to the domestic minimum top-up tax that was introduced by [jurisdiction A] with effect from 1 January 2024. Pillar Two income tax expense has been recognised accordingly.

From 1 January 2025, the group is also liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025[56] for its earnings in the Hong Kong SAR and certain other jurisdictions where a domestic minimum top-up tax has not been implemented, including the Chinese Mainland[57].

The group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and accounted for the tax as current tax when incurred.

[51] Under the "foreign-sourced income exemption" (FSIE) regime in the Hong Kong SAR, with certain exceptions, the following types of income are no longer exempt from being taxed when received by an entity that carries out a trade, profession or business in the Hong Kong SAR, if that entity is within a multinational group:

- interest;
- dividend;
- disposal gain from the sale of intellectual property and property;
- intellectual property income (e.g. licence fee).

Further details about the FSIE regime including the exceptions can be found in Tax Alerts or from your usual KPMG contact.

In this illustration, it is assumed that HK Listco either meets the exception requirements for any of the above offshore-sourced income such that those income is not taxable in the Hong Kong SAR, or does not have the relevant income at all. Accordingly, the FSIE regime does not impact HK Listco's current tax and deferred tax positions.

[52] Under the two-tiered profit tax rate regime enacted by the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the Ordinance), the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018/2019. For each year of assessment, only one entity in a group is eligible for the two-tiered profits tax rates. Consequently, if a group company (i.e. the parent company, a fellow subsidiary or a subsidiary) of the reporting entity has elected to claim the 8.25% band for a particular year of assessment, the reporting entity will not be eligible for the lower tax rate for that year of assessment.

[53] In this illustration, it is assumed that HK Listco is part of a multinational enterprise group that falls into the scope of the Pillar Two model rules.

[54] If the entity falls into scope of the Pillar Two model rules but is exempted from top-up taxes in a particular jurisdiction for the current year by meeting the jurisdictional safe harbour criteria specified in the relevant tax laws, it should consider to disclose this fact as users may find this information useful in understanding the entity's tax exposure.

HKAS 34.15, 15C

[55] HKAS 34 does not explicitly require disclosures about Pillar Two income taxes in condensed interim financial reports. However, to the extent that an entity has material Pillar Two income tax exposure and an update in this regard is needed to help users understand the changes in the entity's financial position and performance since the last annual reporting period, the entity should consider to disclose the following information with reference to those required in a complete set of financial statements under paragraphs 88A to 88D of HKAS 12:

- a statement that the entity has applied the mandatory deferred tax exception;
- the current income tax expense related to the Pillar Two income taxes; and
- the entity's exposure to future Pillar Two income taxes.

In this illustration, it is assumed that HK Listco considers that the information about the new tax laws is significant to an understanding of changes in the interim period, and has therefore provided the relevant information.

If an entity has operations in jurisdictions where the tax laws to implement the Pillar Two income taxes are enacted or substantively enacted at the reporting date but are not yet effective, it should consider to disclose its exposure to the future Pillar Two income taxes.

[56] In June 2025, the Hong Kong SAR Government gazetted the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 (the 2025 Amendment Ordinance) to implement the Income Inclusion Rule (IIR) and Hong Kong Minimum Top-up Tax (HKMTT), which take effect for fiscal years beginning on or after 1 January 2025.

The 2025 Amendment Ordinance also implemented the Undertaxed Profits Rule (UTPR) but it will only be effective from a future fiscal year to be specified by the Secretary for Financial Services and the Treasury. In this illustration, it is assumed that the UTPR will not have a material impact on HK Listco therefore it has not provided any disclosures about the UTPR. If an entity expects to be materially impacted by the UTPR once it is in effect, it should provide the required disclosures in accordance with paragraph 88C and 88D of HKAS 12 (see footnote 55).

[57] In this illustration, it is assumed that the jurisdiction in which the ultimate parent (and also the immediate parent) of HK Listco is incorporated has not implemented Pillar Two tax laws and therefore the top-up tax is borne by HK Listco under the IIR.

7 EARNINGS PER SHARE

(a) Basic earnings per share

CP

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of $58,174,000 (six months ended 30 June 2024: $48,083,000) and the weighted average of 99,724,000 ordinary shares (2024: 100,000,000 shares, after adjusting for the bonus issue in 2025)[58] in issue during the interim period.

(b) Diluted earnings per share

CP

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the company of $58,437,000 (six months ended 30 June 2024: $48,345,000) and the weighted average number of ordinary shares of 100,510,000 (2024: 100,500,000 shares, after adjusting for the bonus issue in 2025[58]).

HKAS 33.26-27, 64

[58] Paragraph 26 of HKAS 33 requires that for the purpose of calculating earnings per share, the weighted average number of ordinary shares outstanding during the period and for all periods presented should be adjusted for events, other than conversion of potential ordinary shares that have changed the number of ordinary shares outstanding without a corresponding change in resources. Paragraph 27 provides some examples of such events: capitalisation or bonus issue, bonus element in any other issue (e.g. bonus element in a rights issue), share split and reverse share split.

Paragraph 64 of HKAS 33 states that the requirement to restate the per share calculations for all periods presented applies even if the change occurs after the end of the reporting period (but before the financial statements are authorised for issue). In that case, the fact that per share calculations reflect the post balance sheet change in the number of shares should be disclosed. In our view, this requirement in paragraph 64 does not apply to a rights issue which occurred after the end of the reporting period. This is because the computation of the bonus element in a rights issue requires information on the market price of the shares immediately before exercise of the rights i.e. relates to circumstances which did not exist at the end of the reporting period. Therefore, the retrospective adjustment for a rights issue would only be made for rights issues that occurred during the reporting period. Any rights issue that occurred after the end of the reporting period but before the financial statements are authorised for issue should be disclosed as a non-adjusting event in accordance with paragraph 70(d) of HKAS 33 and paragraph 22(f) of HKAS 10.

8 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

HKAS 34.15 **(a) Right-of-use assets**

During the six months ended 30 June 2025, the group entered into a number of lease agreements for use of warehouses, retail stores and machinery, and therefore recognised the additions to right-of-use assets of $11,865,000.

The leases of retail stores contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the group operates. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2025		
	Fixed payments $'000	Variable payments $'000	Total payments $'000
Retail stores – Hong Kong	1,200	780	1,980

	Six months ended 30 June 2024		
	Fixed payments $'000	Variable payments $'000	Total payments $'000
Retail stores – Hong Kong	1,100	500	1,600

HKAS 34.15B(d)

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2025, the group acquired items of plant and machinery with a cost of $6,816,000 (six months ended 30 June 2024: $6,353,000). Items of plant and machinery with a net book value of $416,000 were disposed of during the six months ended 30 June 2025 (six months ended 30 June 2024: $nil), resulting in a loss on disposal of $42,000 (six months ended 30 June 2024: $nil).

HKAS 34.15B(b)

(c) Impairment losses

During the six months ended 30 June 2025, a number of machines in the property development division were physically damaged. The group assessed the recoverable amounts of those machines and as a result the carrying amount of the machines was written down to their recoverable amount of $6,230,000[59]. An impairment loss of $1,200,000 was recognised in "Cost of sales"[60]. The estimates of recoverable amount were based on the machines' fair values less costs of disposal, using market comparison approach by reference to recent sales price of similar assets within the same industry, adjusted for differences such as remaining useful lives[61]. The fair value on which the recoverable amount is based is categorised as level 3 measurement.

HKAS 34.15B

[59] Under paragraph 15B of HKAS 34, recognition or reversal of impairment loss on financial assets, property, plant and equipment, intangible assets, assets arising from contracts with customers and other assets are among events for which disclosures would be required if significant. However, the content and level of details of such disclosures are not specified in HKAS 34. Entities therefore need to exercise judgement to determine the extent of disclosures in HKAS 36 to be given in condensed interim financial reports. When exercising judgement, entities should bear in mind the disclosure objective of HKAS 34, which is to explain events and transactions that are significant to an understanding of the changes in financial position and performance since the end of the last annual reporting period.

HKAS 36.130(e)&(f)

In this illustration, it is assumed that the information required by HKAS 36 regarding the recoverable amount of impaired assets is necessary for an understanding of changes in financial position and performance, and therefore HK Listco provides the disclosures in accordance with paragraphs 130(e) and (f) of HKAS 36.

HKAS 36.126(a)

[60] In this illustration, HK Listco presents its expenses by function (see footnote 8) and has therefore allocated the impairment loss of non-financial assets to the appropriate function. In our view, only expenses that cannot be allocated to a specific function are classified as "other operating expenses" (e.g. impairment of goodwill).

HKAS 34.15

(d) Valuation[61]

The valuations of investment properties and land and buildings held for own use carried at fair value were updated at 30 June 2025 by the group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2024 valuations.

As a result of the update, a net gain of $9,130,000 (2024: $3,260,000), and deferred tax thereon of $1,479,000 (2024: $460,000), has been recognised in profit or loss for the period in respect of investment properties. The before-tax and net-of-tax amounts of $14,770,000 and $13,618,000 (2024: $3,874,000 and $3,416,000) respectively have been recognised in other comprehensive income for the period in respect of land and buildings held for own use.

9 INVENTORIES AND OTHER CONTRACT COSTS

HKAS 34.15B(a)

During six months ended 30 June 2025, $1,500,000 (2024: $nil) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period, being the amount of reversal of a write-down of inventories to the estimated net realisable value. This reversal arose due to an increase in the estimated net realisable value of certain electronic goods as a result of a change in consumer preferences.

HKAS 34.C7

[61] Paragraph 41 of HKAS 34 accepts that the preparation of an interim financial report will require a greater use of estimation methods than annual financial reports and Appendix C to HKAS 34 gives relying on professionally qualified valuers only at the annual reporting date, rather than at each interim date, as an example of this. In this respect the following should be noted:

- The interim report is required to be presented using the same accounting policies as the entity applies in its annual financial statements (paragraph 28 of HKAS 34). Therefore, in principle, the carrying value of assets measured at fair value, for example investment property, should be the fair value of those assets as at the interim reporting date.
- HKAS 34 also requires that the measurement procedures to be followed in an interim report shall be designed to ensure that the resulting information is reliable (paragraph 41 of HKAS 34).

In this illustration, it is assumed that HK Listco has engaged professional valuers at the interim date to provide up to date valuations of the properties. However, extrapolations based on a review for indications of significant changes in the value since the previous annual reporting date may be sufficient for an interim financial report depending on, for example, the volatility of the property market and the availability of market data on comparable properties. As is the case in the preparation of the annual financial statements under HKAS 40 (see paragraph 32 of HKAS 40) and HKAS 16 (see paragraph 34 of HKAS 16), management should exercise their judgement as to whether they are able to arrive at sufficiently reliable measures of the fair value of their property portfolio at the interim reporting date without the involvement of an expert.

10 TRADE AND OTHER RECEIVABLES

D2(4)(2)(a) As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows[62]:

	At 30 June 2025 $'000	At 31 December 2024 $'000
Within 1 month	51,280	44,034
1 to 2 months	9,616	9,557
2 to 3 months	1,923	1,911
Over 3 months	1,282	1,274
Trade debtors and bills receivable, net of loss allowance	64,101	56,776
Other debtors	500	546
Financial assets measured at amortised cost	64,601	57,322
Insurance reimbursement	1,731	1,752
	66,332	59,074

Trade debtors and bills receivable are due within [●] days from the date of billing. Debtors with balances that are more than [●] months past due are requested to settle all outstanding balances before any further credit is granted.

D2(4)(2)(a), D2(4)(2)(b), D2(4): Note 4.2

[62] For Main Board listed issuers, the MBLRs require disclosure of the group's ageing analysis of accounts receivable and payable in both the annual financial statements and the interim financial report. In accordance with Note 4.2 to paragraph 4 to Appendix D2 to the MBLRs, the ageing analysis should normally be presented on the basis of the date of the relevant invoice or demand note and categorised into time-bands based on analysis used by an issuer's financial position. The basis on which the ageing analysis is presented should be disclosed.

As of the time of writing, there is no guidance or recommendation as to whether the ageing of accounts receivable should be before or after recognition of impairment losses. Listed entities are therefore recommended, as a matter of best practice, to clearly state which approach has been adopted in this respect.

11 CASH AND CASH EQUIVALENTS

	At 30 June 2025 $'000	At 31 December 2024 $'000
Deposits with banks and other financial institutions	40,729	49,185
Cash at bank and in hand	28,023	52,029
Property pre-sale proceeds held by solicitor (note (i)) [63]	5,031	3,874
Cash and cash equivalents in the statement of financial position	73,783	105,088
Bank overdrafts	(1,368)	(2,789)
Cash and cash equivalents in the cash flow statement	72,415	102,299

(i) In accordance with the relevant laws and regulations governing the pre-sale of residential properties in Hong Kong, prepayments by customers are held by firms of solicitors as stakeholders. The amounts can be released to the group for meeting certain prescribed costs associated with the property development or if certain conditions are fulfilled.

(ii) As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to $7,932,000 (2024: $7,342,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

HKAS 7.6-7

[63] In this illustration, HK Listco considers that the property pre-sale proceeds held by solicitors meet the definition of cash equivalents in accordance with paragraphs 6 and 7 of HKAS 7, as among other things the amounts are held for meeting short-term cash commitments of settling costs associated with the property development. Whether the definition of "cash equivalents" in HKAS 7 is met depends on an entity's specific facts and circumstances.

12 TRADE AND OTHER PAYABLES

D2(4)(2)(b)

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:[62]

	At 30 June 2025 $'000	At 31 December 2024 $'000
Within 1 month	91,024	87,435
1 to 3 months	46,584	45,962
Over 3 months but within 6 months	1,370	1,106
Total creditors and bills payable	138,978	134,503
Other creditors and accrued charges	366	4
Amounts due to ultimate holding company and fellow subsidiaries	4,700	5,580
Financial liabilities measured at amortised cost	144,044	140,087
Refund liabilities	3,300	3,120
	147,344	143,207

13 CAPITAL, RESERVES AND DIVIDENDS

HKAS 34.16A(f) D2(4)(3)

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	2025	2024
	$'000	$'000
Interim dividend declared and paid after the interim period of 30 cents per share (2024: 30 cents per share)	29,850	27,000

The interim dividend has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2025	2024
	$'000	$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of 55 cents per share (six months ended 30 June 2024: 50 cents per share)	49,500	45,000

(iii) Dividends on redeemable preference shares issued by the company

Dividends on redeemable preference shares are paid semi-annually in arrears at a rate of 5% per annum of the shares' nominal amount on 30 June and 31 December each year as from their issue date of 1 January 2024. Dividends of $100,000 were recognised as an expense in finance costs for the six months ended 30 June 2025 (six months ended 30 June 2024: $100,000). Dividends of $100,000 were accrued and presented in "Other current liabilities" as at 30 June 2025 (31 December 2024: $100,000).

HKAS 34.16A(e)

(b) Bonus issue

On 8 January 2025, the company made a bonus issue on the basis of 1 bonus share for every 10 existing shares held by shareholders in recognition of their continual support. A total of 9,000 ordinary shares were issued pursuant to the bonus issue.

(c) Purchase of own shares

D2(41)(1)
HKAS
34.16A(e)

During the interim period, the company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share $	Lowest price paid per share $	Aggregate price paid $'000
February 2025	300,000	6.65	6.55	1,980
May 2025	200,000	6.80	6.70	1,350
				3,330

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of $3,330,000 was paid wholly out of retained profits.[64]

(d) Equity settled share-based transactions

On 1 May 2025, 500,000 share options were granted for nil consideration to employees of the company under the company's employee share option scheme (no share options were granted during the six months ended 30 June 2024). Each option gives the holder the right to subscribe for one ordinary share of the company. These share options will vest on 30 April 2026, and then be exercisable until 2028. The exercise price is $6.5, being the weighted average closing price of the company's ordinary shares immediately before the grant.

No options were exercised during the six months ended 30 June 2025 (2024: nil).

64 When a company repurchases the shares out of distributable profits under section 257 of the CO, it should record the debit entry to its "retained profits" and reduce the number of shares in issue for the shares cancelled under section 269 of the CO.

For overseas incorporated companies, the relevant overseas legislation in relation to repurchase of shares would need to be followed.

HKFRS 13.91-92, 94-95 & 99

[65] Paragraph 16A(j) of HKAS 34 requires entities to apply paragraphs 91 to 93(h), 94 to 96, 98 and 99 of HKFRS 13 for disclosures about financial instruments which are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition. As explained in footnote 66 below, "recurring" fair value measurements arise from assets or liabilities measured on a fair value basis at each reporting date. All other measurements using fair value are "non-recurring".

These HKFRS 13 disclosures are the same disclosures as are required for financial instruments in the complete set of financial statements and should be made in accordance with the overall disclosures objectives and the general principles of HKFRS 13 (set out in paragraphs 91 to 92, 94 to 95 and 99 of HKFRS 13). The overall disclosure objectives are:

- to provide information that enables users of financial statements to assess the methods and inputs used to develop the fair value measurements; and
- to assess the effect of the measurements on profit or loss or other comprehensive income of recurring fair value measurements that are based on significant unobservable inputs.

The disclosure requirements (mostly in paragraph 93 of HKFRS 13) are different depending on whether the fair value measurement is recurring or non-recurring, and depending on which level of the 3-level fair value hierarchy (as further discussed in footnote 67 below) that the financial assets or financial liabilities are categorised within. The most extensive requirements are for "Level 3" measurements that are recurring.

Paragraph 92 of HKFRS 13 explicitly requires that if the disclosures provided in accordance with the standard and other HKFRS Accounting Standards are insufficient to meet the above disclosure objectives, entities should disclose additional information necessary to meet those objectives.

Unless another format is more appropriate, the quantitative disclosures required by HKFRS 13 should be presented in a tabular format (i.e. instead of being a narrative note).

HKFRS 13.93(a)

[66] Recurring fair value measurements arise from assets or liabilities measured on a fair value basis at each reporting date. As far as financial instruments are concerned, examples of recurring fair value measurements include financial assets at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

HKFRS 13.93(b), 72-90

[67] For recurring and non-recurring fair value measurements, entities are required to disclose the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique for that particular asset or liability as follows:

- Level 1 valuations: these are valuations which use only Level 1 inputs i.e. these use unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: these are valuations that use Level 2 inputs i.e. observable inputs which fail to meet Level 1 (e.g. because the observable inputs are for similar, but not identical assets or liabilities) and do not use significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: these are valuations which cannot be classified as Level 1 or Level 2. This means that the valuation is estimated using significant unobservable inputs.

In some cases, the inputs used to measure the fair value might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (Note: Level 1 is considered as the highest, Level 3 is the lowest). This means that if the valuation technique uses significant unobservable inputs, then the fair value of that asset or liability should be classified as a "Level 3" valuation.

HKAS 34.16A(j)

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

HKFRS 13.91-92

(a) Financial assets and liabilities measured at fair value[65]

HKFRS 13.93(a)& (b)

(i) Fair value hierarchy[67]

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

HKFRS 13.93(g)

The group has a team headed by the finance manager performing valuations for the financial instruments, including the unlisted equity securities and the conversion option embedded in convertible notes. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates[68].

		Fair value measurements as at 30 June 2025 categorised into		
	Fair value at 30 June 2025[69] $'000	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement[66]				
Financial assets:				
Units in bond funds	15,875	15,875	-	-
Non-trading listed equity securities	8,210	8,210	-	-
Unlisted equity securities	4,975	-	-	4,975
Trading securities	58,176	58,176	-	-
Derivative financial instruments:				
- Interest rate swaps	1,522	-	1,522	-
- Forward exchange contracts	735	158	577	-
Financial liabilities:				
Derivative financial instruments:				
- Interest rate swaps	54	-	54	-
- Forward exchange contracts	38	-	38	-
- Conversion option embedded in convertible notes	198	-	-	198

HKFRS 13.93(g), IE65

68 For fair value measurements categorised in Level 3 of the fair value hierarchy, entities should provide a description of the valuation processes used. Paragraph IE65 of HKFRS 13 gives examples of information that the entity may disclose in respect of the valuation processes.

	Fair value at 31 December 2024[70] $'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement[66]				
Financial assets:				
Units in bond funds	15,176	15,176	-	-
Non-trading listed equity securities	6,710	6,710	-	-
Unlisted equity securities	4,950	-	-	4,950
Trading securities	58,020	58,020	-	-
Derivative financial instruments:				
- Interest rate swaps	1,489	-	1,489	-
- Forward exchange contracts	2,124	659	1,465	-
Financial liabilities:				
Derivative financial instruments:				
- Interest rate swaps	52	-	52	-
- Forward exchange contracts	20	-	20	-
- Conversion option embedded in convertible notes	171	-	-	171

HKFRS 13.93(c), HKFRS 13.93(e)(iv)

During the six months ended 30 June 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2024: nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.[71]

HKFRS 13.93(a) & 94

[69] For recurring and non-recurring fair value measurements, entities are required to disclose, for each class of assets and liabilities, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. As stated in paragraph 94 of HKFRS 13, "class" is determined based on the nature, characteristics and risks of the asset or liability; and the level of the fair value hierarchy within which the fair value measurement is categorised. So far as financial instruments are concerned, "classes" would be determined at a lower level than the measurement categories (i.e. amortised cost, fair value through profit or loss, fair value through other comprehensive income – recycling and non-recycling) in HKFRS 9 when the financial instruments within the same category have different nature, characteristics or risks. For example, in this illustration, the category "measured at fair value through profit or loss" is sub-divided into trading and non-trading securities.

As stated in paragraph 94 of HKFRS 13, the number of classes may need to be greater for Level 3 fair value measurements as they have a greater degree of uncertainty and subjectivity.

HKFRS 13.C2&C3

[70] HKAS 34 does not explicitly require comparative information to be included in the selected explanatory notes in a condensed interim financial report. In our experience, entities generally include both quantitative and narrative comparative information in the explanatory notes because the disclosure is of continuing relevance to the current interim period. Therefore, it would be appropriate to include the comparative information when providing the required HKFRS 13 disclosures in the condensed interim financial report.

HKFRS 13.93(c), 93(e)(iv) & 95

[71] Entities are required to disclose, for recurring fair value measurements:
- the amounts of any transfers between levels of the fair value hierarchy;
- the reasons for those transfers; and
- the policy for determining when transfers between levels are deemed to have occurred (e.g. occurred at the date of the event or change in circumstances that caused the transfer, deemed to have occurred at the beginning of the reporting period, or at the end of the reporting period).

Transfers into and out of the levels should be separately disclosed and discussed.

HKFRS 13.93(d)

[72] Entities are required to disclose, for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. For fair value measurements categorised within Level 3, information about the significant unobservable inputs used has to be quantitative.

If there has been a change in valuation technique, disclose this fact and the reason(s) for making the change.

HKFRS 13.93(d)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements[72]

The fair value of forward exchange contracts in Level 2 is determined by discounting the difference between the contractual forward price and the current forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to transfer the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

HKFRS 13.93(d)

(iii) Information about Level 3 fair value measurements[72]

	Valuation techniques	**Significant unobservable inputs**	**Range[73]**	**Weighted average[73]**
Unlisted equity securities	Market comparable companies	Discount for lack of marketability	[●]% to [●]% (2024: [●]% to [●]%)	[●]% (2024: [●]%)
Conversion option embedded in convertible notes	Binomial lattice model	Expected volatility	[●]% (2024: [●]%)	[●]% (2024: [●]%)

HKFRS 13.93(h)

The fair value of unlisted equity securities is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2025, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by [●]% would have increased/decreased the group's other comprehensive income by $[●] (2024: $[●]).

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73 HKFRS 13 does not specify how to summarise the quantitative information about the significant unobservable inputs used for each class of assets or liabilities carried at Level 3 valuations (e.g. whether to disclose the range of values or a weighted average for each significant unobservable input used). Entities should consider the level of detail that is necessary to meet the disclosure objectives. For example, if the range of values for a significant unobservable input used is wide, then the entity may need to disclose both the range and the weighted average of the values in order to provide information about how the inputs are dispersed around that average and distributed within that range.

HKFRS 13.93(h)

74 For financial instruments measured at fair value on a recurring basis and categorised within Level 3, entities should provide the following information:

- a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might change fair value significantly. This narrative description should include, at a minimum, the unobservable inputs that have been disclosed under paragraph 93(d) of HKFRS 13;
- a description of the interrelationships and how they might magnify or mitigate the effect of changes if there are interrelationships between those inputs; and
- a quantitative sensitivity analysis if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly.

HKFRS 13.93(e) & 93(f)

75 For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, entities should provide a reconciliation from the opening balances to the closing balances. This reconciliation should separately disclose the changes during the period attributable to:

- total gains or losses (i.e. realised and unrealised) for the period recognised in profit or loss, and the line item(s) in profit or loss in which they are recognised;
- total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which they are recognised;
- purchases, sales, issues and settlements (each of those types of changes disclosed separately); and
- the amounts of any transfers into or out of Level 3 of the fair value hierarchy.

Separate disclosure should be made for changes in unrealised gains or losses included in profit or loss relating to assets and liabilities held at the end of the reporting period and the line item(s) in profit or loss in which those unrealised gains or losses are recognised.

The fair value of conversion option embedded in convertible notes is determined using binomial lattice model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2025, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by [●]% would have decreased/increased the group's profit by $[●] (2024: $[●]).[74]

HKFRS 13.93(e)&(f)

The movement during the period in the balance of Level 3 fair value measurements is as follows:[75]

	At 30 June 2025 $'000	At 30 June 2024[76] $'000
Unlisted equity securities:		
At 1 January	4,950	4,800
Additional securities acquired	-	60
Net unrealised gains or losses recognised in other comprehensive income during the period	25	50
At 30 June	4,975	4,910
Conversion option embedded in convertible notes:		
At 1 January	171	169
Changes in fair value recognised in profit or loss during the period	27	2
At 30 June	198	171
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	27	2

[76] As explained in footnote 70, we believe that it would be appropriate to include the comparatives when providing the required HKFRS 13 disclosures in condensed interim financial reports.

Since there is no specific guidance regarding comparative information in the explanatory notes under HKAS 34, when disclosing the reconciliation for Level 3 recurring fair value measurements, it is not clear which financial period the comparative information should cover. We believe that either of the following approaches are acceptable:

- covering the comparable interim period (i.e. here reconciling from the balances at 1 January 2024 to the balances at 30 June 2024). This approach is based on the view that as the reconciliation includes separate disclosures of gains or losses recognised in profit or loss and in other comprehensive income during the period, the reconciliation will have better comparability when those disclosures provide the information relating to gains or losses recognised in the comparable interim period. This approach is also consistent with the minimum information required to be disclosed in the statement of changes in equity under paragraph 20(c) of HKAS 34; or
- covering the full immediately preceding financial year with additional subtotals showing the balances at the preceding interim period end (i.e. here first reconciling from the balances at 1 January 2024 to the balances at 30 June 2024/1 July 2024, and then from the balances at 30 June 2024/1 July 2024 to 31 December 2024). This approach is consistent with the approach illustrated in HK Listco's statement of changes in equity and provides full reconciliation to the comparative statement of financial position, which is required to present the balances at the end of the immediately preceding financial year under paragraph 20(a) of HKAS 34.

In this illustration, HK Listco adopts the first approach.

Any gains or losses arising from the remeasurement of the group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

The gains arising from the remeasurement of the conversion option embedded in the convertible notes are presented in the "Other income" line item in the consolidated statement of profit or loss.

(b) Fair values of financial assets and liabilities carried at other than fair value[77]

HKFRS 7.25-26, HKFRS 13.97

The carrying amounts of the group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2024 and 30 June 2025 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2025		At 31 December 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Convertible notes	(9,462)	(8,521)	(9,356)	(8,450)
Redeemable preference shares	(3,912)	(2,766)	(3,912)	(2,628)

HKFRS 7.25-26 & 28-30

[77] Paragraph 16A(j) of HKAS 34 requires entities to disclose in interim financial reports the information required by paragraphs 25 to 26 and 28 to 30 of HKFRS 7 for their financial instruments. In this illustration, we have illustrated the disclosures required by paragraphs 25 and 26 of HKFRS 7, i.e. the fair values for each class of financial assets and financial liabilities that are not carried at fair value. As stated in paragraph 29 of HKFRS 7, such disclosure is not required:

- when the carrying amount of a financial instrument is a reasonable approximation of fair value; or
- for lease liabilities.

In addition, the additional details required to be disclosed in annual financial statements by paragraph 97 of HKFRS 13 in respect of this memorandum information are not required in interim financial reports, as information required by paragraph 97 of HKFRS 13 is omitted from the list in paragraph 16A(j) of HKAS 34.

15 COMMITMENTS

Commitments outstanding at 30 June 2025 not provided for in the interim financial report

		At 30 June 2025 $'000	At 31 December 2024 $'000
HKAS 34.15B(e)	Contracted for acquisition of property, plant and equipment	539	6,376
	Authorised but not contracted for:		
	- acquisition of investment property	12,500	-
	- acquisition of property, plant and equipment	-	660
		13,039	7,036

16 CONTINGENT ASSETS AND LIABILITIES

HKAS 34.15B(m)

In June 2025, a subsidiary of the group received notice that it is being sued by a former employee in respect of a personal injury purported to have been suffered during his employment with that company. If the company is found to be liable, the total expected monetary compensation may amount to approximately $10 million[41]. Under the subsidiary's employer's liability insurance policy, it is probable that in such circumstances the subsidiary could recover approximately $2 million from the insurer. The subsidiary denies any liability in respect of the injury and, based on legal advice, the directors do not believe it probable that the court will find against them. No provision has therefore been made in respect of this claim.

17 MATERIAL RELATED PARTY TRANSACTIONS

HKAS 34.15B(j)

In January 2025, the group entered into a three-year lease in respect of certain leasehold properties from a fellow subsidiary of the group for storage of electronic goods. The amount of rent payable by the group under the lease is $100,000 per month, which was determined with reference to amounts charged by the fellow subsidiary to third parties. At the commencement date of the lease, the group recognised a right-of-use asset and a lease liability of $3,303,000.

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

HKAS 34.16A(h)

Subsequent to the end of the reporting period, one of the group's major trade debtors went into liquidation following a serious fire at their main production facilities in July 2025. Of the $100,000 owed by the debtor, the group expects to recover less than $10,000. No adjustment has been made in this interim financial report in this regard.

[19 COMPARATIVE FIGURES

As a result of the application of [● ● ●] certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2025. Further details of the changes in accounting policies are disclosed in note 2.]

HKSRE 2410.43(a) &(b)

Review report to the board of directors of HK Listco Ltd[78]

CP

(Incorporated in Hong Kong with limited liability)[79]

Introduction

HKSRE 2410.43(c)

We have reviewed the interim financial report set out on pages 13 to 54, which comprise the consolidated statement of financial position of HK Listco Ltd (the "company") as of 30 June 2025 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim financial reporting* as issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

HKSRE 2410.43(e)

HKSRE 2410.43(f)

Our responsibility is to express a conclusion, based on our review, on this interim financial report 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.

Scope of review

HKSRE 2410.43(g)

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* as issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, 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.

HKSRE 2410.43(h)

Conclusion

HKSRE 2410.43(j)

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2025 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 *Interim financial reporting*.

HKSRE 2410.43(k), (l) & (m)

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
25 August 2025

D2(43)

78 While paragraph 39 of Appendix D2 to the MBLRs requires the interim financial report to be reviewed by the listed issuer's audit committee, there is no requirement for the external auditors to perform an audit or review on the report. If the information contained in an interim financial report has been audited by the listed issuer's auditor, the auditor's report including any qualifications should be reproduced in full in the interim report. However, the MBLRs are silent as to whether the auditor's review report should be set out in the interim report if an independent review has been performed by the auditors.

CP

79 In Hong Kong, it is common practice to disclose the place of incorporation of the company in the auditor's report.

Appendix A
New or amended HKFRS Accounting Standards

This appendix lists the new standards under and amendments to HKFRS Accounting Standards in issue as at 30 June 2025, which were not yet effective for the 2024 calendar year-ends and therefore may need to be considered for the first time in the preparation of the 2025 interim financial information. The appendix contains two tables:

- Table A1 lists those amended HKFRS Accounting Standards which are required to be adopted in annual accounting periods beginning on or after 1 January 2025.
- Table A2 lists other new or amended HKFRS Accounting Standards which are available for early adoption in that period, but are not yet mandatory.

The appendix includes a brief overview of these new or amended HKFRS Accounting Standards, focusing particularly on those which are likely to be of interest or concern. All of these new or amended HKFRS Accounting Standards are as a direct consequence of amendments and revisions to IFRS Accounting Standards made by the IASB and adopted by the HKICPA word-for-word and with the same effective dates. More information on these new or amended HKFRS Accounting Standards can be obtained from your usual KPMG contact.

* *All of the effective dates given below refer to the start of an annual accounting period, unless otherwise noted.*

Effective date*	**Table A1:** **Amended HKFRS Accounting Standards first effective for annual periods beginning 1 January 2025**	
1 January 2025	Amendments to HKAS 21, *The effects of changes in foreign exchange rates* "Lack of exchangeability"	The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability. Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

[End of Table A1]

Effective date*	**Table A2:** **New or amended HKFRS Accounting Standards which are not yet mandatory for annual periods beginning 1 January 2025 but may be adopted early**	
1 January 2026	Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures* "Contracts referencing nature-dependent electricity"	The amendments include requirements on: • clarifying the application of the "own-use" requirements; • permitting hedge accounting if these contracts are used as hedging instruments; and • adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. These amendments will become effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.
1 January 2026	Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures* "Amendments to the classification and measurement of financial instruments"	The amendments include requirements on: • classification of financial assets with environmental, social or governance (ESG) targets and similar features; • settlement of financial liabilities through electronic payment systems; and • disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments are effective for annual reporting periods beginning on or after 1 January 2026 and earlier application is permitted. Retrospective application is required. However, entities are not required to restate prior periods to reflect the application of the amendments; instead, entities may restate prior periods if it is possible without the use of hindsight. If an entity does not restate prior periods, it should, at the date of initial application, recognise any effect of initially applying these amendments as an adjustment to the opening balances of financial assets and financial liabilities and the corresponding adjustment associated with the cumulative effect to the opening balance of retained earnings (or other component of equity, as appropriate).
1 January 2026	Annual improvements to HKFRS Accounting Standards – Volume 11 - Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards* - Amendments to HKFRS 7, *Financial instruments: disclosures* and its accompanying guidance on implementing HKFRS 7 - Amendments to HKFRS 9, *Financial instruments* - Amendments to HKFRS 10, *Consolidated financial statements* - Amendments to HKAS 7, *Statement of cash flows*	The Annual Improvements contain narrow amendments to HKFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the standards. The amendments to Paragraphs B5 and B6 of HKFRS 1 have been updated to improve the consistency with the requirements of HKFRS 9 related to hedge accounting. The amendments to HKFRS 7 remove an obsolete reference to paragraph 27A and updated the wordings in paragraph B38 regarding "unobservable inputs" to align closer with HKFRS 13. The amendments to the accompanying guidance on implementing HKFRS 7 clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7, as well as update the wordings in paragraph IG14 of HKFRS 7 regarding "fair value" to align closer with other standards. The amendments to HKFRS 9 address a potential confusion involving HKFRS 9 and HKFRS 15 over the initial measurement of trade receivables, and how a lessee accounts for the derecognition of a lease liability under paragraphs 3.3.1 and 3.3.3 of HKFRS 9. The amendments to HKFRS 10 clarify that the relationship described in paragraph B74 is just one example of a circumstance in which judgement is required to determine whether a part is acting as a de facto agent. The amendments to HKAS 7 replace the term "cost method" with "at cost" in paragraph 37 as the definition of "cost method" has already been removed in prior years.

<table>
<tr><th>Effective date*</th><th colspan="2">Table A2 (continued):
New or amended HKFRS Accounting Standards which are not yet mandatory for annual periods beginning 1 January 2025 but may be adopted early</th></tr>
<tr><td>1 January 2027</td><td>HKFRS 18, Presentation and disclosure in financial statements</td><td>HKFRS 18 will replace HKAS 1 and aims to improve the transparency and comparability of information about an entity's financial performance.
The main changes comprise:
• a more structured income statement;
• enhanced disclosure requirements on management-defined performance measures ("MPMs"); and
• enhanced requirements on aggregation and disaggregation of information.
HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively. Earlier application is permitted.</td></tr>
<tr><td>1 January 2027</td><td>HKFRS 19, Subsidiaries without public accountability: disclosures</td><td>HKFRS 19 allows eligible subsidiaries to apply HKFRS Accounting Standards with reduced disclosures.
A subsidiary may elect to apply HKFRS 19 in its consolidated, separate or individual financial statements provided that, at the reporting date:
• it does not have public accountability: and
• its parent produces consolidated financial statements that are available for public use under HKFRS Accounting Standards or IFRS Accounting Standards.
A subsidiary applying HKFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with HKFRS Accounting Standards that HKFRS 19 has been applied.
HKFRS 19 is effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.</td></tr>
<tr><td>To be determined</td><td>Amendments to HKFRS 10, Consolidated financial statements and HKAS 28, Investments in associates and joint ventures
"Sale or contribution of assets between an investor and its associate or joint venture"</td><td>The amendments introduce new requirements on loss of control over assets in a transaction with an associate or joint venture. These requirements require the full gain to be recognised when the assets transferred meet the definition of a "business" under HKFRS 3, Business combinations.
The amendments as originally issued had an effective date of annual periods beginning on or after 1 January 2016. In December 2015, the IASB decided to remove the effective date of the equivalent amendments to IFRS 10 and IAS 28 and indicated that the effective date will be determined when its research project on equity accounting is completed. The HKICPA followed the IASB's decision and indefinitely deferred the effective date of the equivalent amendments to HKFRS 10 and HKAS 28 accordingly.</td></tr>
</table>

[End of Table A2]

Appendix B
Recent IFRIC agenda decisions

IFRIC agenda decisions relate to financial reporting issues which have been brought to the attention of the IFRS Interpretations Committee (the Committee), where the Committee has decided not to add the issue to its work programme for further deliberation. Often the reason for this is because the Committee believes that existing IFRS requirements provide enough information to determine the accounting, and an agenda decision is published to explain how the applicable principles and requirements of the IFRS Accounting Standards apply to the question submitted. Although agenda decisions are technically non-authoritative as they reflect existing requirements of the Standards, the decisions are viewed as in-substance mandatory by major accounting firms and many regulators.

The IFRS Foundation's Due Process Handbook notes that entities should be entitled to "sufficient time" to implement changes in accounting policy that result from an agenda decision published by the Committee. Although "sufficient time" depends on an entity's particular facts and circumstances, the IASB's expectation is that "companies need to consider agenda decisions and implement any necessary accounting policy changes on a timely basis—in other words, as soon and as quickly as possible"[1].

This appendix includes a summary of the IFRIC agenda decisions issued from January 2024 to June 2025, starting with the most recent decisions as of the time of writing. These decisions are published in the IFRS Foundation's newsletter "IFRIC Update", which is published shortly after they are considered by the IASB and the IASB does not object to the publication of the agenda decision. The IFRS Foundation website also contains a compilation of past agenda decisions and recordings of the Committee's meetings. Considering that HKFRS Accounting Standards are derived from IFRS Accounting Standards word-for-word, entities preparing financial statements under HKFRS Accounting Standards or IFRS Accounting Standards are expected to change their accounting policies to align with the guidance in the final agenda decisions, to the extent their existing accounting policies materially differ from those described in the agenda decisions, and any such changes in accounting policies will be implemented in a timely manner.

More information on these developments can be obtained from your usual KPMG contact.

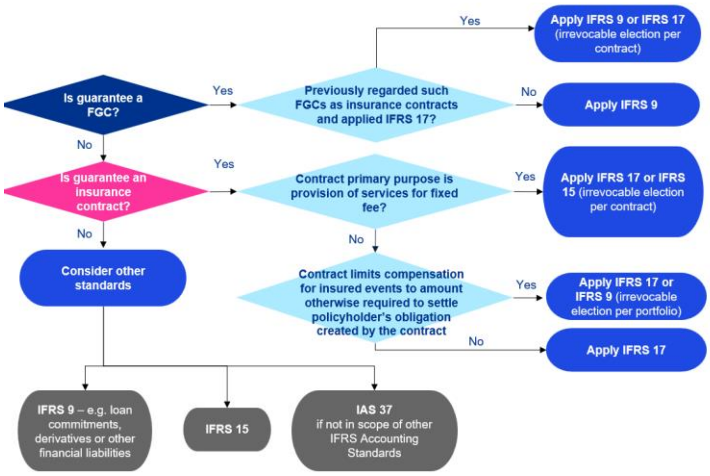
Meeting date	Issue discussed by the Committee	Summary of the Committee's conclusion on the issue
November 2024	**IAS 38 – Recognition of intangible assets resulting from climate-related expenditure:** An entity that has made a climate commitment has acquired carbon credits and incurred expenditure on climate-related research and development. Do the expenditure meet the requirements in IAS 38 to be recognised as intangible assets?	The Committee did not consider the submission's question about the accounting for carbon credits, as they noted the IASB has been performing research to assess the prevalence and significance of pollutant pricing mechanisms (PPMs), some of which include the use of carbon credits. The IASB will decide whether to add a project on the accounting for PPMs to its work plan during its next agenda consultation. Evidence gathered by the Committee indicated no material diversity in the accounting for expenditure on research activities and development activities. Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.
November 2024	**IAS 7 – Classification of cash flows related to variation margin calls on "collateralised-to-market" contracts:** How does an entity present, in its statement of cash flows, the cash flows related to variation margin call payments made on contracts to purchase or sell commodities at a predetermined price and at a specified time in the future?	The Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.

1 "Agenda decisions—time is of the essence", an article written by the then vice-Chair of the IASB and published on the IFRS Foundation's website.

<table>
<tr><th>Meeting date</th><th>Issue discussed by the Committee</th><th>Summary of the Committee's conclusion on the issue</th></tr>
<tr><td>September 2024</td><td>IFRS 9 / IFRS 17 / IFRS 15 / IAS 37 – Guarantees issued on obligations of other entities:

How does an entity account for guarantees that it issues on obligations of a joint venture? In particular, are the guarantees issued financial guarantee contracts (FGCs) to be accounted for in accordance with IFRS 9 and, if not, which other IFRS Accounting Standards apply to these guarantees?</td><td>The Committee noted that guarantees can arise or be issued in many ways and convey various rights and obligations to the affected parties. IFRS Accounting Standards do not define "guarantees" and no single standard can be applied to all guarantees. An entity considers the specific facts and circumstances and the terms and conditions of the guarantees – but not the nature of the entity's business activities – and applies judgement in determining which IFRS Accounting Standard applies.

These scoping requirements in IFRS Accounting Standards are highlighted by the Committee and are summarised in the following diagram:



In particular, the Committee highlighted that, based on the scoping requirements as illustrated above, an entity firstly considers whether a guarantee that it issues is an FGC. An FGC is defined in IFRS 9 as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument". However, the term "debt instrument" in the definition is not defined in IFRS Accounting Standards. The International Accounting Standards Board (IASB) discussed diversity in practice in the interpretation of the meaning of the term "debt instrument" at its April 2024 meeting, and decided to consider during its next agenda consultation the broader application questions related to FGC. The Committee therefore concluded that an entity applies judgement in interpreting the meaning of the term "debt instrument" when determining whether a guarantee is accounted for as an FGC.

Other than this point, the Committee believes the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine how to account for a guarantee that it issues. Consequently, the Committee decided not to add a standard-setting project to the work plan.</td></tr>
</table>

Meeting date	Issue discussed by the Committee	Summary of the Committee's conclusion on the issue
September 2024	**IFRS 15 – Recognition of revenue from tuition fees:** An educational institution recognises tuition revenue over time by applying IFRS 15. Should the revenue be recognised evenly over the academic year (10 months, excluding summer break), evenly over the calendar year (12 months), or over a different period?	The Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.
June 2024	**IFRS 8 – Disclosure of revenues and expenses for reportable segments:** Should an entity disclose the amounts specified in paragraph 23 of IFRS 8 for each reportable segment, if those amounts are not reviewed separately by the CODM? How does an entity determine what constitutes "material items" for paragraph 23(f) of IFRS 8?	The Committee observed that paragraph 23 of IFRS 8 requires an entity to disclose the specified amounts for each reportable segment when those amounts are: • included in the measure of segment profit or loss reviewed by the CODM, even if they are not separately provided to or reviewed by the CODM, or • regularly provided to the CODM, even if they are not included in the measure of segment profit or loss. For determining what constitutes "material items" of income and expense for paragraph 23(f) of IFRS 8, the Committee highlighted that an entity needs to apply judgement and consider the core principle of IFRS 8, which requires an entity to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Detailed considerations about whether information about an item of income and expense is material include: • the nature or magnitude of information, or both. Paragraph 7 of IAS 1 states that an entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole; • requirements in paragraphs 30-31 of IAS 1 on how to aggregate information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions; and • circumstances including, but not limited to, those in paragraph 98 of IAS 1.

Meeting date	Issue discussed by the Committee	Summary of the Committee's conclusion on the issue
March 2024	**IFRS 3 – Payments contingent on continued employment during handover periods:** How does an entity account for payments to the sellers of a business it has acquired, if those payments are contingent on the sellers' continued employment during a handover period?	The Committee did not observe any significant diversity in practice in respect of the issue identified in the request. It therefore decided not to add a standard-setting project to its work plan. In the fact patterns such as that described in the request, the Committee noted that entities apply the accounting described in the agenda decision *Continuing employment* (published in January 2013) and account for the payments as compensation for post-combination services rather than as additional consideration for the acquisition, unless the service condition is not substantive.
March 2024	**IAS 37 – Climate-related commitments:** Does an entity's public commitment to reduce or offset greenhouse gas ("GHG") emissions create a constructive obligation under IAS 37? If so, should a provision be recognised, and where should the corresponding entry go - an expense or an asset?	The Committee highlighted that an entity recognises a liability only when both of the following tests are met: • Test 1: Does the commitment give rise to a constructive obligation? • Test 2: Are the criteria to recognise a liability all met? This assessment may require significant judgement based on the specific facts and circumstances at each reporting date. Under Test 1, an entity needs to determine if, by past practice or a sufficiently specific communication to affected parties, it has created a valid expectation in other parties (including the public at large) that it will discharge the responsibilities underlying the commitment. Under Test 2, an entity that has a constructive obligation recognises a liability only when all of the following criteria are met: • there is a present obligation as a result of a past event; • it is probable that an outflow of cash or other resources will be required to settle it; and • the entity can reliably estimate the related amount. The Committee also observed that if a provision is recognised, the corresponding amount is recognised as an expense, unless it gives rise to – or forms part of the cost of – an item that qualifies for recognition as an asset in accordance with an IFRS Accounting Standard.

[End of Table B]

Appendix C
Notable HKICPA financial reporting guidance

From time to time, the HKICPA issues educational materials on the application of HKFRS Accounting Standards to cater for local needs and issues and to promote consistent application.

While the guidance is technically non-authoritative, it provides additional insights that might change an entity's understanding of the principles and requirements in HKFRS Accounting Standards and, because of this, an entity might determine that it needs to change its related accounting policies. Specifically, the HKICPA notes in the guidance its expectations that entities have to determine whether their existing accounting policies on the related issues remain appropriate and, if their existing accounting policies are materially different from those described in the guidance, consider implementing a voluntary accounting policy change to conform with the guidance.

Similar to an accounting change that results from an agenda decision published by the Committee (see Appendix B), the HKICPA guidance notes that entities should also be entitled to "sufficient time" to implement changes in accounting policies that result from the guidance, but any such changes should be implemented in a timely manner.

More information on the HKICPA guidance can be obtained from your usual KPMG contact.

Issue date	Title of the publication	Summary of the guidance
22 January 2025	**Accounting implications of the government subsidy scheme for the abolition of the MPF offsetting arrangement**	The guidance sets out the accounting implications related to the implementation of the government subsidy scheme for the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong SAR (the "Subsidy"). According to the HKICPA guidance, a generally acceptable method is to account for the Subsidy as a government grant in accordance with HKAS 20. Accordingly, the Subsidy will not be recognised until there is reasonable assurance that: (a) the entity will comply with the conditions attaching to them; and (b) the grants will be received. It is expected that under most circumstances there would not be reasonable assurance that the conditions associated with the Subsidy would be met until an employer has paid or is about to pay the LSP to their employees in accordance with the Employment Ordinance. The guidance is an extension of the previous guidance on the "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which was published in July 2023.
4 July 2023	**Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong**	The guidance sets out the accounting considerations relating to: (a) the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong SAR, and (b) the abolition of such mechanism, which was gazetted by the Government of the Hong Kong SAR on 9 June 2022 in the form of the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "2022 Amendment Ordinance"). The HKICPA guidance outlines the following two acceptable accounting approaches, which characterise the nature of an employer's right to the accrued benefits arising from its MPF contributions differently, with different recognition, measurement, as well as presentation and disclosure outcomes in an entity's financial statements: (a) account for the accrued benefits derived from an employer's mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards his LSP benefits (b) account for an employer's MPF contributions as the employer's funding mechanism which gives rise to a right of reimbursement for its LSP obligation.

[End of Table C]

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