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Illustrative Interim Financial Report Under Hong Kong Financial Reporting Standards

June 2014

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Abbreviations

Example of abbreviation used	Sources
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
IFRS	International Financial Reporting Standard
IAS	International Accounting Standard
IFRIC	IFRS Interpretations Committee
SEHK	The Stock Exchange of Hong Kong Limited
MBLRs	Main Board Listing Rules of the SEHK
A16(40)(1)	Paragraph 40(1) of Appendix 16 to 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)
GAAP	Generally accepted accounting principles

Foreword

This guide has been prepared primarily to give guidance in respect of 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 2014 issued by a fictitious Main Board listed company, HK Listco Ltd ("HK Listco"), together with the independent auditor's review report; and

- further information on recent developments in HKFRSs, including a brief overview of their scope and requirements.

This 2014 edition of illustrative interim financial report has been updated for changes to HKFRSs which are effective for the first time for 2014 calendar year-ends. Since HK Listco is assumed to be incorporated in Hong Kong, this edition also takes into account changes introduced by the new Hong Kong Companies Ordinance (NCO), which comes into effect on 3 March 2014. Further details are set out below:

Recent financial reporting developments

The appendix to this guide sets out a complete list of recent developments in HKFRSs which were not yet effective for the 2013 calendar year-ends and therefore may need to be considered for the first time in the preparation of the 2014 interim financial report, including a brief overview of these new developments. The list is current as of 29 June 2014 and contains two tables:

- table 1 lists all amendments to HKFRSs which are required to be adopted in annual accounting periods beginning on or after 1 January 2014; and

- table 2 lists all other developments which are available for early adoption in that period, but are not yet mandatory.

All of these developments arise from the HKICPA adopting equivalent changes made to IFRSs by the IASB, word for word and with the same effective dates and transitional provisions. As of 29 June 2014 there are no recent amendments to IFRSs which the HKICPA has yet to adopt, except for IFRS 15, *Revenue from contracts with customers*, which was issued by the IASB on 28 May 2014 and which we expect the HKICPA to adopt in the near future.

As can be seen from table 1, the vast majority of the amendments first effective for 2014 calendar year-ends are clarifications of standards or are of application only to a specific set of facts and circumstances. Significant changes in accounting policies are not expected to be common. However, it is possible that some entities will be materially affected by one or more of the changes and therefore management of each entity should check table 1 carefully to see whether any of these developments could have a material impact on the entity and, if so, to note the transitional requirements.

In addition, 2014 is the second year of adoption of HKFRS 13, *Fair value measurement* for many companies, and so comparative information for disclosures introduced by HKFRS 13 will need to be included for the first time.

The new Hong Kong Companies Ordinance (Cap. 622)

The new Hong Kong Companies Ordinance (Cap. 622) comes into effect on 3 March 2014. The most immediate impact on financial reporting arises from the automatic transition of all Hong Kong incorporated companies to the new no-par value share capital regime. As from 3 March 2014, the concept of the par (or nominal) value of a share is abolished. Instead, the full amount of the consideration received on issuance of any shares will be credited to a single account named "share capital". In order to transition to this new regime the balances on the share premium account and the capital redemption reserve (if any) will be automatically transferred to form part of the share capital account as from 3 March 2014. Other impacts on financial reporting, such as the requirement to include a business review in the directors' report and the new regulation relating to disclosure of directors' benefits, will only come into effect in the first financial year beginning on or after 3 March 2014.

In this illustrative interim financial report, presentation of share capital on the face of the statement of financial position and statement of changes in equity has been updated to reflect the transition to the no-par value regime. An illustrative explanatory note on the changes to share capital has also been added to note 14.

There may also be references to the predecessor Companies Ordinance (Cap. 32) or share capital in other locations in the interim report which are not illustrated in this guide. Care should therefore be taken to identify all relevant references and make the necessary changes, including:

- labelling Cap. 32 as "predecessor Hong Kong Companies Ordinance (Cap. 32)" to make it clear that it is referring to the predecessor Ordinance (Cap. 32);

- removing the disclosure of par or nominal value of shares to acknowledge the abolition of par (nominal) value, e.g. "one ordinary share of HK$1 each" should be changed to "one ordinary share", unless referring to share capital transactions which took place before 3 March 2014; and

- changing any references to "issued share capital" to "shares in issue" if referring to the number of shares in issue.

More guidance on the new Hong Kong Companies Ordinance can be found in our Briefing Notes, which highlight the areas of change and key requirements of the new Ordinance from a financial reporting perspective. The Briefing Notes can be obtained at www.kpmg.com/cn/hk-companies-ordinance.

Illustrative
Interim Financial Report

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

30 June 2014

"Illustrative interim financial report" 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, or to illustrate all the regulatory or HKFRS disclosures that may need to be made to reflect the particular circumstances of a reporting entity.

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") (formerly known as "Model Electronics Company Limited"), 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, in and outside Hong Kong.

HK Listco is assumed to have been applying HKFRSs issued by the HKICPA 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 HKFRSs which are first effective for annual reporting periods beginning on or after 1 January 2014, 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 further discussed in the Foreword to this guide, to assist in the assessment of the effects of the new and revised standards, the appendix to this guide contains further information on the new HKFRSs. The full text of the HKFRSs is available from the HKICPA's website, www.hkicpa.org.hk, under "Standards & regulation/Standards/Financial reporting". For a checklist of disclosures required by HKAS/IAS 34, you may refer to the publication "Disclosure checklist: Interim financial reports" issued by our KPMG International Standards Group, available on KPMG's Global IFRS Institute website at www.kpmg.com/ifrs under "IFRS publications/Guide to financial statements/Guide to condensed interim financial statements".

Use of this illustrative interim financial report

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 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.

The interim financial report illustrates the disclosure provisions of the 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 16 to the MBLRs and Practice Note 5.

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. 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.

References

Where the MBLRs and/or HKFRSs 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, in our view, are likely to be considered best practice.

The level of disclosure in a condensed interim financial report may vary considerably from one entity to the next and depends, to a large extent to the nature of the entity's operations and the level of detail provided in the 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 catch-all requirements:

- HKAS 34.10 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.

- HKAS 34.15 and HKAS 34.15C 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. HKAS 34.15B 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(4) of Appendix 16 to the MBLRs also requires disclosure of any supplementary information which is necessary for a reasonable appreciation of the interim results).

- HKAS 34.16A(c) requires disclosure 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.

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 IFRSs.

HK Listco Ltd

香港上市有限公司

(Stock code: • • • •)[1]

(formerly Model Electronics Company Limited)

2014

Interim Financial Report
for the six months ended 30 June 2014

LR13.51A

[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 by it pursuant to the MBLRs.

NB In June 2006, the SEHK published on its website further guidance on the practical application of Rule 13.51A in the form of an answer to one of the "frequently asked questions" on the "minor and housekeeping rule amendments" effective on 1 March 2006. This guidance states that where an issuer publishes a financial report with a glossy cover, it is acceptable to include the stock code in the corporate or shareholder information section of the document, provided the stock code is displayed prominently in such information. It also states that this application is a modification to the strict wording of Rule 13.51A, for which the SEHK has obtained consent from the Securities and Futures Commission. If in any doubt about whether such guidance is still current at the time of preparing the interim report, SEHK's Listing Division should be consulted.

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

[2] In this illustrative interim financial report, 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, entities may use other titles for the statements. For example, the entity may use the titles "Income statement" and "Statement of comprehensive income".

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

A16(37)(2)

HKAS 34.28

[3] In accordance with paragraph 37(2) of Appendix 16 to the MBLRs, the interim income statement should include, at a minimum, each component of income and expense that was presented in the most recent published annual income statement. It would therefore appear that the interim income statement presented by a listed issuer may not be condensed even though HKAS 34 allows this. In addition, where the interim financial report is prepared using 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 income statement in a full set of financial statements and make adjustments to the interim income statement accordingly.

HKAS 34.8A

It should also be noted that, 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.

A16(40)(1)

Apart from the above, paragraph 40(1) of Appendix 16 to the MBLRs requires the interim report to contain certain minimum information in the notes to the income statement if not already on its face. These items are those items of "basic financial information" required in a full set of annual financial statements by paragraph 4(1) of Appendix 16 and they have been referenced in the illustrative interim financial report to that paragraph where illustrated.

CP

[4] Each item on the face of the statement of profit or loss would generally be cross-referenced to any related information in the notes.

A16(43)

[5] Where the accounting information provided in an interim financial report has not been audited, that fact must be stated. If the accounting information contained in an interim 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 1.45, 85 HKAS 40.76(d)

[6] Neither HKAS 1 nor HKAS 40, *Investment property*, prescribe 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

[7] 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

[8] 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 common place 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), A16(37)(2) & A16(40)(1)

Consolidated statement of profit or loss[2, 3, 4] for the six months ended 30 June 2014 – unaudited[5]

(Expressed in Hong Kong dollars)

		Note	Six months ended 30 June 2014 $'000	Six months ended 30 June 2013 $'000
A16(4)(1)(a)	**Turnover**	3 & 4	542,448	492,620
A16(4)(1)(i)	Cost of sales	5 & 10	(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[6]	9(c)	9,130	3,260
A16(4)(1)(h)	Other revenue	5	2,131	3,986
A16(4)(1)(h)	Other net income	5	6,273	3,095
	Distribution costs		(25,281)	(23,514)
	Administrative expenses		(39,531)	(37,088)
	Other operating expenses	9(b)	(8,247)	(6,781)
	Profit from operations		82,669	68,790
A16(4)(1)(j)	Finance costs	5	(8,270)	(6,345)
A16(4)(1)(m)	Share of profits less losses of associates		2,250	1,322
A16(4)(1)(m)	Share of profits of joint venture		335	68
A16(4)(1)(b)	**Profit before taxation**	5	76,984	63,835
A16(4)(1)(c)	Income tax	6	(13,602)	(10,668)
	Profit for the period		63,382	53,167
	Attributable to:			
A16(4)(1)(e)	Equity shareholders of the company		63,174	53,083
A16(4)(1)(d)	Non-controlling interests		208	84
	Profit for the period		63,382	53,167
HKAS 34.11 & 11A	**Earnings per share[7]**	8		
A16(4)(1)(g)	Basic		$0.63	$0.53
	Diluted		$0.63	$0.53

The notes on pages 22 to 45 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 14[8].

CP [9] Each item on the face of the statement of profit or loss and other comprehensive income would generally be cross-referenced to any related information in the notes.

HKAS 1.82A [10] Entities are required to present the items of other comprehensive income that may be reclassified to profit or loss in the future (e.g. realised gains or losses on available-for-sale financial assets) separately from those that would never be reclassified to profit or loss (e.g. revaluation surplus of property, plant and equipment).

HKAS 1.92-94 Individual HKFRSs specify whether and when amounts that were previously recognised in other comprehensive income are reclassified to profit or loss as follows:

- Items that will not be reclassified to profit or loss:
  - changes in the revaluation surplus on property, plant and equipment recognised under paragraphs 39 and 40 of HKAS 16 or on intangible assets under paragraphs 85 and 86 of HKAS 38;
  - remeasurements of net defined benefit liability (asset) under paragraphs 120(c), 127-130 of HKAS 19;
- Items that may be reclassified subsequently to profit or loss:
  - gain and losses arising from translating the financial statements of a foreign operation in accordance with paragraphs 32 and 39 of HKAS 21;
  - gains and losses on re-measuring available-for-sale investments in accordance with paragraph 55 of HKAS 39; 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 95 and 102 of HKAS 39.

HKAS 34.10 HKAS 1 allows reclassification adjustments be presented 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 illustrative interim financial report HK Listco presents other comprehensive income after reclassification adjustments on the face of the statement of profit or loss and other comprehensive income.

HKAS 1.90-91 [11] 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 (a) net of related tax effects, or (b) before related tax effects with the aggregate tax shown separately. If the alternative (b) 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. Irrespective of the approach taken, the entity should disclose the tax amount relating to <u>each item</u> of other comprehensive income in the notes, to the extent that this information is not provided on the face of the statement of profit or loss and other comprehensive income.

HKAS 34.10 Consistent with the choice applied in its annual financial statements, in this illustrative interim financial report HK Listco presents other comprehensive income net of tax on the face of the statement of profit or loss and other comprehensive income.

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

Consolidated statement of profit or loss and other comprehensive income[2, 9] for the six months ended 30 June 2014 – unaudited[5]

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2014 $'000	Six months ended 30 June 2013 $'000
Profit for the period		63,382	53,167
Other comprehensive income[10] for the period (after tax[11] and reclassification adjustments[10]):			
Item that will not be reclassified to profit or loss[10]:			
Surplus on revaluation of land and buildings held for own use	9(c)	13,618	3,416
Items that may be reclassified subsequently to profit or loss[10]:			
Exchange differences on translation of:			
- financial statements of overseas subsidiaries		(903)	397
- related borrowings		247	(100)
		(656)	297
Cash flow hedge: net movement in hedging reserve		(240)	(222)
Available-for-sale securities: net movement in fair value reserve	7	559	150
		(337)	225
Other comprehensive income for the period		13,281	3,641
Total comprehensive income for the period		76,663	56,808
Attributable to:			
Equity shareholders of the company		76,455	56,724
Non-controlling interests		208	84
Total comprehensive income for the period		76,663	56,808

The notes on pages 22 to 45 form part of this interim financial report.

HKAS 34.8(a), 10 & 20(a), A16(37)(1) & A16(40)(1)

Consolidated statement of financial position[14, 15, 16, 17] at 30 June 2014 – unaudited[5]

(Expressed in Hong Kong dollars)

		Note	At 30 June 2014		At 31 December 2013	
			$'000	$'000	$'000	$'000
	Non-current assets[18]					
A16(4)(2)(a)	Fixed assets	9				
	- Investment property			75,820		66,690
	- Other property, plant and equipment			144,997		131,497
	- Interests in leasehold land held for own use under an operating leases			10,217		10,385
				231,034		208,572
	Intangible assets			16,560		14,400
	Goodwill			1,100		1,100
	Interest in associates			9,893		9,478
	Interest in joint venture			2,430		2,095
	Other financial assets			52,448		48,432
	Deferred tax assets			3,017		3,495
				316,482		287,572
A16(4)(2)(b)	**Current assets[18]**					
	Trading securities		58,176		58,020	
A16(4)(2)(b)(i)	Inventories	10	299,999		273,682	
A16(4)(2)(b)(ii)	Trade and other receivables	11	83,733		78,079	
A16(4)(2)(b)(iii)	Cash and cash equivalents	12	73,783		105,089	
			515,691		514,870	
A16(4)(2)(c)	**Current liabilities[18]**					
	Trade and other payables	13	157,727		150,356	
A16(4)(2)(c)(i)	Bank loans and overdrafts		37,651		40,314	
	Obligations under finance leases		1,099		987	
	Current taxation		3,360		6,950	
	Provisions		10,460		9,410	
			210,297		208,017	
A16(4)(2)(d)	**Net current assets**			305,394		306,853
A16(4)(2)(e)	**Total assets less current liabilities**			621,876		594,425
A16(4)(2)(f)	**Non-current liabilities[18]**					
A16(4)(2)(f)(i)	Interest-bearing borrowings		70,621		72,251	
	Obligations under finance leases		7,697		7,547	
	Net defined benefit retirement obligation		3,540		3,210	
	Deferred tax liabilities		16,655		13,850	
	Provisions		11,695		11,290	
				110,208		108,148
	NET ASSETS			511,668		486,277

			At 30 June 2014 $'000	At 31 December 2013 $'000
A16(4)(2)(g)	**CAPITAL AND RESERVES**[12]			
	Share capital: nominal value		-	90,000
	Other statutory capital reserves[13]		-	85,000
	Share capital and other statutory capital reserves	14(b)	175,000	175,000
	Other reserves		334,609	309,426
	Total equity attributable to equity shareholders of the company		509,609	484,426
A16(4)(2)(h)	**Non-controlling interests**		2,059	1,851
	TOTAL EQUITY		511,668	486,277

The notes on pages 22 to 45 form part of this interim financial report.

12 The New Hong Kong Companies Ordinance (NCO) came into effect on 3 March 2014. On this effective date, the concept of par (nominal) value is automatically abolished. Consequently, the concepts of "share premium", "capital redemption reserve" and "authorised share capital" are also abolished. Any amount received for issuing equity shares of a company should be recorded as part of "share capital".

As the term "share capital" under the NCO includes share premium account and capital redemption reserve as from 3 March 2014, but not before that date, care needs to be taken to ensure that the breakdown of equity on the face of the statement of financial position of a Hong Kong incorporated company is consistent with both the old and the new terminology. In order to achieve this, HK Listco splits the presentation of reserves in the comparative column between the amount of the reserves which is subsumed into "share capital" on 3 March 2014 and the other reserves.

13 The caption "Other statutory capital reserves" refers here to those reserves which are subsumed into share capital on 3 March 2014 under section 37 of Schedule 11 to the NCO. This line item should only include the balance on the share premium account created under section 48B of the predecessor Companies Ordinance (Cap. 32) and any capital redemption reserve created under section 49H of that Ordinance. It should not include other components of equity (such as "capital reserve" or "merger reserve") created under financial reporting standards or GAAP as these are not part of statutory "share capital" within the meaning of Parts 4 and 5 of the NCO.

HKAS 1.10

14 HKAS 1 uses the title "the statement of financial position" to refer to the balance sheet. If an entity decides to use this title in their financial statements, care should be taken to ensure that the title and consequential wording changes are applied consistently in the interim financial report to avoid confusion. For example, if the title "statement of financial position" is used, instead of referring to the "balance sheet date", the entity could use the phrase "end of the reporting period".

HKAS 34.10 & A16(37)(1)

15 In accordance with paragraph 37(1) of Appendix 16 to the MBLRs, the interim statement of financial position should include, at a minimum, each of the major components of assets, liabilities and equity that were presented in the most recent published annual statement of financial position. It would therefore appear that the MBLRs allow the listed issuer to condense the interim statement of financial position to a certain 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 previous annual statement of financial position has been included for ease of comparison with that statement of financial position.

Where the interim financial report is prepared using 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 a statement of financial position for a full set of financial statements and make adjustments to the interim statement of financial position accordingly.

A16(40)(1)

In addition, paragraph 40(1) of Appendix 16 to the MBLRs requires the interim report to contain certain minimum information in the notes to the statement of financial position if not already on its face. These items are those items of "basic financial information" required in a full set of financial statements by paragraph 4(2) of Appendix 16 and they have been referenced in the illustrative interim financial report to that paragraph where illustrated.

HKAS 1.10(f)
HKAS 1.40A

HKAS 1.BC33,
HKAS 34.20

[16] 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 or makes a retrospective restatement of items in the annual financial statements, or when it reclassifies items in its annual financial statements and this 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, i.e. a complete set of annual financial statements will include three sets of statement of financial position information in such cases. However, as noted in the Basis for Conclusions to HKAS 1, such a requirement regarding comparative information is not extended to interim financial reports prepared in accordance with HKAS 34.

CP

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

HKAS 1.60 & 64

[18] 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.

HKAS 34.8(c)
A16(37)(4)

[19] Both the MBLRs and HKAS 34 are not explicit as to the extent of disclosure 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 illustrative interim financial report, the same level of detail is shown as that which is shown in the annual financial statements, for ease of comparison.

HKAS 34.28

Where the interim financial report is prepared using 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 full set of financial statements and make adjustments to the interim statement of changes in equity accordingly.

HKAS 1.54(q) & 106(a)

[20] 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

[21] 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)

[22] 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 2014, the comparatives in the statement of changes in equity should, at a minimum, cover the six month period ended 30 June 2013. 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 interim period, 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 2013) 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 2013). This is particularly useful where there have been changes in accounting policies which have resulted in retrospective adjustments.

HKAS 34.8(c), 10 & 20(c)
A16(37)(4)

Consolidated statement of changes in equity[19, 20, 21] for the six months ended 30 June 2014 - unaudited[5]

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the company											
	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Exchange reserves $'000	Property revaluation reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2013		90,000	85,000	-	134	1,270	2,251	2,823	150	260,257	441,885	1,684	443,569
Changes in equity for the six months ended 30 June 2013:													
Profit for the period		-	-	-	-	-	-	-	-	53,083	53,083	84	53,167
Other comprehensive income		-	-	-	-	297	3,416	(222)	150	-	3,641	-	3,641
Total comprehensive income		-	-	-	-	297	3,416	(222)	150	53,083	56,724	84	56,808
Dividends approved in respect of the previous year	14(a)	-	-	-	-	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Balance at 30 June 2013 and 1 July 2013		90,000	85,000	-	134	1,567	5,667	2,601	300	268,340	453,609	1,768	455,377
Changes in equity for the six months ended 31 December 2013[22]:													
Profit for the period		-	-	-	-	-	-	-	-	53,098	53,098	83	53,181
Other comprehensive income		-	-	-	-	281	2,896	(223)	150	(10)	3,094	-	3,094
Total comprehensive income		-	-	-	-	281	2,896	(223)	150	53,088	56,192	83	56,275
Equity settled share-based transactions	14(f)	-	-	-	1,625	-	-	-	-	-	1,625	-	1,625
Dividends declared in respect of the current year	14(a)	-	-	-	-	-	-	-	-	(27,000)	(27,000)	-	(27,000)
Balance at 31 December 2013		90,000	85,000	-	1,759	1,848	8,563	2,378	450	294,428	484,426	1,851	486,277

	Note	Attributable to equity shareholders of the company											
		Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Exchange reserves $'000	Property revaluation reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2014		90,000	85,000	-	1,759	1,848	8,563	2,378	450	294,428	484,426	1,851	486,277
Changes in equity for the six months ended 30 June 2014:													
Profit for the period		-	-	-	-	-	-	-	-	63,174	63,174	208	63,382
Other comprehensive income		-	-	-	-	(656)	13,618	(240)	559	-	13,281	-	13,281
Total comprehensive income		-	-	-	-	(656)	13,618	(240)	559	63,174	76,455	208	76,663
Dividends approved in respect of the previous year	14(a)	-	-	-	-	-	-	-	-	(49,500)	(49,500)	-	(49,500)
Capitalisation issue	14(c)	10,000	(10,000)	-	-	-	-	-	-	-	-	-	-
Purchase of own shares under the predecessor Companies Ordinance:	14(d)												
- par value paid		-	-	-	-	-	-	-	-	(300)	(300)	-	(300)
- premium paid		-	-	-	-	-	-	-	-	(1,680)	(1,680)	-	(1,680)
- transfer between reserves		(300)	-	300	-	-	-	-	-	-	-	-	-
Equity settled share-based transactions	14(f)	-	-	-	1,558	-	-	-	-	-	1,558	-	1,558
Transition to no-par value regime on 3 March 2014[23]	14(b)	75,300	(75,000)	(300)	-	-	-	-	-	-	-	-	-
Purchase of own shares under the new Companies Ordinance	14(d)	-	-	-	-	-	-	-	-	(1,350)	(1,350)	-	(1,350)
Balance at 30 June 2014		175,000	-	-	3,317	1,192	22,181	2,138	1,009	304,772	509,609	2,059	511,668

The notes on pages 22 to 45 form part of this interim financial report.

23 As discussed in footnote 12, the transition to the no-par value regime occurs automatically for all Hong Kong incorporated companies on 3 March 2014, being the date that the NCO comes into operation. The effect of the transition is to subsume share premium account and capital redemption reserve balances into share capital (section 37 of Schedule 11 to the NCO). As this transition occurs only on this specific date, the line item in the statement of changes in equity reflecting this change should appear in chronological order i.e. it should appear after any changes in share capital which occurred while the predecessor Ordinance (Cap. 32) was still in effect. The line item should be referenced to the explanatory note where the transition to the no-par value regime is disclosed.

In this illustration, the second purchase of own shares of HK$1,350,000 occurred after the NCO takes effect. Therefore, the line item "transition to no-par value regime on 3 March 2014" appears before this repurchase.

HKAS 34.8(d), 20(d), A16(37)(3)

Condensed consolidated cash flow statement[24, 25] for the six months ended 30 June 2014 – unaudited[5]

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2014 $'000	2013 $'000
Operating activities			
Cash generated from operations		60,135	47,756
Tax paid		(14,927)	(12,650)
Net cash generated from operating activities		45,208	35,106
Investing activities			
Payment for the purchase of property, plant and equipment[24]		(6,816)	(6,353)
Other cash flows arising from investing activities		(5,024)	(5,567)
Net cash used in investing activities		(11,840)	(11,920)
Financing activities			
Dividends paid to equity shareholders of the company[24]		(49,500)	(45,000)
Other cash flows arising from financing activities		(12,128)	(6,590)
Net cash used in financing activities		(61,628)	(51,590)
Net decrease in cash and cash equivalents		(28,260)	(28,404)
Cash and cash equivalents at 1 January	12	102,300	122,650
Effect of foreign exchanges rates changes		(1,625)	763
Cash and cash equivalents at 30 June	12	72,415	95,009

The notes on pages 22 to 45 form part of this interim financial report.

A16(37)(3), HKAS 34.10

24 Both the MBLRs and HKAS 34 permit a company to present a condensed cash flow statement. Specifically, paragraph 37(3) of Appendix 16 to the MBLRs states that the interim cash flow statement should include, at a minimum, the major subtotals of cash flows that were presented in the most recent published annual cash flow statement, and HKAS 34.10 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. HKAS 34.10 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 Interpretations Committee (IFRIC) 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 IFRIC 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, IFRIC 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 IFRIC 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 judgment, depending on the issuer'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", as has been illustrated above.

CP

25 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)
A16(37)(6)

Notes to the unaudited interim financial report[26]

(Expressed in Hong Kong dollars unless otherwise indicated)[27]

1 BASIS OF PREPARATION

CP

HKAS 34.19
A16(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)[28]. It was authorised for issue on 25 August 2014[29].

HKAS
34.16A(a)
A16(38)

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 2.

HKAS 34.5-25

[26] HKAS 34 presumes that the user 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 of disclosure in condensed interim financial reports is expected to be less than that in the 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.

CP

[27] Generally, interim financial reports should be prepared using a consistent level of precision. 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 17 to this illustrative interim financial report 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

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

With the exception of this statement in respect of HKAS 34, an interim financial report should not be described as complying with HKFRSs unless it complies with all of the requirements of each applicable HKFRSs, 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 HKFRSs, 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

[29] 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 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.[28]

A16(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 46.

CP The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2014.

A16(37): Note 37.4

[30] Note 37.4 to paragraph 37 of Appendix 16 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, *Accounting policies, changes in accounting estimates and errors*, and the change is to be reflected in the entity's next annual financial statements.

HKAS 34.16A A16(37): Note 37.4 & A16(38): Note 38.1

[31] In accordance with paragraph 16A(a) of HKAS 34, and notes 37.4 and 38.1 to paragraphs 37-38 of Appendix 16 to the MBLRs, when entities change their accounting policies and methods of computation for their interim financial report, as compared to the 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 16 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 found in paragraphs 28-29 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. However, HKAS 34 leaves management some 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 (see footnote 37 on page 26 of the December 2013 edition of *Illustrative annual financial statements under Hong Kong Financial Reporting Standards* for details of the requirements applicable to the annual financial statements in this regard).

In this interim financial report we have described a range of changes relevant to the group, which have varying impacts on the group's financial statements and the interim financial report. However, there may be other changes in accounting policies which an entity needs to disclose but which have not been illustrated here and/or the impact of the changes highlighted may vary from one entity to another, depending on their facts and circumstances. Care should be taken to tailor the disclosures to suit the entity's circumstances.

[32] There is no requirement to disclose details of any changes in HKFRS requirements 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 HKFRS requirements 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 which do not result in restatements may vary from one entity to the next.

For example, if none of the developments listed in this illustrative note 2 are relevant to an entity, an entity might consider reducing note 2 to the following simple statement:

"The HKICPA has issued a number of amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the group and the company. None of these developments are relevant to the group's results and financial position. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period."

Alternatively, an entity might limit note 2 to an identification of the amendments, without including further details, for example as follows:

"The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the group and the company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- …

None of these developments have had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period."

2 CHANGES IN ACCOUNTING POLICIES [30, 31, 32]

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the group and the company:

CP

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. [These amendments do not have an impact on the group's interim financial report as HK Listco does not qualify to be an investment entity.] *[Or describe the effect if the entity qualifies to be an investment entity and changes its accounting policy accordingly.*][33]

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. [The amendments do not have an impact on the group's interim financial report as they are consistent with the policies already adopted by the group.] *[Or describe the effect if the entity's offsetting policy changes as a result of the clarification.]*

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. [The group early adopted the amendments in the annual financial statements for the year ended 31 December 2013]. *[Or describe the effect if the entity has not early adopted the amendments and the initial adoption in 2014 has an impact on the interim*

HKFRS 10.C3A-C3F

33 The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014. At the date of initial application of the amendments, an entity is required to assess whether it is an investment entity on the basis of the facts and circumstances that exist at that date. If an entity with a calendar year-end has not early adopted the amendments, then the "date of initial application" is 1 January 2014. If the entity concludes that it is an investment entity at the date of initial application, retrospective adjustments should be made in accordance with HKFRS 10.C3B-C3F.

financial report.] [34]

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. [The amendments do not have an impact on the group's interim financial report as the group has not novated any of its derivatives.] *[Or describe the effect if any.]*

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. [The amendments do not have an impact on the group's interim financial report as the guidance is consistent with the group's existing accounting policies.] *[Or describe the effect if any.]*

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[34] The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. As allowed by the amendments, HK Listco early adopted them in the annual financial statements for the year ended 31 December 2013.

The amendments require the following additional information to be disclosed for an individual asset or a cash-generating unit, for which an impairment loss has been recognised or reversed:

- recoverable amount of the assets or CGU subject to impairment or impairment reversal; and
- if the recoverable amount is based on fair value less costs of disposal:
  - the level of the 3-Level fair value hierarchy (as defined in HKFRS 13) within which the fair value measurement is categorised;
  - for Level 2 and Level 3 fair value measurements:
    - a description of the valuation technique(s) used to measure fair value less costs of disposal;
    - any change in valuation technique used and the reason(s) for making the change;
    - key assumptions used in determining the fair value less costs of disposal; and
    - discount rate used in the measurement if a present value technique is used for measuring fair value less costs of disposal.

Further discussion about the amendments can be found in footnotes 111, 112, 130 and 131 to the December 2013 edition of *Illustrative annual financial statements under Hong Kong Financial Reporting Standards*.

The amendments to HKAS 36 do not introduce consequential amendments to HKAS 34. Therefore, the new disclosures introduced by the amendments are not automatically required in condensed interim financial reports. However, HKAS 34.15 requires an entity to disclose events and transactions that are significant to an understanding of changes in the financial position and performance. In this regard, same as with other existing disclosures required by HKAS 36, entities should exercise judgement to determine whether the new disclosures are necessary for such understanding and therefore should be provided in the interim financial reports. Please also see footnote 40.

HKAS 34.16A(g), A16(4)(3)

3 SEGMENT REPORTING[35]

HKAS 34.16A(g)(v)

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.

HKAS 34.16A(g)

[35] 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 76-91 to the December 2013 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.

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

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.

		Electronics						Property leasing		Property development		Construction contracts		Total	
		– Hong Kong		– South East Asia		– Rest of the world									
	For the six months ended	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
HKAS 34.16A(g)(i)	Revenue from external customers	305,218	264,188	67,670	55,225	100,000	100,806	4,267	3,105	52,597	60,383	24,660	15,798	554,412	499,505
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	4,267	3,105	52,597	60,383	24,660	15,798	607,092	551,922
HKAS 34.16A(g)(iii)	**Reportable segment profit (adjusted EBITDA)**	47,079	42,705	10,448	9,424	14,628	13,193	12,710	5,847	17,129	16,645	2,491	1,581	104,485	89,395
	Impairment of plant and machinery	-	-	-	-	-	-	-	-	(1,200)	-	-	-	-	-
	As at 30 June / 31 December														
HKAS 34.16A(g)(iv)	**Reportable segment assets**	286,904	279,421	60,177	56,900	84,292	81,050	78,057	69,036	137,715	133,386	55,700	58,540	702,845	678,333
HKAS 34.16A(g)(iv)	**Reportable segment liabilities**	143,202	142,104	46,848	44,617	30,670	29,490	10,160	10,164	48,590	50,510	570	1,067	280,040	277,952

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.

(b) Reconciliations of reportable segment profit or loss

HKAS 34.16A(g)(vi)

	Six months ended 30 June 2014 $'000	2013 $'000
Reportable segment profit	104,485	89,395
Elimination of inter-segment profits	(13,170)	(13,103)
Reportable segment profit derived from group's external customers and joint venture	91,315	76,292
Share of profits less losses of associates	2,250	1,322
Other revenue and net income	8,404	7,081
Depreciation and amortisation	(8,622)	(7,614)
Finance costs	(8,270)	(6,345)
Impairment losses on non-current assets	(1,292)	-
Unallocated head office and corporate expenses	(6,801)	(6,901)
Consolidated profit before taxation	76,984	63,835

HKAS 34.16A(b)

4 SEASONALITY OF OPERATIONS[36]

The group's Electronics division, which comprises three reportable segments (see note 3), 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 2014, the Electronics division reported revenue of $998,204,000 (twelve months ended 30 June 2013: $852,306,000), and gross profit of $252,311,000 (twelve months ended 30 June 2013: $214,459,000).

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June 2014 $'000	2013 $'000
(a) Finance costs		
Interest on borrowings (A16(4)(1)(j))	10,107	7,800
Less: interest expense capitalised into properties under development	(1,888)	(1,515)
	8,219	6,285
Other finance costs	51	60
Total finance costs	8,270	6,345

HKAS 34.16A(b) & 21

36 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.

			Six months ended 30 June	
			2014	2013
			$'000	$'000
	(b)	**Other items**[37]		
A16(4)(1)(k)		Amortisation	1,508	918
A16(4)(1)(k)		Depreciation	7,114	6,696
		Research and development costs (other than amortisation)	2,780	2,400
HKAS 34.15B(a)		Inventory write-down and losses net of reversals (note 10)	6,397	5,287
A16(4)(1)(h)		Dividend and interest income	(1,932)	(2,837)
A16(4)(1)(l)		Net realised and unrealised gains on trading securities	(4,296)	(2,140)
A16(4)(1)(l)		Net profit on sale of available-for-sale securities	(653)	-

A16(4)(1)(c)

6 INCOME TAX

	Six months ended 30 June	
	2014	2013
	$'000	$'000
Current tax - Hong Kong Profits Tax	7,261	7,299
Current tax - Overseas	4,076	3,452
Deferred taxation	2,265	(83)
	13,602	10,668

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2013: 16.5%) to the six months ended 30 June 2014. 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.

37 As explained in footnote 3 on page 12, paragraph 40(1) of Appendix 16 to the MBLRs requires certain minimum information concerning the income statement to be included on the face of the income statement or in the notes to the interim financial report. The information to be disclosed in this regard is set out in paragraph 4(1) of Appendix 16. However, paragraph 4 states that an entity shall disclose "at least" this information, indicating that the list of items in paragraph 4(1) is not intended to be exhaustive. For example, while paragraph 4(1)(i) requires disclosure of costs of goods sold, and 4(1)(k) requires depreciation/amortisation, an entity may consider it appropriate to disclose other items of operating expense such as research and development costs or salaries and wages which are also separately disclosed in the annual financial statements. Such additional disclosure is only mandatory in the interim financial report if its omission would make the condensed interim financial statements misleading (as per HKAS 34.10).

7 OTHER COMPREHENSIVE INCOME

HKAS 34.15

(a) Available-for-sale securities[38]

	Six months ended 30 June	
	2014	2013
	$'000	$'000
Changes in fair value recognised during the period	1,212	100
Reclassification adjustments for amounts transferred to profit or loss:		
- gains on disposal	(653)	-
- impairment losses	-	50
Net movement in the fair value reserve during the period recognised in other comprehensive income	559	150

8 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 parent of $63,174,000 (six months ended 30 June 2013: $53,083,000) and the weighted average of 99,724,000 ordinary shares (2013: 100,000,000 shares, after adjusting for the capitalisation issue in 2014)[39] in issue during the interim period.

[38] Paragraph 10 of HKAS 34 requires additional notes to be included if their omission would make the condensed financial statements misleading and paragraph 15 of HKAS 34 requires that explanatory notes shall disclose events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. It is therefore necessary to exercise judgement to decide which of the note disclosures given in the full financial statements are necessary. In this regard, an entity may consider it appropriate, for example, to disclose details of the reclassification adjustments made in respect of disposals and impairments of available-for-sale investments as per HKAS 1.92 and HKFRS 7.20, in order to reconcile the amounts of gains or losses on those investments recognised in profit or loss with the amounts recognised in other comprehensive income and the net movement on the fair value reserve in equity.

HKAS 33.26-27, 64

[39] 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 lists 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 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 HKAS 33.70(d) and HKAS 10.22(f).

(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 parent of $63,437,000 (six months ended 30 June 2013: $53,345,000) and the weighted average number of ordinary shares of 100,510,000 (2013: 100,500,000 shares, after adjusting for the capitalisation issue in 2014[39]).

9 FIXED ASSETS

HKAS 34.15B(d)

(a) Acquisitions and disposals

During the six months ended 30 June 2014, the group acquired items of plant and machinery with a cost of $6,816,000 (six months ended 30 June 2013: $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 2014 (six months ended 30 June 2013: $nil), resulting in a loss on disposal of $42,000 (six months ended 30 June 2013: $nil).

HKAS 34.15B(b)

(b) Impairment losses

During the six months ended 30 June 2014, 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[40]. An impairment loss of $1,200,000 was recognised in "Other operating expenses". 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[41]. The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement.

(c) Valuation

The valuations of investment properties and land and buildings held for own use carried at fair value were updated at 30 June 2014 by the group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2013 valuations. As a result of the update, a net gain of $9,130,000 (2013: $3,260,000), and deferred tax thereon of $1,479,000 (2013: $460,000), has been recognised in profit or loss for the period in respect of investment properties and a net-of-tax amount of $13,618,000 (2013: $3,416,000) has been recognised in other comprehensive income for

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HKAS 34.15B [40] Under HKAS 34.15B, recognition or reversal of impairment loss on financial assets, property, plant and equipment, intangible assets and other assets is one of the events for which disclosures would be required if it is 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 the condensed interim financial reports. When exercising the judgement, entities should bear in mind the disclosure objective of HKAS 34, that 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) As discussed in footnote 34, the amendments to HKAS 36 requiring new disclosures for impaired non-financial assets do not introduce consequential amendments to HKAS 34. Accordingly, those new disclosures are not mandatory in the interim financial reports. In this illustration, it is assumed that such information is considered to be necessary for an understanding of changes in financial position and performance, and therefore HK Listco provides the disclosures in accordance with amended paragraphs 130(e)&(f) of HKAS 36.

the period in respect of land and buildings held for own use.

10 INVENTORIES

HKAS 34.15B(a)

During six months ended 30 June 2014, $1,500,000 (2013: $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 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

[41] 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 (HKAS 34.28). 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 (HKAS 34.41).

In this interim financial report we have assumed that management has engaged its 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 HKAS 40.32) and HKAS 16 (see HKAS 16.34), management should exercise their judgement as to whether they are able to arrive at sufficiently reliable measures of their property portfolio at the interim reporting date without the involvement of an expert.

11 TRADE AND OTHER RECEIVABLES

A16(4)(2)(b)(ii)

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 (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows[42]:

	At 30 June 2014 $'000	At 31 December 2013 $'000
Within 1 month	40,412	32,621
1 to 2 months	27,737	25,697
2 to 3 months	3,140	2,847
Over 3 months	3,701	2,550
Trade debtors and bills receivable, net of allowance for doubtful debts	74,990	63,715
Other debtors	2,231	2,298
Loans and receivables	77,221	66,013
Derivative financial instruments	2,257	3,613
Deposits and prepayments	455	190
Gross amount due from customers for contract work	3,800	8,263
	83,733	78,079

A16(4)(2)(b)(ii)

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.

A16(4)(2)(b)(ii), A16(4)(2)(c)(ii)

42 For Main Board listed issuers, the MBLRs require disclosure of the group's credit policy and an ageing of accounts receivable and payable in both the annual and the interim financial statements. The requirements in the MBLRs do not specify the basis to be used in preparing the ageing analyses. However, the review report published by the HKEx on their 2012 financial statements review programme included recommendations on the basis of the ageing analysis of accounts receivables as follows:

"*the analysis should normally be presented on the basis of the revenue recognition date, which is usually the invoice date, and categorised into time-bands that are appropriate for the business (e.g. where the credit period is 30 days from the revenue recognition date, the ageing analysis could be categorised into 30 days, 60 days, 90 days, 120 days etc.)*" (section 17(a), page 7 of the report)

In this regard, listed entities should take into account the above recommendations when preparing the ageing analyses.

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.

12 CASH AND CASH EQUIVALENTS

		At 30 June 2014 $'000	At 31 December 2013 $'000
	Deposits with banks and other financial institutions	45,760	53,060
A16(4)(2)(b)(iii)	Cash at bank and in hand	28,023	52,029
	Cash and cash equivalents in the statement of financial position	73,783	105,089
	Bank overdrafts	(1,368)	(2,789)
	Cash and cash equivalents in the cash flow statement	72,415	102,300

13 TRADE AND OTHER PAYABLES

A16(4)(2)(c)(ii)

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:[42 on page 34]

	At 30 June 2014 $'000	At 31 December 2013 $'000
Within 1 month	92,025	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	139,979	134,503
Other creditors and accrued charges	766	504
Dividends payable on redeemable preference shares	100	100
Amounts due to ultimate holding company and fellow subsidiaries	8,000	8,700
Financial liabilities measured at amortised cost	148,845	143,807
Derivative financial instruments	290	243
Financial guarantees issued	7	8
Gross amount due to customers for contract work	1,515	915
Advance received	59	124
Forward sales deposits and instalments received	7,011	5,259
	157,727	150,356

14 CAPITAL, RESERVES AND DIVIDENDS

HKAS 34.16A(f)
A16(4)(1)(f)

(a) Dividends

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

	2014	2013
	$'000	$'000
Interim dividend declared and paid after the interim period of 30 cents per share (2013: 30 cents per share)	29,910	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	
	2014	2013
	$'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 2013: 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 2013. Dividends of $100,000 were recognised as an expense in finance costs for the six months ended 30 June 2014 (six months ended 30 June 2013: $100,000). Dividends of $100,000 were accrued but unpaid as at 30 June 2014 (31 December 2013: $100,000).

(b) Share capital[43]

As at 31 December 2013, 100,000,000 ordinary shares, with par value of $1 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value

[43] In accordance with HKAS 34.15, condensed interim financial statements should provide:

- information about events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period; and
- an update to the relevant information included in the previous annual financial statements.

Given these disclosure principles, an explanatory note should be provided in the interim financial statements to describe how the no-par value regime, which came into effect during the interim financial reporting period, affects the entity's share capital. When disclosing the information, entities need to bear in mind the following:

(a) any references to the monetary amount of "share capital" after 3 March 2014 should include the share premium account and capital redemption reserve;
(b) the concept of "authorised share capital" no longer exists under the NCO; and
(c) any other references to the Companies Ordinance need to be clear as to whether they are referring to the new Ordinance (Cap. 622) or the predecessor Ordinance (Cap. 32).

regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

Movements of the company's ordinary shares and preference shares are set out below:

(i) Ordinary shares

	At 30 June 2014		At 31 December 2013	
	No. of shares ('000)	**$'000**	No. of shares ('000)	$'000
Ordinary shares, issued and fully paid:				
At 1 January	**90,000**	**90,000**	90,000	90,000
Capitalisation issue	**10,000**	**10,000**	-	-
Shares repurchased under the predecessor Companies Ordinance	**(300)**	**(300)**	-	-
Transition to no-par value regime on 3 March 2014	**-**	**75,300**	-	-
Shares repurchased under the new Companies Ordinance	**(200)**	**-**	-	-
At 30 June / 31 December	**99,500**	**175,000**	90,000	90,000

(ii) Preference shares

	At 30 June 2014		At 31 December 2013	
	No. of shares ('000)	**$'000**	No. of shares ('000)	$'000
Redeemable preference shares, issued and fully paid:				
At 1 January	**4,000**	**4,000**	-	-
Shares issued	**-**	**-**	4,000	4,000
At 30 June / 31 December	**4,000**	**4,000**	4,000	4,000

Terms and conditions of the redeemable preference shares are preserved in accordance with the transitional and savings provisions set out in Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622).

(c) Capitalisation issue

On 8 January 2014, an amount of $10,000,000 standing to the credit of the share premium account was applied in paying up in full 10,000,000 ordinary shares of $1 each, which were allotted and distributed as fully paid to existing shareholders in the proportion of one for every nine shares then held in accordance with section 48B of the predecessor Hong Kong Companies Ordinance (Cap.32).

(d) Purchase of own shares

A16(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 2014	300,000	6.65	6.55	1,980
May 2014	200,000	6.80	6.70	1,350
				3,330

The repurchase in February 2014 was governed by section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32). The repurchase was paid wholly out of retained profits. In addition, in accordance with section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32), an amount equivalent to the par value of the shares cancelled of $300,000 was transferred from share capital to the capital redemption reserve.

The repurchase in May 2014 was governed by section 257 of the new Hong Kong Companies Ordinance (Cap. 622). The total amount paid on this repurchase of $1,350,000 was paid wholly out of retained profits.[44]

(e) Share premium and capital redemption reserves[43]

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the company's share capital (see note 14(b)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(f) Equity settled share-based transactions

On 1 May 2014, 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 2013). Each option gives the holder the right to subscribe for one ordinary share of the company. These share options will vest on 30 April 2015, and then be exercisable until 2017. 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 2014 (2013: nil).

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[44] Under section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32), when a company purchases its own shares out of distributable profits, an amount equal to the par value of the repurchased shares are transferred to a non-distributable reserve called "capital redemption reserve". However, under the NCO the concepts of "par value", "capital redemption reserve" and "share premium" are abolished. When a company repurchases the shares out of distributable profits under section 257 of the NCO, it will only need to record the debit entry to its "retained profits".

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

[45] HKAS 34.16A(j) requires entities to apply HKFRS 13.91-93(h), 94-96, 98 and 99 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 46 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 full financial statements and should be made in accordance with the overall disclosures objectives and the general principles of HKFRS 13 (set out in paragraphs HKFRS 13.91-92, 94-95 and 99). 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 HKFRS 13.93) 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 46 below) that the financial assets or financial liabilities are categorised within. The most extensive requirements are for Level 3 measurements that are recurring.

HKFRS 13.92 explicitly requires that if the disclosures provided in accordance with the standard and other HKFRSs 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)

[46] Recurring fair value measurements arise from assets or liabilities measured on a fair value basis at each reporting date. Non-recurring fair value measurements are those that are triggered by particular circumstances. So far as financial instruments are concerned, examples of recurring fair value measurements include financial assets at fair value through profit or loss and available-for-sale financial assets. Non-recurring fair value measurements include an impairment of a financial asset carried at amortised cost being measured on the basis of an instrument's fair value as a practical expedient under HKAS 39.AG84.

HKFRS 13.93(b), 72-90

[47] 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 (NB 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)

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

HKFRS 13.91-92

(a) Financial assets and liabilities measured at fair value[45]

HKFRS 13.93(a)& (b)

(i) Fair value hierarchy[47]

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 available-for-sale 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[48].

	Fair value at 30 June 2014[49] $'000	Fair value measurements as at 30 June 2014 categorised into		
		Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurement[46]				
Financial assets:				
Available-for-sale equity securities:				
- Listed	**8,210**	**8,210**	**-**	**-**
- Unlisted	**5,040**	**-**	**-**	**5,040**
Trading securities	**58,110**	**58,110**	**-**	**-**
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

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

	Fair value at 31 December 2013[50] $'000	Fair value measurements as at 31 December 2013 categorised into		
		Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement[46]				
Financial assets:				
Available-for-sale equity securities:				
- Listed	6,710	6,710	-	-
- Unlisted	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 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: 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.[51]

HKFRS 13.93(a) & 94

[49] 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 HKFRS 13.94, 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" could be determined at a lower level than the "categories" as defined in HKAS 39.9 when the financial instruments within the same category have different nature, characteristics or risks. For example, in this illustrative interim financial report, the category "available-for-sale financial assets" is sub-divided into listed and unlisted classes since normally listed investments and unlisted investments have different nature and extent of risks.

As stated in HKFRS 13.94, 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

[50] Exemption from providing comparative information is available in the first year of adoption of HKFRS 13. However, in all subsequent years comparatives are required.

So far as a condensed interim financial report is concerned, HKAS 34 does not explicitly require comparative information to be included in the selected explanatory notes. 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

[51] 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)

[52] 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[52]

The fair value of forward exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. 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 terminate 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[52]

	Valuation techniques	**Significant unobservable inputs**	**Range[53]**	**Weighted average[53]**
Unlisted available-for-sale equity instruments	Market comparable companies	Discount for lack of marketability	[●]% to [●]% (2013: [●]% to [●]%	[●]% (2013: [●]%)
Conversion option embedded in convertible notes	Binomial lattice model	Expected volatility	[●]% (2013: [●]%)	[●]% (2013: [●]%)

HKFRS 13.93(h)

The fair value of unlisted available-for-sale equity instruments 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 2014, 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 $[●] (2013: [●]%).

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53 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)

54 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 HKFRS 13.93(d);
- 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)

55 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 2014, 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 $[●] (2013: [●]%).[54]

HKFRS 13.93(e)&(f)

The movement during the period in the balance of Level 3 fair value measurements is as follows:[55]

	At 30 June 2014	At 30 June 2013[56]
	$'000	$'000
Unlisted available-for-sale equity securities:		
At 1 January	**4,950**	4,800
Payment for purchases	**560**	60
Net unrealised gains or losses recognised in other comprehensive income during the period	**475**	50
Proceeds from sales	**(945)**	-
At 30 June	**5,040**	4,910
Total gains or losses for the period reclassified from other comprehensive income on disposal	**130**	-
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**-**	-

[56] As discussed in footnote 50, we believe that it would be appropriate to include the comparatives when providing the required HKFRS 13 disclosures in the condensed interim financial report.

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 2013 to the balances at 30 June 2013). 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 HKAS 34.20(c); 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 2013 to the balances at 30 June 2013/1 July 2013, and then from the balances at 30 June 2013/1 July 2013 to 31 December 2013). 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 HKAS 34.20(a).

For illustration purpose, HK Listco adopts the first approach in this interim financial report.

	At 30 June 2014	At 30 June 2013[56]
	$'000	$'000
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

The gains arising from the disposal of the unlisted available-for-sale equity securities and the remeasurement of the conversion option embedded in the convertible notes are presented in "Other net income" in the consolidated statement of profit or loss. The net unrealised gains arising from the remeasurement of the unlisted available-for-sale equity securities are recognised in fair value reserve in other comprehensive income.

(b) Fair values of financial assets and liabilities carried at other than fair value[57]

HKFRS 7.25-26

The carrying amounts of the group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 30 June 2014 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2014		At 31 December 2013	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Held-to-maturity debt securities	**15,899**	**14,620**	15,176	14,020
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 and 28-30

[57] HKAS 34.16A(j) requires entities to disclose in the interim financial reports the information required by HKFRS 7.25-26 and 28-30 for their financial instruments. In this illustrative interim financial report we have illustrated the disclosures required by HKFRS 7.25-26, i.e. the fair values for each class of financial assets and financial liabilities that are not carried at fair value. As stated in HKFRS 7.29, such disclosure is not required:

- when the carrying amount of an financial instrument is a reasonable approximation of fair value;
- for an investment in equity instruments that do not have a quoted price in an active market for an identical instrument (i.e. a Level 1 input), or derivatives linked to such equity instruments, that is measured at cost in accordance with HKAS 39 because its fair value cannot otherwise be measured reliably; or
- for a contract containing a discretionary participation feature (as described in HKFRS 4) if the fair value of that feature cannot be measured reliably.

In addition, the additional details required in the annual financial statements by HKFRS 13.97 in respect of this memorandum information are not required to be disclosed in the interim financial reports, as HKFRS 13.97 is omitted from the list in HKAS 34.16A(j).

HKAS 34.15B(e)

16 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2014 $'000	At 31 December 2013 $'000
Contracted for	1,539	6,376
Authorised but not contracted for	12,500	660
	14,039	7,036

17 CONTINGENT ASSETS AND LIABILITIES

HKAS 34.15B(m)

In June 2014, 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[27 on page 22]. 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.

18 MATERIAL RELATED PARTY TRANSACTIONS

HKAS 34.15B(j)

In January 2014, 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 charged under the lease was determined with reference to amounts charged by the fellow subsidiary to third parties. The amount of rental incurred in the six months ended 30 June 2014 is $211,000 (2013: $nil). No amounts were outstanding as at 30 June 2014 (31 December 2013: $nil).

19 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 2014. Of the $100,000 owed by the debtor, the group expects to recover less than $10,000. No allowance for doubtful debts has been made in this interim financial report in this regard.

[20 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 2014. Further details of these developments are disclosed in note 2.]

HKSRE 2410.43(a) &(b)

Review report to the board of directors of HK Listco Ltd[58]

CP

(Incorporated in Hong Kong with limited liability)[59]

Introduction

HKSRE 2410.43(c)

We have reviewed the interim financial report set out on pages 13 to 45 which comprises the consolidated statement of financial position of HK Listco Ltd (the "company") as of 30 June 2014 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and 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*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

HKSRE 2410.43(e)

HKSRE 2410.43(f)

Our responsibility is to form a conclusion, based on our review, on the 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*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

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 2014 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 2014

A16(43)

[58] While paragraph 39 of Appendix 16 of MBLRs requires the interim 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 interim report. If the accounting information contained in an interim 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

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

Appendix
Recent HKFRS developments

This appendix lists the new Standards, amendments to, and Interpretations of, HKFRSs in issue as at 29 June 2014 which were not yet effective for the 2013 calendar year-ends and therefore may need to be considered for the first time in the preparation of the 2014 interim financial statements. The appendix contains two tables:

- Table 1 lists recent HKFRS developments which are required to be adopted in annual accounting periods beginning on or after 1 January 2014
- Table 2 lists those developments which are available for early adoption in that period, but are not yet mandatory.

The appendix includes a brief overview of these new developments, focusing particularly on those which are likely to be of interest or concern. All of these developments are as a direct consequence of amendments and revisions to IFRSs made by the IASB and adopted by the HKICPA word-for-word and with the same effective dates. Table 2 also includes IFRS 15, *Revenue from contracts with customers*, which was issued by the IASB in May 2014 and is expected to be adopted by the HKICPA soon. More information on these developments 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. For example, the amendments to HKAS 19 in respect of employee contributions to defined benefit plans are mandatory in respect of all annual periods which began on or after 1 July 2014 and consequently to any interim period which is part of such an annual period.*

Effective date*	**Table 1: Amendments to HKFRSs first effective for annual periods beginning 1 January 2014**	
1 Jan 2014	Amendments to HKFRS 10, *Consolidated financial statements,* HKFRS 12, *Disclosure of interests in other entities* and HKAS 27, *Separate financial statements* "Investment entities"	The amendments give relief from consolidation to those parents which meet all of the following criteria: • the parent obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; • the parent commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and • the parent measures and evaluates the performance of substantially all of its investments on a fair value basis. Such parents are referred to as "investment entities" in the amendments. Examples of investment entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under the amendments, investment entities are prohibited from consolidating their subsidiaries. Instead, they are required to carry their subsidiaries at fair value through profit or loss ("FVTPL"). The only subsidiaries that fall outside the FVTPL requirement are those subsidiaries which provide services which relate to the investment entity's investment activities. Such service subsidiaries would still need to be consolidated by the investment entity. The exemption from consolidation is only applicable to parents that qualify as investment entities in their own right. It does not carry upwards to parents higher up the group if those higher parents are not themselves investment entities. In such cases, the higher parents would have to consolidate all entities that it controls, including those controlled through an investment entity subsidiary. The amendments also introduce new disclosure requirements for investment entities, in particular relating to any judgments that the entity made in determining that it is an investment entity. Investment entities are required to apply the amendments on a modified retrospective basis. At the date of initial application, an entity tests whether it is an investment entity on the basis of the facts and circumstances that exist at that date. Any restatement of comparatives is limited to the immediately preceding period.

Effective date*	**Table 1 (continued):** **Amendments to HKFRSs first effective for annual periods beginning 1 January 2014**	
1 Jan 2014	Amendments to HKAS 32, *Financial instruments: Presentation* "Offsetting financial assets and financial liabilities"	The amendments clarify the offsetting requirements by adding application guidance to HKAS 32. The existing offsetting requirements in HKAS 32.42 are that a financial asset and financial liability should be offset when, and only when, the entity: • currently has a legally enforceable right to set off the recognised amounts; and • intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The additional guidance clarifies when the entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

1 Jan 2014	Amendments to HKAS 36, *Impairment of assets*
	"Recoverable amount disclosures for non-financial assets"
		The amendments were issued to rectify the unintended results of the consequential amendments introduced by HKFRS 13, *Fair value measurement*. The amendments remove the requirement made by HKFRS 13 to disclose the recoverable amount of each CGU which is not impaired. On the other hand, the amendments require the following additional disclosures for an individual asset (including goodwill) and a CGU for which an impairment loss has been recognised or reversed during the reporting period:
		• recoverable amount of the assets or CGU for which an impairment loss or impairment reversal has been recognised; and
		• if the recoverable amount is based on fair value less costs of disposal:
		  • the level of the 3-Level fair value hierarchy (as defined in HKFRS 13) within which the fair value measurement is categorised;
		  • for Level 2 and Level 3 fair value measurements:
		    - a description of the valuation technique(s) used to measure fair value less costs of disposal;
		    - any change in valuation technique used and the reason(s) for making the change;
		    - key assumptions used in determining the fair value less costs of disposal; and
		    - discount rate used in the measurement if a present value technique is used for measuring fair value less costs of disposal.

1 Jan 2014	Amendments to HKAS 39, *Financial instruments: Recognition and measurement* "Novation of derivatives and continuation of hedge accounting"	The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments were issued in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. Similar relief has been included in HKFRS 9, *Financial instruments*.
1 Jan 2014	HK(IFRIC) 21 "Levies"	HK(IFRIC) 21 has been issued as an interpretation of HKAS 37, *Provisions, contingent liabilities and contingent assets*. The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. It clarifies that the obligating event that gives rise to such liability is the activity that triggers the payment of the levy as identified by the legislation. Income taxes and other outflows of resources within the scope of other standards (i.e. outside the scope of HKAS 37), and fines or other penalties that are imposed for breaches of the legislation, are scoped out from the Interpretation.

<table>
<tr><th>Effective date*</th><th colspan="2">Table 2:

Amendments to HKFRSs which are not yet mandatory for annual periods beginning 1 January 2014 but may be adopted early</th></tr>
<tr><td>1 July 2014</td><td>Amendments to HKAS 19, Employee benefits

"Defined benefit plans: Employee contributions"</td><td>The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient (by meeting the criteria set out in the amendments), a company is permitted (but not required) to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation.</td></tr>
<tr><td>1 July 2014</td><td>Annual Improvements to HKFRSs 2010-2012 Cycle</td><td>This cycle of annual improvement contains amendments to seven standards with consequential amendments to other standards and interpretations. Details are as follows:

HKFRS 2, Share based payment has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both:

how to distinguish between a market and a non-market performance condition; and
the basis on which a performance condition can be differentiated from a non-vesting condition.

HKFRS 3, Business combinations has been amended to clarify that:

when contingent consideration in a business combination is a financial instrument, its classification as a liability or equity is determined by reference to HKAS 32, rather than to any other HKFRSs; and
contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognised in profit or loss.

HKFRS 8, Operating segments has been amended to explicitly require the disclosures of judgements made by management in applying the aggregation criteria. The disclosures include:

a brief description of the operating segments that have been aggregated; and
the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics.

The amendments also clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
HKFRS 13, Fair value measurement has been amended to clarify that entities are not prevented from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

(continued)</td></tr>
</table>

<table>
<tr><th>Effective date*</th><th colspan="2">Table 2 (continued):
Amendments to HKFRSs which are not yet mandatory for annual periods beginning 1 January 2014 but may be adopted early</th></tr>
<tr><td>1 July 2014</td><td>Annual Improvements to HKFRSs 2010-2012 Cycle
(continued)</td><td>HKAS 16, Property, plant and equipment and HKAS 38, Intangible assets have been amended to clarify the requirements of the revaluation model in these standards. The amendments clarify that, at the date of revaluation, one of following approaches should be adopted:
the gross carrying amount:
is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset – e.g. restated in proportion to the change in the carrying amount or by reference to observable market data; and
the accumulated depreciation (amortisation) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
the accumulated depreciation (amortisation) is eliminated against the gross carrying amount of the asset.
HKAS 24, Related party disclosures has been amended to extend the definition of a ‘related party’ to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. Consequently, the entity is required to disclose the amounts incurred for the KMP services provided by the management entity, but it is not required to ‘look through’ the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services.</td></tr>
<tr><td>1 July 2014</td><td>Annual Improvements to HKFRSs 2011-2013 Cycle</td><td>This cycle of annual improvement contains amendments to four standards with consequential amendments to other standards and interpretations. Details are as follows:
HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards has been amended to clarify that in its first HKFRS financial statements, a first-time adopter is permitted but not required to apply a new or revised HKFRS that is not mandatory but is available for early application.
NB The above amendment is not relevant to existing HKFRS adopters
HKFRS 3, Business combinations has been amended to clarify that the standard does not apply to the accounting for the formation of any type of joint arrangement in HKFRS 11, Joint arrangements in the financial statements of the joint arrangements themselves.
HKFRS 13, Fair value measurement has been amended to clarify that its portfolio exception, which allows entities to measure the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis, applies to all contracts within the scope of HKAS 39 and HKFRS 9, regardless of whether the contracts meet the definitions of financial assets or financial liabilities in HKAS 32.
HKAS 40, Investment property has been amended to clarify that HKAS 40 and HKFRS 3 are not mutually exclusive. An entity should:
assess whether an acquired property is an investment property under HKAS 40; and
perform a separate assessment under HKFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.</td></tr>
</table>

Effective date*	**Table 2 (continued):** **Amendments to HKFRSs which are not yet mandatory for annual periods beginning 1 January 2014 but may be adopted early**	
1 Jan 2016	HKFRS 14 "Regulatory deferral accounts"	This interim standard permits first-time adopters of HKFRS to continue to use previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area. *NB This new standard is not relevant to existing HKFRS adopters*
1 Jan 2016	Amendments to HKFRS 11, *Joint arrangements* "Accounting for acquisitions of interests in joint operations"	The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. Specifically, the amendments require business combination accounting to be applied in this situation. The amendments are effective prospectively.
1 Jan 2016	Amendments to HKAS 16, *Property, plant and equipment* and HKAS 38, *Intangible assets* "Clarification of acceptable methods of depreciation and amortisation"	The amendments introduce a rebuttable presumption to HKAS 38 that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments also prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments are effective prospectively.
1 Jan 2017	IFRS 15 "Revenue from contracts with customers"	This new revenue standard was issued by the IASB on 28 May 2014. We anticipate that the HKICPA will soon issue an equivalent standard with the same effective date and transition provisions. The standard is the result of a joint project between the IASB and FASB. It is converged with FASB ASC Topic 606 and replaces existing IFRS and US GAAP guidance on revenue recognition. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows: 1. Identify the contract with the customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations 5. Recognise revenue when (or as) the entity satisfies a performance obligation IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. An entity may adopt IFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

Effective date*	**Table 2 (continued):** **Amendments to HKFRSs which are not yet mandatory for annual periods beginning 1 January 2014 but may be adopted early**	
To be decided	HKFRS 9 "Financial instruments"	The source of HKFRS 9, IFRS 9, is the result of a wider project being undertaken by the IASB to reduce the complexity of the current requirements and replace IAS 39, *Financial instruments: recognition and measurement.* In November 2009, the IASB issued IFRS 9 (2009) which deals with classification and measurement of financial assets only. IFRS 9 (2009) retains but simplifies the mixed measurement model by allowing only two primary measurement categories for financial assets: amortised cost and fair value, with the basis of classification dependent on the entity's business model and the contractual cash flow characteristics of the financial asset. The HKICPA issued IFRS 9 (2009) in the form of HKFRS 9 (2009) in November 2009. In October 2010, the IASB issued an expanded version of IFRS 9 (IFRS 9 (2010)) to include the requirements with respect to classification and measurement of financial liabilities, and derecognition of financial assets and liabilities. The derecognition requirements have been carried forward without amendment from IAS 39. With respect to the classification and measurement of financial liabilities, there are two substantive changes from current IAS 39 requirements, in relation to the fair value option and derivatives linked to unquoted equity instruments. The HKICPA issued IFRS 9 (2010) in the form of HKFRS 9 (2010) in November 2010. In November 2013, the IASB issued a new general hedge accounting standard as part of IFRS 9 (2013). The new standard aligns hedge accounting more closely with risk management. It does not fundamentally change the types of hedging or the requirement to measure and recognise ineffectiveness; however, more hedging strategies that are used for risk management will qualify for hedge accounting. In December 2013 the HKIPCA endorsed this standard into HKFRS as HKFRS 9 (2013). As of the time of writing, the IASB targets to complete the project by issuing a new chapter on impairment and finalising limited amendments to classification and measurement in 2014. *NB In April 2014 the IASB issued a discussion paper on macro hedge accounting. The IASB has separated the macro hedging project from IFRS 9 project. Therefore, the determination of IFRS 9's effective date (which is discussed in further details below) is not dependent upon finalisation of the macro hedging project.* *Effective date and transitional provisions* HKFRS 9 (2009) and HKFRS 9 (2010), as originally issued, had a mandatory effective date of annual periods beginning on or after 1 January 2013. In December 2011, the IASB deferred the effective date to 1 January 2015 due to extended timeline for completing the IAS 39 replacement project. In November 2013, the IASB removed the 1 January 2015 effective date by issuing IFRS 9 (2013), which does not contain a specified mandatory effective date. In its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for annual periods beginning on or after 1 January 2018. This assumes that all parts of the IFRS 9 project (other than macro hedge accounting) would be completed in 2014. *(continued)*

Effective date*	Table 2 (continued): Amendments to HKFRSs which are not yet mandatory for annual periods beginning 1 January 2014 but may be adopted early	
To be decided	HKFRS 9 "Financial instruments" *(continued)*	The current version of HKFRS 9 as of the time of writing has the following provisions regarding early adoption and transitions: Entities that early adopt HKFRS 9 have a choice: they may elect to apply HKFRS 9 (2009), HKFRS 9 (2010), or HKFRS 9 (2013). If an entity adopts HKFRS 9 (2013) without having first adopted HKFRS 9 (2009) or HKFRS 9 (2010), then it has a single date of initial application for HKFRS 9 (2013) in its entirety. Entities that early adopt HKFRS 9 (2013) may choose as their accounting policy to defer application of the new general hedging model until the standard resulting from the IASB's project on macro hedging is effective. Early application of the new general hedging model is permitted only if all existing HKFRS 9 requirements are applied at the same time or have already been applied. However, the standard allows an entity to change the accounting for financial liabilities that it has elected to measure under the fair value option, without applying any of the other requirements in HKFRS 9. With that change, gains and losses resulting from an entity's own credit risk would be recognised outside of profit or loss. An early adopter of HKFRS 9 continues to apply HKAS 39 for other accounting requirements for financial instruments within its scope that are not covered by HKFRS 9.

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