

# Chapter 7

## GENERAL

### Basic contents of accountants' report for a listing document

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

#### *Two year history of results*

- (1) the results of the issuer or, if the issuer is a holding company, the consolidated results of the issuer and its subsidiaries covering at least the 2 financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Exchange (see rule 11.14);
- (2) the results of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up (on the same basis, where the subsidiary is itself a holding company, as in (1) above) in respect of each of the 2 financial years referred to in (1) above (or in respect of the period since commencement of such business or the incorporation or establishment of such subsidiary, as the case may be, if this occurred within such 2 year period) or such shorter period as may be acceptable to the Exchange (see rule 11.14).

#### *Two year balance sheet Assets and liabilities*

- (3)
  - (a) the ~~assets and liabilities balance sheet~~ of the issuer and, if the issuer is itself a holding company, the consolidated ~~assets and liabilities balance sheet~~ of the issuer and its subsidiaries in each case ~~as at the date as at the end of each of the two financial years~~ to which the latest audited accounts of the issuer have been made up except that if the listing document is not required by either section 38(1) or section 342(1) of the Companies Ordinance to set out the reports specified in Part II of the Third Schedule of that Ordinance and the issuer is itself a holding company then the accountants' report need only include the consolidated ~~assets and liabilities balance sheet~~ of the issuer and its subsidiaries;
  - (b) in the case of banking companies, the ~~report on assets and liabilities balance sheet as at the end of each of the two financial years~~ prepared in accordance with rule 7.03(3)(a) must include information on the assets and liabilities set out in the ~~Best Practice Guide on Financial Disclosure by Authorised Institutions Financial Disclosure by Locally Incorporated Authorized Institutions~~ issued by the Hong Kong Monetary Authority;
- (4)
  - (a) the ~~assets and liabilities balance sheet~~ of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up (on the same basis, where the subsidiary is itself a holding company, as in (3) above) in each case as at the ~~end of each of the two financial years date~~ to which the latest audited accounts of such business or subsidiary (as the case may be) have been made up;
  - (b) in the case of banking companies, the ~~report on assets and liabilities balance sheet as at the end of each of the two financial years~~ prepared in accordance with rule 7.03(4)(a) must include information on the assets and liabilities set out in the ~~Best Practice Guide on~~

*Two year cash flow statement*

(4A) the cash flow statement of the issuer or, if the issuer is itself a holding company, the consolidated cash flow statement of the issuer and its subsidiaries in each case for each of the two financial years to which the latest audited accounts of the issuer have been made up;

*Two year statement of movements in equity*

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

*Additional disclosures for Financial Conglomerates*

(4C) where the issuer is regarded as a financial conglomerate (see rule 18.37B) in any of the two financial years to which the latest audited accounts have been made up, the information required by rule 18.37A in respect of the financial year or years in which the issuer is regarded as a financial conglomerate;

*Other*

(5) the earnings per share and the basis of computation in respect of each of the years referred to in (1) and (2) above except that the accountants' report need not include this information if, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the accountants' report or if combined results are presented in accordance with rule 7.08 or if the accountants' report relates to an issue of debt securities;

(6) all movements to and from any reserves including movements arising from:—

- (a) consolidation or acquisition (i.e. the write-off of goodwill/establishment of a capital reserve);
- (b) the revaluation of assets;
- (c) the translation of accounts denominated in foreign currencies; or
- (d) the redemption or repurchase of shares of the issuer

if those movements are not reflected in the results in respect of each of the years referred to in (1) and (2) above;

(7) a statement of the indebtedness as at the end of each of the period reported on showing, as regards bank loans and overdrafts and separately as regards other borrowings of the issuer (or of the issuer and its subsidiaries, including any company which will become a subsidiary by reason of any acquisition falling within rules 7.03(2) and (4)), the aggregate amounts repayable:—

- (a) on demand or within a period not exceeding 1 year;
- (b) within a period of more than 1 year but not exceeding 2 years;
- (c) within a period of more than 2 years but not exceeding 5 years; and

- (d) within a period of more than 5 years;

*Specific detail concerning ~~results-financial information~~*

7.04 The report on results and financial position under rules 7.03(1) to (4) ~~and (2)~~ above must disclose separately at least the following information:—

(1) Income statement

~~(1)(a)~~ turnover;

(b) investment and other income;

(c) profit (or loss) on sale of investments or properties;

(d) cost of goods sold;

(e) interest on borrowings;

(f) depreciation / amortisation;

~~(2)(g)~~ profit (or loss) before taxation ~~and extraordinary items~~, including the share of the profit (or loss) of affiliated companies, with separate disclosure of any items included therein which are exceptional because of size, nature and incidence;

~~(3)(h)~~ taxation on profits (Hong Kong and overseas) in each case indicating the basis of computation, with separate disclosure of the taxation on share of affiliated companies' profits;

~~(4)(i)~~ profit (or loss) attributable to minority interests;

~~(5) profit (or loss) attributable to shareholders before extraordinary items;~~

~~(6) extraordinary items (net of taxation);~~

~~(7)(j)~~ profit (or loss) attributable to shareholders;

~~(8)(k)~~ rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby and any waivers of dividend except that the accountants' report need not disclose this information:—

- (a) if combined results are presented in accordance with rule 7.08 and, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the report; or
- (b) if the accountants' report relates to an issue of debt securities; or
- (c) in the case of a major transaction;

~~(9)(l)~~ details of any special dividend proposed to be paid after the date of the accountants' report; ~~and~~

(2) Balance sheet information as follows, if applicable:

- (a) fixed assets;
- (b) current assets
  - (i) stocks;
  - (ii) debtors including credit policy and ageing analysis of accounts receivable;
  - (iii) cash at bank and in hand; and
  - (iv) other current assets;
- (c) current liabilities
  - (i) borrowings and debts; and
  - (ii) ageing analysis of accounts payable;
- (d) net current assets (liabilities);
- (e) total assets less current liabilities;
- (f) non-current liabilities
  - (i) borrowings and debts;
- (g) capital and reserves; and
- (h) minority interests.

~~(10)~~(3) in the case of banking companies, the information on results and financial position set out in the ~~Best Practice Guide on Financial Disclosure by Authorised Institutions~~ Financial Disclosure by Locally Incorporated Authorized Institutions issued by the Hong Kong Monetary Authority should be provided in place of that set out in sub paragraph (1) ~~(with the exception of that required by sub-paragraphs 1(k) and 1(l))~~ ~~(7)~~ and (2) above.

(4) Segment information

The income statement and balance sheet shall, in addition to that information required by (1) to (2) immediately above, include the information required by:-

- (a) Statement of Standard Accounting Practice 26 segment reporting if the issuer prepares its annual financial statements in accordance with standard accounting practices in Hong Kong;  
or
- (b) International Accounting Standard 14 reporting financial information by segment if the issuer prepares its annual financial statements in accordance with International Accounting Standards; or
- (c) the relevant accounting standards dealing with segment reporting in Generally Accepted Accounting Principles in the United States of America (US GAAP) if the issuer prepares its annual financial statements in accordance with US GAAP.

Note : The information required by this rule may be provided on the face of income statement or the balance sheet, as appropriate, or in the notes to the financial statements.

### **Basic contents of accountants' report for certain notifiable transaction circulars**

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

#### Three year history of results

- (1) (a) the results, for the relevant period, of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited accounts of the issuer have been made up; provided always that where any company in question has not or will not become a subsidiary of the issuer, the Exchange may be prepared to relax this requirement;

*Note: For the purposes of this rule, the “relevant period” comprises each of the 3 financial years (applicable to such business or company) immediately preceding the issue of the circular (or the period since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) or such shorter period as may be acceptable to the Exchange.*

- (b) in the case of banking companies, the report on results prepared in accordance with rule 7.05(1)(a) must include the information on results set out in the ~~Best Practice Guide on Financial Disclosure by Authorised Institutions~~ Financial Disclosure by Locally Incorporated Authorized Institutions issued by the Hong Kong Monetary Authority;

#### Three year balance sheet

- (2) (a) the ~~assets and liabilities balance sheet~~ balance sheet of the business which, or of the company (and, if that company is itself a holding company, the consolidated ~~assets and liabilities balance sheet~~ balance sheet of the company and its subsidiaries) in whose share capital an interest has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited accounts of the issuer have been made up, in each case as at the ~~date~~ end of each of the three financial years (or the end of each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) to which the latest audited accounts of such business or company (as the case may be) have been made up;
- (b) in the case of banking companies, the ~~report on assets and liabilities balance sheet as at the end of each of the three financial years (or the end of each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less)~~ must include the information on the assets and liabilities set out in the ~~Best Practice Guide on Financial Disclosure by Authorised Institutions~~ Financial Disclosure by Locally Authorized Institutions issued by the Hong Kong Monetary Authority;

#### Three year cash flow statement

- (2A) the cash flow statement of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited accounts of the issuer have been made up, in each case for each of the

three financial years (or for each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) to which the latest audited accounts of such business or company (as the case may be) have been made up.

*Three year statement of movements in equity*

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

*Additional disclosures for Financial Conglomerates*

(2C) where the business or company acquired or to be acquired is regarded as a financial conglomerate (see rule 18.37B) in any of the three financial years (or for each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) to which the latest audited accounts have been made up, the information required by rule 18.37A in respect of the financial year or years in which the issuer is regarded as a financial conglomerate;

- (3) all movements to and from any reserves including movements arising from:—
- (a) consolidation or acquisition (i.e. the write-off of goodwill/establishment of a capital reserve);
  - (b) the revaluation of assets; or
  - (c) the translation of accounts denominated in foreign currencies; or
  - (d) the redemption or repurchase of shares of the issuer,

if those movements are not reflected in the results in respect of each of the financial years referred to in (1) above;

- (4) a statement of the indebtedness as at the end of each of the period reported on showing, as regards bank loans and overdrafts and separately as regards other borrowings of the business or company or company and its subsidiaries covered by the accountants' report, the aggregate amounts repayable:—
- (a) on demand or within a period not exceeding 1 year;
  - (b) within a period of more than 1 year but not exceeding 2 years;
  - (c) within a period of more than 2 years but not exceeding 5 years; and
  - (d) within a period of more than 5 years,

except that such an analysis of debt repayments need not be included in the case of a major transaction (see rule 19.55);

- (5) the details of the principal accounting policies which have been applied in respect of the period reported on;
- (6) a statement of any significant subsequent events which have occurred to any business or company or company and its subsidiaries covered by the accountants' report since the end of the period reported on or, if there are no such events, a statement of that fact; and
- (7) any other matters which appear to the reporting accountants to be relevant having regard to the purpose of the accountants' report.

7.06 The report on results and financial position under ~~rule rules~~ 7.05(1) and (2) must disclose separately the information referred to in rule 7.04.

### **Requirements applicable in all cases**

7.07 In all cases:—

- (1) the accountants' report must include a statement of:
  - (a) whether or not the accounts for the period reported on have been audited and, if so, by whom; and
  - (b) whether or not any audited accounts have been made up since the end of the last financial period reported on;
- (2) the reporting accountants must express an opinion as to whether or not the relevant information gives, for the purposes of the accountants' report, a true and fair view of the results and cash flows for the period reported on and of the ~~assets and liabilities~~ balance sheet as at the end of ~~that~~ each of the period reported on;
- (3) the accountants' report must state that it has been prepared in accordance with the Auditing Guideline - Prospectuses and the reporting accountant (Statement 3.340) issued by the Hong Kong Society of Accountants or any comparable standard issued from time to time by the International Auditing Practices Committee of the International Federation of Accountants;
- (4) the reporting accountants must be named in the accountants' report; and
- (5) the accountants' report must be dated.

### **Disclosure**

7.10 The information to be disclosed in respect of rules 7.03, 7.08 and 7.09 must be in accordance with best practice which is at least that required to be disclosed in respect of those specific matters in the accounts of a company under the Companies Ordinance and Statements of Standard Accounting Practice issued from time to time by the Hong Kong Society of Accountants or the International Accounting Standards as promulgated from time to time by the International Accounting Standards Committee and, in the case of banking companies, the ~~Best Practice Guide on Financial Disclosure by Authorised Institutions~~ Financial Disclosure by Locally Authorized Institutions issued by the Hong Kong Monetary Authority.

# Chapter 17

## EQUITY SECURITIES

### *General obligation of disclosure*

17.10 Generally and apart from compliance with all the specific requirements of the GEM Listing Rules, an issuer shall keep the Exchange, members of the issuer and other holders of its listed securities informed, as soon as reasonably practicable, of any information relating to the group (including information on any major new developments in the group's sphere of activity which is not public knowledge) which:

- (1) is necessary to enable them and the public to appraise the position of the group; or
- (2) is necessary to avoid the establishment of a false market in its securities; or
- (3) might be reasonably expected materially to affect market activity in and the price of its securities.

- Notes:*
- 1 *Information should not be divulged outside the issuer and its advisers in such a way as to place in a privileged dealing position any person or class or category of persons. Information should not be released in such a way that Exchange transactions may be entered into at prices which do not reflect the latest available information. Without in any way derogating from this principle, issuers may, in appropriate circumstances, give advance information in strict confidence to persons with whom negotiations are taking place with a view to the making of a contract or the raising of finance, e.g. to prospective underwriters of an issue of securities or providers of funds on loan. In any such case the persons receiving such information will be expected not to deal in the issuer's securities until the information has been released.*
  - 2 *When developments are on hand which are likely to have a significant effect on market activity in or the price of any listed securities, **it is the direct responsibility of the directors to ensure that such information is kept strictly confidential** until a formal announcement is made. To this end the directors must ensure that the strictest security is observed within the issuer and its advisers and if at any time it is felt that the necessary degree of security cannot be maintained or that security may have been breached, an announcement should be made as soon as possible thereafter. In the case of an approach which may lead to an offer for all or part of the listed securities of the issuer, unless security by all parties can be assured, a warning announcement should be issued indicating that the issuer is in discussions which may lead to an offer for those securities. The lack of a warning announcement in some situations may lead to the establishment of a false market. In merger and takeover transactions, particularly where no warning announcement has been issued, a temporary suspension of dealings may be appropriate where negotiations have reached a point at which an offeree company is reasonably confident that an offer will be made for its shares or where negotiations or discussions are extended to embrace more than a small group of people.*
  - 3 *The issuer may be obliged (by statute or otherwise) to impart information to a third party. If such information thereby enters the public domain and is of a price-sensitive nature, it should be simultaneously released to the market.*
  - 4 *The question of timing of the release of an announcement to the market is crucial, having regard to its possible effect on the market price of the issuer's listed securities. The overriding principle is that information which is expected to be price-sensitive should be*

*announced immediately it is the subject of a decision. Failure to follow this principle may result in the Exchange imposing a temporary suspension of dealings.*

- 5 *The issuer must endeavour to avoid any suspension of its securities having regard to the provisions of rule 9.03 and the Notes thereto.*
- 6 *Rule 17.56 sets out general principles as to the presentation of information in all announcements, listing documents and circulars required to be published under the GEM Listing Rules.*
- 7 *Any obligation to inform holders of the issuer's securities or the public will be satisfied by the information being announced in accordance with rule 17.05.*
- 8 *Where it is proposed to announce at any meeting of holders of listed securities information which might affect the market price of the issuer's securities, arrangements should be made for the release of that information to the market simultaneously or immediately after the meeting in accordance with Chapter 16.*
- 9 *If the directors consider that disclosure of information to the public might prejudice the issuer's business interests, the Exchange must be consulted as soon as practicable.*
- 10 *Information should be released before the stage when it needs to be made available outside the directors, employees and advisers necessarily concerned. The date of the requisite board meeting should be fixed with this consideration in mind; if a suitable date cannot be fixed, it may be necessary for the board to delegate its power of approval to a committee so that the appropriate announcement can be made at the proper time.*
- 11 *If, during the period of any profit forecast made by the issuer:—*
  - (a) *an event occurs which, had it been known at the time the profit forecast was made, would have caused any of the assumptions upon which the forecast is based to have been materially different; or*
  - (b) *income or loss is generated by some activity outside the ordinary and usual course of the business (which income or loss was not disclosed as anticipated in the document in which the profit forecast was made) and which contributes or is likely to contribute materially to the calculation of the profits for such period,*

*the issuer shall promptly disclose the occurrence of such event and relevant details to holders of the issuer's securities. The issuer should give an indication in the announcement of the likely impact of the event or activity referred to above on the profit forecast.*

*A disclosure obligation arises under sub-paragraph (b) above as soon as the issuer becomes aware that it is likely that the contribution in the calculation of profits made or to be made by income or loss generated or to be generated as aforesaid will be material.*

- 12 *An issuer must consider whether or not it is appropriate or necessary to make any disclosure pursuant to this rule in circumstances where the profits or business developments of the issuer are or are likely to be out of line with any estimate or projection of the issuer or with market expectations of the issuer. If thought appropriate or necessary, an announcement should be made, on a timely basis, revising any estimate or projection and setting out reasons or explanations for the difference.*

13 *An issuer must notify the Exchange, members of the issuer and other holder of its listed securities without delay where:—*

*(i) to the knowledge of the directors there is major market upheaval in the industries, countries or regions where the issuer has significant operations or transactions, or significant changes in exchange rates of currencies that are key to its operations; or*

*(ii) to the knowledge of the directors there is such a change in the issuer's financial condition or in the performance of its business or in the issuer's expectation of its performance that knowledge of the change is likely to lead to substantial movement in the price of its listed securities; or*

*(iii) the issuer has committed significant resources to an activity which is non-core business and this has not previously been disclosed.*

~~13~~14 *In circumstances where the issuer is aware that the price or trading volume of its listed securities is or may be being influenced by speculation or rumour, the issuer is encouraged to make an announcement by way of clarification in order to avoid the establishment of an uninformed, misinformed or false market in its securities. In the event that the Exchange contacts the issuer concerning unusual movements in the price or trading volume of its securities, rule 17.11 shall apply.*

~~14~~15 *Without limiting the generality of Note ~~13~~ 14 above, comments by individuals who:—*

- (a) are directors or representatives of an issuer or its controlling shareholder; and/or*
- (b) hold positions in entities with authority, administrative control or influence over an individual issuer or its controlling shareholder irrespective of that entity's equity interest in the issuer or controlling shareholder; and/or*
- (c) hold positions in entities with authority, administrative control, influence or regulatory responsibility over an industry*

*may be accorded considerable weight by the news media and investors. They may affect market activity in and the price of an issuer's securities thereby giving rise to an obligation under this rule. If these individuals make public proposed transactions or developments in relation to an issuer, which have not previously been announced or disclosed to shareholders in accordance with the GEM Listing Rules, the issuer affected will generally be required to clarify such comments by way of an announcement. Furthermore, comments by individuals holding positions in entities having authority, administrative control, influence or regulatory responsibility over an industry may give rise to an obligation on issuers operating in that industry to issue a clarification announcement.*

~~15~~16 *Any confidentiality undertaking entered into by an issuer shall be made subject to any obligation on the part of the issuer to disclose information pursuant to the GEM Listing Rules.*

#### *Board decisions*

17.49 An issuer shall inform the Exchange and publish an announcement immediately after (and for the purpose of providing details of) the approval by or on behalf of the board of:—

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

*Notes: 1 The timing of board meetings is a matter for the convenience and judgement of individual boards, but the Exchange should be informed of, and an announcement be made in respect of, decisions on dividends and results as soon as practicable after such decisions have been taken. The directors are reminded that it is their direct responsibility to ensure that such information is kept strictly confidential until the announcement is made. In the case of a preliminary announcement of results, ~~the announcement should include at least the information specified in rule 18.49~~ listed issuers' attention is drawn to the provisions set out in Chapter 18 in relation to the disclosure requirements for quarterly, half-year and annual results announcements.*

*2 Issuers are reminded that Note 10 to rule 17.10 and Note 1 above are also applicable to a preliminary announcement of results for a full year. As soon as possible after draft accounts have been agreed with the auditors, those accounts, adjusted to reflect any dividend decision, should be approved, in view of their price-sensitive nature, as the basis of a preliminary announcement of results for the full year.*

- (4) any proposed change in the capital structure of the issuer, including any redemption of its listed securities.

*Note: Once a decision has been made to submit any such proposal to the board, no dealings in any of the relevant securities should be effected by or on behalf of the issuer or any of its subsidiaries until the proposal has been announced or abandoned.*

#### *Review of documents*

17.53 In addition to the specific requirements set out in the GEM Listing Rules, the issuer shall:—

- (1) submit to the Exchange copies of drafts, for review before they are issued, of any announcements or advertisements relating to the issue of new or further securities (other than pursuant to a capitalisation issue or a scrip dividend scheme) or any announcements or advertisements the subject matter of which may involve a change in or relate to or affect arrangements regarding trading in its listed securities (including a suspension of dealings);
- (2) submit to the Exchange copies of drafts, for review before they are issued, of any documents issued in connection with takeovers, mergers or offers;
- (3) submit to the Exchange copies of drafts for review before they are issued, of any proposed amendment to its memorandum or articles of association;
- (4) submit to the Exchange copies of drafts, for review before they are issued, of any announcements, as required under rule 17.43, concerning the pledging or charging of interests in the securities of the issuer by any initial management shareholder or significant shareholder; and

- (5) not issue any of such documents until the Exchange has confirmed to the issuer that it has no further comments thereon.

- Notes:
- 1 *4 copies of each document are required, which should be submitted in sufficient time for review and, if necessary, re-submission prior to dissemination or final printing.*
  - 2 *Upon submission, for review, of the first draft of any document by electronic means, the issuer or other responsible party, is required to notify the GEM Listing Division of such submission by telephone, facsimile or letter.*
  - 3 *In the case of documents issued in connection with takeovers, mergers or offers covered by the Takeover Code, the Exchange will pass its comments on the document and, if appropriate, its confirmation that it has no further comments thereon in writing to the Commission who will notify the issuer of any such comments and the Exchange's confirmation that it has no further comments thereon. The issuer should ensure that the Commission furnishes it with a copy of the Exchange's letter confirming that it has no further comments thereon.*
  - 4 *It is not necessary to submit a draft of a half-year, quarterly or other interim report or preliminary announcement of results so long as it conforms with the requirements of ~~chapter 18 rules 18.48 to 18.65 as applicable~~, unless it contains any information falling within rule 17.53(1).*
  - 5 *Changes to articles of association or equivalent documents must conform with the requirements of Appendix 3.*
  - 6 *The Exchange reserves the right to require an issuer to issue a further announcement or document, particularly if the original announcement or document was not required by the GEM Listing Rules to be reviewed by the Exchange, or if the original announcement or document is misleading or is likely to create a false or misinformed market.*

# Chapter 18

## EQUITY SECURITIES

### *Information to accompany directors' report and annual accounts*

18.07 The listed issuer shall include the information set out in rules 18.08 to ~~18.37~~ 18.48 in its directors' report and annual accounts. Each set of financial statements presented in an annual report shall include, at a minimum, the components set out below. Unless stated to the contrary the financial information specified in these rules may be included outside the financial statements and will therefore be outside the scope of the auditors' report on the financial statements. The income statement and balance sheet set out in the financial statements must include at least the information set out in rule 18.50A. Banking companies (meaning banks, restricted licence banks and deposit-taking companies as defined in the Banking Ordinance) shall, in addition, comply with the ~~Best Practice Guide on Financial Disclosure by Authorised Institutions~~ Financial Disclosure by Locally Incorporated Authorized Institutions as issued by the Hong Kong Monetary Authority.

(1) balance sheet;

(2) income statement;

(3) cash flow statement;

(4) statement of movements in equity other than those arising from capital transactions with shareholders and distributions to shareholders;

(5) comparative figures for the statements referred to in (1) to (3) immediately above for the corresponding previous period; and

(6) accounting policies and explanatory notes.

Notes: 1 The Exchange may authorise the omission from an annual report of specified items of information if it considers that disclosure of such information would be contrary to the public interest or seriously detrimental to the listed issuer. The Exchange will only authorise such omission provided it is satisfied that the omission is not likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question. The listed issuer or its representatives will be responsible for the correctness and relevance of the facts on which any application for such exemption is based.

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

18.08 (1) For accounting periods commencing before 1st January, 2001, A a listed issuer shall include a description of the principal activities of the group and, where 2 or more such activities are so described, a statement giving in respect of each such activity the turnover and contribution to trading results attributable to it,

*Note: For these purposes, a "principal activity" is one which achieved profits and losses numerically equivalent to 10% or more of the consolidated profit or loss of the group.*

(2) For accounting periods commencing on or after 1st January, 2001, a listed issuer shall include in its financial statements the information required by:—

(a) Statement of Standard Accounting Practice 26 segment reporting if it prepares its annual financial statements in accordance with standard accounting practices in Hong Kong; or

(b) International Accounting Standard 14 reporting financial information by segment if it prepares its annual financial statements in accordance with International Accounting Standards; or

(c) the relevant accounting standards dealing with segment reporting in Generally Accepted Accounting Principles in the United States of America (US GAAP) if it prepares its annual financial statements in accordance with US GAAP.

18.09 (1) For accounting periods commencing before 1st January, 2001. Except where the listed issuer is a banking company, a listed issuer shall provide a geographical analysis of consolidated turnover and, if the contribution to profit or loss from a specific area is abnormal in nature, the contribution to trading results of those trading operations carried on by the listed issuer and/or its subsidiaries outside the country in which the main place of business of the listed issuer (or the group of which the listed issuer is a member) is situated, unless such operations comprise less than 10% of the consolidated turnover and 10% of the consolidated trading results of the group.

*Notes: 1 Transactions within the group should be excluded.*

*2 A broad geographical analysis of net turnover by way of figures or percentages, given by market (not necessarily given country by country), will be acceptable. Where analysis is required, the analysis should be by continent but if 50% of total overseas operations relates to 1 continent, a further analysis, for example, by country within that continent, will be required. Overseas operations include direct exports from the country in which the main place of business of the listed issuer (or the group of which the listed issuer is a member) is situated and activities carried out otherwise than in such country.*

*3 In respect of trading results an appropriate statement should be included where, for a proper appraisal of the business of the listed issuer (or the group of which the listed issuer is a member), holders of listed securities should be aware of significant contributions derived from activities carried out in any one territory. No analysis of the contribution to trading results is required unless the contribution to profit or loss from a specific area is “abnormal” in nature. “Abnormal” is defined as substantially out of line with the normal ratio of profit to turnover. For example, if a 40% profit is earned by the group in relation to turnover in one continent compared with 10 per cent on turnover elsewhere, this fact should be made apparent.*

(2) For accounting periods commencing on or after 1st January, 2001, a listed issuer shall include in its financial statements the information required by:—

(a) Statement of Standard Accounting Practice 26 segment reporting if it prepares its annual financial statements in accordance with standard accounting practices in Hong Kong; or

(b) International Accounting Standard 14 reporting financial information by segment if it prepares its annual financial statements in accordance with International Accounting Standards; or

(c) the relevant accounting standards dealing with segment reporting in Generally Accepted Accounting Principles in the United States of America (US GAAP) if it prepares its annual financial statements in accordance with US GAAP.

18.25 Particulars of any contract of significance subsisting during or at the end of the financial year in which a director of the listed issuer is or was materially interested, either directly or indirectly, or, if there has been no such contract, a statement of that fact.

Notes: 1 A “contract of significance “ is one which represents in amount or value a sum equal to 5% or more of:-

(a) in the case of a capital transaction or a transaction of which the principal purpose is the granting of credit, the net tangible assets of the listed issuer; or

(b) in other cases, the total purchases, sales, payments or receipts, as the case may be, of the listed issuer.

Where the listed issuer has subsidiaries, comparison must be made with the purchases, sales, payments, receipts or net tangible assets of the group on a consolidated basis.

2 ~~An interest in a transaction or arrangement is material for the purposes of disclosure in the accounts if the omission of information relating to that contract or arrangement could have changed or influenced the judgement or decision of a person relying on the relevant information. only if the board of directors considers it to be material but this is without prejudice to the question of whether or not such an interest is material in a case where the board has not considered the matter. The “board” here means the directors of the listed issuer preparing the accounts, or a majority of directors, but excluding in either case the director whose interest it is.~~

18.37 ~~Except where the listed issuer is a banking company, a~~ A statement of the reserves available for distribution to shareholders by the listed issuer (as calculated under the provisions of section 79B of the Companies Ordinance) as at the balance sheet date.

### **Additional disclosure for Financial Conglomerates**

18.37A Where a listed issuer is regarded as a financial conglomerate (as defined in rule 18.37B below), the listed issuer shall, in addition to the requirements as set out in all preceding paragraphs, include in its annual report at least the information as set out in rule 18.37A(1) to 18.37A(4) inclusive. Information required by rule 18.37A(1) to 18.37A(3) should be included in the financial statements.

(1) Income Statement

(a) interest income;

(b) interest expense;

(c) gains less losses arising from dealing in foreign currencies;

(d) gains less losses on trading securities or other investments in securities;

(e) gains less losses from other dealing activities;

(f) gains less losses arising from derivative products;

- (g) charge for bad and doubtful debts;
- (h) gains less losses from disposal of investment securities or non-trading securities;
- (i) provisions on held-to-maturity securities and investment securities or provisions on held-to-maturity securities and non-trading securities; and
- (j) operating profit by products and divisions.

(2) Balance Sheet

- (a) cash and short-term funds (with an analysis between cash and balances with banks and other financial institutions, money at call and short notice and treasury bills where applicable);
- (b) trading securities or other investments in securities (investments in securities should be distinguished between equities and debt securities and analysed between those which are listed and those which are unlisted. The analysis should be provided separately for held-to-maturity securities, investment securities, other investments in securities, trading securities and non-trading securities where applicable. Market value of the listed securities as at the balance sheet date should also be disclosed);
- (c) advances and other accounts (with an analysis between advances to customers, advances to banks and other financial institutions, accrued interest and other accounts, provisions for bad and doubtful debts and the related collateral security);
- (d) held-to-maturity securities and investment securities or held-to-maturity securities and non-trading securities (with an analysis of held-to-maturity securities, investment securities, other investments in securities, trading securities and non-trading securities separately into those issued by central governments and central banks, public sector entities, banks and other financial institutions; corporate entities; and others. Market value of listed securities as at the balance sheet date should also be disclosed);
- (e) issued debt securities;
- (f) other accounts and provisions such as obligations on leases, sale and repurchase agreements, and forward contracts (with an analysis where material); and
- (g) a maturity profile of the following assets and liabilities unless immaterial.

Assets –

- Advances to customers.
- Placements with banks and other financial institutions.
- Certificates of deposit held.
- Debt securities (with an analysis into those included in held-to-maturity securities, trading securities or other investments in securities and investment securities or non-trading securities)

Liabilities -

- Deposits and balances of banks and other financial institutions.
- Current, fixed, savings and other deposits of customers.
- Certificates of deposit issued.
- Issued debt securities.

(3) Off-Balance Sheet exposures

- (a) contingent liabilities and commitments;

- (b) derivatives (with an analysis into those related to exchange rate contracts and interest rate contracts. The aggregate notional amounts of each significant class of derivative instruments should also be analysed into those entered into for trading or hedging purposes);
- (c) where applicable, the aggregate credit risk weighted amounts of its contingent liabilities and commitments, exchange rate contracts, interest rate contracts and other derivatives, if any; and
- (d) the aggregate replacement costs of its exchange rate contracts, interest rate contracts, and other derivative contracts, if any.

The information required by rule 18.37A(1) to 18.37A(3) inclusive may be provided on the face of the income statement or the balance sheet, as appropriate, or in the notes to the financial statements.

#### (4) Supplementary Information

##### (a) Management of risks

A description of the main types of risk arising out of its business, including, where appropriate, credit, interest rate, foreign exchange and market risks arising out of its trading book. It should also include a description of the policies, procedures (including hedging policies) and controls used for measuring, monitoring and controlling those risks and for managing the capital required to support them.

##### (b) Segmental information

Where a geographical segment of the financial business represents 10% or more of the listed issuer's whole business, then that segment should be further analysed.

Notes: 1 Listed issuers should provide the information as required by paragraph 18.37(A)(1)(f) in accordance with rules 18.08 and 18.09.

2 For disclosure purposes, listed issuers may use different terms to those prescribed in rules 18.37A(2)(b) and (d) provided that the meaning of alternative terms is made clear and the accounting treatment adopted conforms to the requirements set out in accordance with:

(a) Statement of Standard Accounting Practice 24 "Accounting for investment in securities" if the listed issuer prepares its financial statements in accordance with standard accounting practices in Hong Kong; or

(b) International Accounting Standards 32 "Financial Instruments: Disclosure and Presentation" and 39 "Financial Instruments: Recognition and Measurement" if the listed issuer prepares its financial statements in accordance with International Accounting Standards; or

(c) the relevant accounting standards dealing with accounting treatment for investment in securities in the Generally Accepted Accounting Principles in the United States of America (US GAAP) if the listed issuer prepares its financial statements in accordance with US GAAP.

3 Listed issuers should provide the information as required by rule 18.37A(4)(b) in accordance with the requirements for segmental information as set out in the Financial Disclosure by Locally Incorporated Authorized Institutions issued by the Hong Kong Monetary Authority.

4 The corresponding amounts for the immediately preceding financial year may be omitted if the disclosures set out in rule 18.37A(1) to (3) are applied for the first time.

5 Listed issuers shall provide sufficient descriptions in their accounting policy notes or other notes to the financial statements to enable the users of the financial statements to understand how material items have been dealt with.

6 The items contained in this paragraph shall have the same meanings as prescribed in the Financial Disclosure by Locally Incorporated Authorized Institutions issued by the Hong Kong Monetary Authority.

18.37B A listed issuer will be regarded as a "Financial Conglomerate" for the purpose of rule 18.37A above only if:-

(1) as at the end of the relevant period the net assets of its financial business represent more than 15% of the listed issuer's consolidated net assets or during the period under review the net profit attributable to the shareholders of the financial business represents more than 15% of the net profit attributable to shareholders of the listed issuer; and

(2) as at the end of the relevant period its financial business has total assets of over HK\$1,000 million or has customer deposits plus financial instruments held by the public of over HK\$300 million.

Notes :1 For the purpose of this rule, financial business includes, but not limited to, the business of securities trading; giving advice in connection with securities; commodities trading; leveraged foreign exchange trading; insurance activities; and money lending.

2 Where:

(1) a listed issuer has recorded a loss rather than a profit in its accounts; or

(2) a listed issuers has recorded a negative net assets position in its accounts;  
or

(3) a loss rather than a profit is attributable to the "financial business"

the issuer should consult the Exchange for guidance as to the application of rule 18.37B.

18.41 A separate statement containing a discussion and analysis of the group's performance during the year and the material factors underlying its results and financial position. It should emphasise trends and identify significant events or transactions during the year under review. ~~Additional guidance on those matters which the directors may wish to consider in preparing this review is set out in the Note below.~~ As a minimum the directors of the listed issuer should comment on the following: —

(1) the group's liquidity and financial resources. This may include comments on the level of borrowings at the end of the period under review, the seasonality of borrowing requirements, and the maturity profile of borrowings and committed borrowing facilities. Reference may also be made to the funding requirements for capital expenditure commitments and authorisations;

(2) the capital structure of the group in terms of maturity profile of debt, type of capital instruments used, currency and interest rate structure. The discussion may cover funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled; the currencies in which borrowings are made and in which cash and cash equivalents are held; the extent to which borrowings are at fixed interest rates; the use of financial instruments for

hedging purposes; and the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments;

- (3) the state of the group's order book (where applicable) and prospects for new business including new products and services introduced or announced;
- (4) significant investments held, their performance during the year and their future prospects;
- (5) details of material acquisitions and disposals of subsidiaries and affiliated companies in the course of the year;
- (6) comments on segmental information given in the directors' report and accounts. This may cover changes in the industry segment, developments within the segment and their effect on the results of that segment. It may also include changes in the market conditions, new products and services introduced or announced and their impact on the group's performance and changes in turnover and margins;
- (7) where applicable, details of the number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes.
- (8) details of charges on group assets;
- (9) details of future plans for material investments or capital assets and their expected sources of funding in the coming year;
- (10) gearing ratio;
- (11) exposure to fluctuations in exchange rates and any related hedges; and
- (12) details of contingent liabilities, if any.

Notes : 1 It is the responsibility of the directors of the listed issuer to determine what investment or capital asset is material in the context of the listed issuer's business, operations and financial performance. The materiality of investment or capital asset varies from one listed issuer to another according to its financial performance, assets and capitalisation, the nature of its operations and other factors. An event that is "material" in the context of a smaller listed issuer's business and affairs is often not material to a larger listed issuer. The directors of the listed issuer are in the best position to determine materiality. The Exchange recognises that decisions on disclosure require careful subjective judgements, and encourages listed issuers to consult the Exchange when in doubt as to whether disclosure should be made.

2 The basis on which the gearing ratio is computed should be disclosed.

~~Notes: The matters on which directors may consider commenting on are:—~~

~~(1) the group's liquidity and financial resources. This may include comments on the level of borrowings at the end of the period under review, the seasonality of borrowing requirements, and the maturity profile of borrowings and committed borrowing facilities. Reference may also be made to the funding requirements for capital expenditure commitments and authorisations;~~

~~(2) the capital structure of the group in terms of maturity profile of debt, type of capital instruments used, currency and interest rate structure. The discussion may cover funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled; the currencies in which borrowings are made and in which cash and cash equivalents are held; the extent to which borrowings are at fixed interest rates; the use of financial instruments for hedging purposes; and the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments;~~

~~(3) the state of the group's order book (where applicable) and prospects for new business including new products and services introduced or announced;~~

~~(4) significant investments held, their performance during the year and their future prospects;~~

~~(5) details of material acquisitions and disposals of subsidiaries and affiliated companies in the course of the year;~~

~~(6) comments on segmental information given in the directors' report and accounts. This may cover changes in the industry segment, developments within the segment and their effect on the results of that segment. It may also include changes in the market conditions, new products and services introduced or announced and their impact on the group's performance and changes in turnover and margins; and~~

~~(7) details of the number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes.~~

~~It is recognised that comment may not be required on all these matters, or in some cases will not be applicable, in order to present a balanced review of the group's operations for the year.~~

18.44 The following information in respect of an ~~the~~ issuer:-

- (1) the composition, by name, of the audit committee (which information should be included in the corporate information section of the annual report);
- (2) the work undertaken by the audit committee during the financial year (which information should be included in the report of the directors or the review of operations);
- (3) the number of times that the audit committee met during the financial year; ~~and~~
- (4) the full name and professional qualifications (if any) of:
  - (a) the company secretary of the issuer;
  - (b) the qualified accountant of the issuer appointed pursuant to rule 5.10; and
  - (c) the compliance officer of the issuer appointed pursuant to rule 5.14; ~~and~~

(5) a statement as to whether or not the issuer has complied with rules 5.28 to 5.39 concerning board practices and procedures throughout the accounting period covered by the annual report. An issuer that has not complied with rules 5.28 to 5.39, or complied with only part of rules 5.28 to 5.39 or (in the case of requirements of a continuing nature) complied for only part of such period, must specify the rules with which it has not complied and (where relevant) for what part of the period of such non-compliance continued, and give reasons for any non-compliance.

Insofar as the issuer's statement of compliance relates to rule 5.30, such statement must be reviewed by the auditors.

*Miscellaneous*

- 18.48 ~~Where the listed issuer is entitled to avail itself, and has availed itself, of the benefit of any of the provisions of Part III of the Tenth Schedule to the Companies Ordinance, nothing herein shall require any financial information to be included in the directors' report and accounts which need not be disclosed in a balance sheet or profit and loss account of the listed issuer which is drawn up in accordance with that Ordinance by virtue of any of those provisions or as a direct effect or result of those provisions. Banking, insurance and shipping companies will not be entitled to avail themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.~~

~~Note: Insurance and shipping companies will not be entitled to avail themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.~~

**Obligation to publish**

- 18.48A A listed issuer must publish (in accordance with the requirements of Chapter 16) its annual report, in respect of each financial year of the listed issuer, not later than 3 months after the date upon which the financial year ended.

**Preliminary announcement of results for the ~~full~~ financial year**

*Preliminary*

- 18.49 A listed issuer must, ~~within 3 months after the date upon which the financial year ended,~~ publish (in accordance with the requirements of Chapter 16) a preliminary announcement of the audited results for the ~~full financial~~ year, containing the information set out in rule ~~18.50 and, if applicable, rule 18.51.~~ 18.50B, on the GEM website on the next business day after approval by or on behalf of the board of its results and in any event not later than 3 months after the date upon which the financial year ended.

Note : The term financial year refers to the period covered by a listed issuer's financial statements even where the period is not a calendar year.

*Content of preliminary announcement*

- 18.50 ~~Subject to rule 18.66 relating to banking companies, t~~The preliminary announcement of results for the ~~full financial~~ year must confirm that the issuer's annual accounts have been audited and must contain at least the following information in respect of the group:

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

- (e) comparatives figures for the statements referred to in (a) to (c) above inclusive for the corresponding previous period; and
- (f) accounting policies and explanatory notes;
- (2) the information set out in rule 18.41 in relation to management discussion and analysis of results;
- (3) where the listed issuer is regarded as a financial conglomerate (as defined in rule 18.37B), the information set out in rule 18.37A;
- (4) particulars of any purchase, sale or redemption by the listed issuer or any of its subsidiaries, of its listed securities during the financial year, or an appropriate negative statement;
- (5) a statement as to whether or not the listed issuer has complied with rules 5.28 to 5.39 concerning board practices and procedures throughout the financial year. A listed issuer that has not complied with rules 5.28 to 5.39, or complied with only part of rules 5.28 to 5.39 or (in the case of requirements of a continuing nature) complied for only part of such period, must specify the rules with which it has not complied and (where relevant) for what part of the period of such non-compliance continued, and give reasons for any non-compliance. Insofar as a listed issuer's statement of compliance relates to rule 5.30, such statement must be reviewed by the auditors; and
- (6) the information set out in rule 18.50A in relation to the contents of the income statement and balance sheet.

18.50A Except for banking companies, which must comply with rule 18.80, the preliminary announcements of results for the half-year, preliminary announcements of results for the financial year, half-year reports and annual reports of a listed issuer must contain at least the following information in respect of the group: -

(1) Income statement

- ~~(1)(a)~~ turnover;
- ~~(b)~~ investment and other income;
- ~~(c)~~ profit (or loss) on sale of investments or properties;
- ~~(d)~~ cost of goods sold;
- ~~(e)~~ interest on borrowings;
- ~~(f)~~ depreciation / amortisation;
- ~~(2)(g)~~ profit (or loss) before taxation and extraordinary items, including the share of profit (or loss) of affiliated companies with separate disclosure of any items included therein which are exceptional because of size and incidence;
- ~~(3)(h)~~ taxation on profits (Hong Kong and overseas) in each case indicating basis of computation with separate disclosure of the taxation on share of affiliated companies' profits;
- ~~(4)(i)~~ profit (or loss) attributable to minority interests;

- ~~(5) profit (or loss) attributable to shareholders before extraordinary items;~~
- ~~(6) extraordinary items (net of taxation);~~
- ~~(7)(j) profit (or loss) attributable to shareholders;~~
- ~~(8)(k) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);~~
- ~~(9)(l) all movements to and from any reserves;~~
- ~~(10)(m) earnings per share calculated on the basis of profits before extraordinary items; and~~
- ~~(11)(n) comparative figures of the matters specified in ~~(1) (a) to (10) (m) inclusive immediately above~~ for the corresponding previous period; and~~
- ~~(12) particulars of any purchase, sale or redemption by the issuer or any of its subsidiaries, of its listed securities during the relevant period, or an appropriate negative statement.~~

(2) Balance sheet information as follows, if applicable:

(a) fixed assets:

(b) current assets

(i) stocks;

(ii) debtors including credit policy and ageing analysis of accounts receivable;

(iii) cash at bank and in hand; and

(iv) other current assets;

(c) current liabilities

(i) borrowings and debts; and

(ii) ageing analysis of accounts payable;

(d) net current assets (liabilities);

(e) total assets less current liabilities;

(f) non-current liabilities

(i) borrowings and debts;

(g) capital and reserves;

(h) minority interests; and

(3) Segment information

The income statement and balance sheet of a listed issuer shall, in addition to that information required by rules 18.50A(1) and (2), include the information required by:-

- (a) Statement of Standard Accounting Practice 26 segment reporting if it prepares its annual financial statements in accordance with standard accounting practices in Hong Kong; or
- (b) International Accounting Standard 14 reporting financial information by segment if it prepares its annual financial statements in accordance with International Accounting Standards; or
- (c) the relevant accounting standards dealing with segment reporting in Generally Accepted Accounting Principles in the United States of America (US GAAP) if it prepares its annual financial statements in accordance with US GAAP.

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

*2 The Exchange may authorise the omission from the preliminary announcement of any information if it considers:—*

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

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

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

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

*4 The information required by this rule may be provided on the face of the income statement or the balance sheet, as appropriate, or in the notes to the financial statements.*

18.50B A listed issuer shall publish its preliminary announcement of the audited results for the financial year on the GEM website as required by rule 18.49 to contain: —

Either (1) the information required by rule 18.50;

Or (2) the following:

(a) the income statement required by rule 18.50(1)(b) (together with comparative income statement for the immediately preceding financial year) which must contain at least the information set out in rule 18.50A(1) and, to the extent relevant to the income statement, rule 18.50A(3);

(b) the information required by rule 18.50(2) in relation to management discussion and analysis of results;

- (c) particulars of any purchase, sale or redemption by the listed issuer, or any of its subsidiaries of its listed securities during the financial year as required by rule 18.50(4);
- (d) the information required by rule 18.50(5) in relation to compliance with rules 5.28 to 5.39 during the financial year; and
- (e) if applicable, the information required by rule 18.51.

Notes: 1 For accounting periods commencing before 1st January, 2002, rule 18.50B(2)(b) may be fulfilled by providing an explanatory statement relating to the activities of the group and profit (or loss) during the financial year, in place of the items referred to in rule 18.41. The statement must include any significant information enabling investors to make an informed assessment of the trend of the activities and profit (or loss) of the group together with an indication of any special factor which has influenced those activities and the profit (or loss) during the financial year, and enable a comparison to be made with the corresponding period of the preceding financial year. Full compliance with rule 18.50B(2)(b) will be required in respect of preliminary announcements of results for accounting periods commencing on or after 1st January, 2002.

2 In relation to rule 18.50B(2)(a), the information required by rules 18.50A(1) and 18.50A(3) may be included in the income statement or in the notes to the financial statements.

18.50C If the listed issuer adopts the alternative allowed by rule 18.50B(2) above, it will submit a copy of its annual report to the Exchange for publication on the GEM website as soon as reasonably practicable after the approval by or on behalf of the board of its audited financial statements and in any event not more than 3 months after the date upon which the financial year ended.

#### *Miscellaneous*

~~18.52 Where the listed issuer is entitled to avail itself, and has availed itself, of the benefit of any of the provisions of Part III of the Tenth Schedule to the Companies Ordinance, nothing herein shall require any financial information to be included in the preliminary announcement which need not be disclosed in a balance sheet or profit and loss account of the listed issuer which is drawn up in accordance with that Ordinance by virtue of any of those provisions or as a direct effect or result of those provisions. Banking, insurance and shipping companies will not be entitled to avail themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.~~

~~Note: Insurance and shipping companies will not be entitled to avoid themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.~~

#### **Half-year and quarterly reports**

##### *Obligation to prepare and publish*

18.53 The listed issuer shall prepare, in respect of each of the first ~~3, 6 and 9~~ month ~~periods~~ of each financial year of the listed issuer, ~~an interim a half-year~~ report containing at least the information required by rule 18.55 and publish the same (in accordance with the requirements of Chapter 16) not later than 45 days after the end of such period.

Notes: 1 Newly listed issuers will be required to prepare and publish the relevant interim half-year report (irrespective of whether the period in question ends on a date before or after the date on which dealings in the securities of the listed issuer commenced) where the 45-day deadline for publishing the report falls after the date on which dealings in the securities of the listed issuer commenced. In the event that the results for the period in question (whether audited or not) have been included in the prospectus for the purpose of applying for a listing on the Exchange, there will be no obligation separately to publish the results.

2 The figures in each interim half-year report are the sole responsibility of the directors and they must ensure that the accounting policies applied to the figures are consistent with those applied to annual accounts. If a change in the financial year is proposed, the Exchange should be consulted as to the period or periods to be covered by the interim half-year reports.

18.54 As soon as reasonably practicable after publishing any half-year ~~or quarterly~~ report, the listed issuer shall send a copy of the same to the persons specified in rule 18.03.

Note: The issuer must send 100 copies of the relevant interim half-year report to the Exchange at the same time as it is sent to the holders of its listed securities with registered addresses in Hong Kong (see rule 17.57).

#### Content of half-year ~~and quarterly~~ reports

18.55 ~~Subject to rule 18.66 relating to banking companies, e~~Each half-year ~~and quarterly~~ report shall contain at least the following information in respect of the group:—

(1) interim financial statements, which shall include, at a minimum, the following components:

(a) balance sheet as of the end of the current interim period and a comparative balance sheet as of the end of the immediately preceding financial year;

(b) income statements for the current interim period and cumulatively for the current financial year to date, with comparative income statements for the comparable interim periods (current and year-to-date) of the immediately preceding financial year;

(c) cash flow statement cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year;

(d) statement showing movements in equity other than those arising from capital transactions with shareholders and distributions to shareholders cumulatively for the current financial year to date; and

(e) accounting policies and explanatory notes.

(2) where the listed issuer is regarded as a financial conglomerate (as defined in rule 18.37B), the information set out in rule 18.37A;

(3) particulars of any purchase, sale or redemption by the listed issuer or any of its subsidiaries, of its listed securities during the relevant period, or an appropriate negative statement;

(4) a statement as to whether or not the listed issuer has complied with rules 5.28 to 5.39 concerning board practices and procedures throughout the accounting period covered by the half-year report. A listed issuer that has not complied with rules 5.28 to 5.39, or complied with only part of rules

5.28 to 5.39 or (in the case of requirements of a continuing nature) complied for only part of such period, must specify the rules with which it has not complied and (where relevant) for what part of the period of such non-compliance continued, and give reasons for any non-compliance. Insofar as the listed issuer's statement of compliance relates to rule 5.30, such statement must be reviewed by the auditors;

~~(1)~~(5) the information set out in rule ~~18.50~~ 18.50A; and

~~(2)~~(6) the further information set out in rules 18.56 to 18.64 below.

Notes: 1 An issuer that prepares its annual financial statements in accordance with standard accounting practices in Hong Kong should comply with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" in respect of its half-year reports. An issuer that prepares its annual financial statements in accordance with International Accounting Standards should comply with International Accounting Standard 34 "Interim Financial Reporting" in respect of its half-year reports.

2 Each half-year report must be reviewed by the issuer's audit committee in accordance with rule 5.25. In the event that the audit committee disagreed with an accounting treatment which had been adopted in the preparation of the group's half-year report, full details of such disagreement should be disclosed together with a quantification of the financial effect arising from the disagreement. Where it is not possible to quantify the effect of the disagreement, or the effect is not significant, a statement to this effect should be made.

3 If a change in the financial year is proposed, the Exchange should be consulted as to the period or periods to be covered by the half-year reports.

4 In the case of the first cash flow statement to be included in the half-year reports relating to accounting periods commencing before 1st January, 2002, a comparative cash flow statement for the comparable year-to-date period of the immediately preceding financial year may be omitted. The requirement for disclosure of comparative cash flow statement in half-year reports shall be obligatory in respect of accounting periods commencing on or after 1st January, 2002.

5 A listed issuer should apply the same accounting policies in its interim financial statements as are applied in its annual financial statements except where the change in accounting policy is required by an accounting standard which came into effect during the interim period. Accounting policies which have been consistently applied and which were disclosed in the listed issuer's most recent published audited financial statements or for a newly listed issuer in its recent prospectus may be omitted from the half-year reports. Any significant changes in the accounting policies, including those required by an accounting standard, should be disclosed together with the reason for changing in the accounting policy.

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

17 The Exchange may authorise the omission from an interim report of specified items of information if it considers:—

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

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

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

~~3-8~~ *The issuer or its representatives will be responsible for the correctness and relevance of the facts on which any application for an exemption under Note 2.7 above is based.*

~~4-2~~ *Each half-year ~~and quarterly~~ report must contain, at a prominent position, and in bold type, a statement about the characteristics of GEM, in the form set out in rule 2.20.*

18.59 ~~An explanatory statement relating to the activities of the group and profit (or loss) during the relevant period which must include any significant information enabling investors to make an informed assessment of the trend of the activities and profit (or loss) of the group together with an indication of any special factor which has influenced those activities and the profit (or loss) during the period in question, and enable a comparison to be made with the corresponding period of the preceding financial year and must also, as far as possible, refer to the prospects of the group in the current financial year. The listed issuer should include a discussion and analysis of its performance covering all those matters set out in rule 18.41. The discussion should include any significant information needed for investors to make an informed assessment of the trend of its activities and profit (or loss). It should identify and explain any special factors which has influenced its activities and its profit (or loss) during the relevant period. It should provide a comparison with the corresponding period of the preceding financial year and must also, as far as possible, give an indication of the listed issuer's prospects for the current financial year. Such discussion may focus only on the significant changes in the group's performance since the most recent published annual report. Where the current information in relation to those matters set out in rule 18.41 has not changed materially from the information disclosed in the most recent published annual report, a statement to this effect may be made and no additional disclosure is required.~~

18.62 In the case of the half-year report of an issuer for the financial year in which its securities are first admitted to listing on GEM (where the half-year end in question follows listing) and the half-year reports for the 2 financial years thereafter, a detailed statement by the directors as to the progress of the issuer by comparison of actual business progress to the information provided in the statement of business objectives (as set out in the listing document) for the equivalent period, together with an explanation of any material differences (including as to its use of proceeds, as indicated in the listing document).

~~Note 3-4~~ *The statements required for the purposes of this rule should, so far as practicable, be set out adopting the same headings and format as the statement of business objectives (see rules 14.19 to 14.21).*

~~2.—This rule is not applicable to the quarterly reports of an issuer.~~

18.64 Each half-year ~~and quarterly~~ report must state whether or not the information provided therein has been audited (and if so, must set out a copy of the auditors' report thereon). In the event that any auditors' report thereon (if any) has been qualified or modified, details of such qualification or modification must be set out in the half-year ~~or quarterly~~ report, ~~as appropriate.~~

#### *Miscellaneous*

18.65 ~~Where the listed issuer is entitled to avail itself, and has availed itself, of the benefit of any of the provisions of Part III of the Tenth Schedule to the Companies Ordinance, nothing herein shall require~~

~~any financial information to be included in the half year report which need not be disclosed in a balance sheet or profit and loss account of the listed issuer which is drawn up in accordance with that Ordinance by virtue of any of those provisions or as a direct effect or result of those provisions. Banking, insurance and shipping companies will not be entitled to avail themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.~~

~~Note: Insurance and shipping companies will not be entitled to avail themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.~~

#### *Banking companies*

~~18.66 This rule sets out the minimum level of information to be included in half year reports, quarterly reports and preliminary announcements of issuers that are banking companies (meaning banks, restricted licence banks and deposit taking companies as defined in the Banking Ordinance.)~~

- ~~(1) Interest income;~~
- ~~(2) Interest expense;~~
- ~~(3) Other operating income;~~
- ~~(4) Operating expenses;~~
- ~~(5) Charge for bad and doubtful debts;~~
- ~~(6) Gains less losses from disposal of tangible fixed assets and long term investments;~~
- ~~(7) Exceptional items;~~
- ~~(8) Taxation on profits (Hong Kong and overseas) in each case indicating the basis of computation with separate disclosure of the taxation on share of profits of affiliated companies' profits;~~
- ~~(9) Extraordinary items (net of taxation);~~
- ~~(10) As appropriations:-
  - ~~(a) transfers to or from inner reserves~~
  - ~~(b) all movements to or from other reserves;~~~~
- ~~(11) Rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);~~
- ~~(12) Earnings per share calculated on the basis of profits before extraordinary items;~~
- ~~(13) Comparative figures of the matters specified in (1) to (12) inclusive for the corresponding previous period;~~
- ~~(14) Those matters set out in rule 18.50(12);~~
- ~~(15) In the case of preliminary announcements, those matters set out in rule 18.51; and~~
- ~~(16) In the case of half year and quarterly reports those matters set out in rules 18.56 to 18.64.~~

## Quarterly reports

### Obligation to prepare and publish

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

Notes: 1 Newly listed issuers will be required to prepare and publish the relevant quarterly report (irrespective of whether the period in question ends on a date before or after the date on which dealings in the securities of the listed issuer commenced) where the 45-day deadline for publishing the report falls after the date on which dealings in the securities of the listed issuer commenced. In the event that the results for the period in question (whether audited or not) have been included in the prospectus for the purpose of applying for a listing on the Exchange, there will be no obligation separately to publish the results.

2 The figures in each quarterly report are the sole responsibility of the directors and they must ensure that the accounting policies applied to the figures are consistent with those applied to annual accounts. If a change in the financial year is proposed, the Exchange should be consulted as to the period or periods to be covered by the quarterly reports.

18.67 As soon as reasonably practicable after publishing any quarterly report, the listed issuer shall send a copy of the same to the persons specified in rule 18.03.

Note: The issuer must send 100 copies of the relevant quarterly report to the Exchange at the same time as it is sent to the holders of its listed securities with registered addresses in Hong Kong (see rule 17.57).

### Content of quarterly reports

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

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

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

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

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

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

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

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

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

5 Each quarterly report must be reviewed by the issuer's audit committee in accordance with rule 5.25.

18.69 Subject to rule 18.70, a statement as at the end of the relevant period showing:-

- (1) the interests of each director and chief executive of the listed issuer in the equity or debt securities of the listed issuer or any associated corporation (within the meaning of the SDI Ordinance) provided that the Exchange may agree, in its sole discretion, that compliance with this sub-paragraph may be modified or waived in respect of any associated corporation if, in the opinion of the Exchange, the number of associated corporations in respect of which each director and chief executive is taken or deemed to have an interest under the SDI Ordinance is such that compliance with this sub-paragraph would result in particulars being given which are not material in the context of the group and are of excessive length; and
- (2) the details of any right to subscribe for equity or debt securities of the listed issuer granted to any director or chief executive of the listed issuer or to the spouse or children under 18 years of age of any such director or chief executive and of the exercise of such right,

as recorded in the register required to be kept under section 29 of the SDI Ordinance or as otherwise notified to the listed issuer and the Exchange pursuant to the minimum standards of dealing by directors of listed issuer as referred to in rule 5.40, or if there is no such interest or no such right that has been granted or exercised, a statement of that fact.

18.70 The statement required by rule 18.69:-

- (1) must set out the total number or amount of such securities in which each director and chief executive is interested, as recorded in the issuer's register of interests, and then separately distinguish such interests between four categories as follows:—
  - (a) Personal interests - namely those beneficial interests in securities which are registered in the name of the director or chief executive or a nominee who holds the securities on his behalf and to his order (e.g. a streetname), including interests in securities which he has contracted to purchase;
  - (b) Family interests - namely those interests in securities which a director or chief executive is deemed or taken to have under the SDI Ordinance with respect to securities in which his spouse or his child under the age of 18 years are interested;
  - (c) Corporate interests - namely those interests in securities which a director or chief executive is deemed or taken to have under the SDI Ordinance with respect to the interests of a corporation where he is either entitled to exercise (or is taken under the SDI Ordinance to be able to exercise) or control the exercise of one third or more of the voting power in general meetings of that corporation or where the corporation or its directors are accustomed to act in accordance with his directions or instructions; and

(d) Other interests - namely those interests in securities recorded in the register of interests which do not fall within one of the above categories. This would include, by way of example, those interests which a director or chief executive is deemed or taken to have under the SDI Ordinance with respect to options which entitle a director or chief executive to call for the delivery of securities or to acquire an interest in securities and any interests in securities which arise as a result of the director or chief executive being a beneficiary or trustee of a trust (and which are not included as personal interests under category (a) above); and

in the case of interests which fall within categories (c) and (d) above, a note setting out the nature of such interests should be provided to assist shareholders and investors to understand how the interests arise; and

(2) with regard to the information required to be included by virtue of rule 18.69(1), must specify the company in which securities are held, the class to which those securities belong and the number of such securities held, but need not disclose the interests of a director in the equity securities of the listed issuer or any of its subsidiaries if such interest is held solely in a non-beneficial capacity and is for the purpose of holding the requisite qualifying shares or the non-beneficial interests of directors in the equity securities of any subsidiary of the listed issuer in so far as that interest comprises the holding of shares subject to the terms of a written, valid and legally enforceable declaration of trust in favour of the parent company of that subsidiary or the listed issuer and such interest is held solely for the purpose of ensuring that the relevant subsidiary has more than one member.

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

18.71 A statement as at the end of the relevant period showing the interest of every person, other than a director or chief executive of the listed issuer, in the equity securities of the listed issuer as recorded in the register required to be kept under section 16(1) of the SDI Ordinance and the amount of such interest, or if there is no such interest recorded in the register, a statement of that fact.

*Note: For the purposes of rules 18.70 and 18.71, particulars should be given of the extent of any duplication which occurs.*

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

18.73 If applicable, the information set out in rules 17.22 to 17.24 concerning on-going financial exposure to borrowers and other on-going matters of relevance.

18.74 Any supplementary information which in the opinion of the directors of the listed issuer is necessary for a reasonable appreciation of the results for the relevant period.

18.75 Information as to the interests (if any) of the Sponsor and its directors, employees and associates, as notified to the issuer pursuant to rule 6.36 and all directors and management shareholders of the issuer and their respective associates as referred to in rule 11.04.

18.76 Each quarterly report must state whether or not the information provided therein has been audited (and if so, must set out a copy of the auditors' report thereon). In the event that any auditors' report thereon (if any) has been qualified or modified, details of such qualification or modification must be set out in the quarterly report.

*Miscellaneous*

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

**Preliminary announcement of results for each of the first 6 month of each financial year**

18.78 A listed issuer must publish (in accordance with the requirements of Chapter 16) a preliminary announcement of the results for the first 6 month of each financial year, containing at least the information set out below, on the GEM website on the next business day after approval by or on behalf of the board of the results and in any event not later than 45 days after the end of such period:

- (1) the income statements as referred to in rule 18.55(1)(b) which must contain at least the information specified in rule 18.50A(1) and, to the extent relevant to the income statement, rule 18.50A(3), together with accounting policies and explanatory notes;
- (2) the information required by rule 18.59 in relation to management discussion and analysis of results;
- (3) particulars of any purchase, sale or redemption by the listed issuer, or any of its subsidiaries of its listed securities during the relevant period as required by rule 18.55(3);
- (4) a statement as to compliance with rules 5.28 to 5.39 concerning board practices and procedures during the relevant period as required by rule 18.55(4); and
- (5) the information required by rules 18.61 and, if applicable, rules 18.63 and 18.64.

Notes: 1 For accounting periods commencing before 1st January, 2002, rule 18.78(2) may be fulfilled by providing an explanatory statement relating to the activities of the group and profit (or loss) during the relevant period, in place of the items referred to in rule 18.59. The statement must include any significant information enabling investors to make an informed assessment of the trend of the activities and profit (or loss) of the group together with an indication of any special factor which has influenced those activities and the profit (or loss) during the financial year, and enable a comparison to be made with the corresponding period of the preceding financial year and must also, as far as possible, refer to the prospects of the group in the current financial year. Full compliance with rule 18.78(2) will be required in respect of preliminary announcements of results for accounting periods commencing on or after 1st January, 2002.

2 In relation to disclosure of accounting policies specified in rule 18.78(1), listed issuers' attention is drawn to note 5 to rule 18.55, or if there are no such changes in the accounting policies, a statement to that fact may be made.

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

18.79 Except for banking companies which must comply with rule 18.80, issuers' preliminary announcements of results for each of the first 3 and 9 month periods of each financial year must contain at least the information set out below stated in respect of the group and such information must be published (in

accordance with the requirements of Chapter 16) on the GEM website on the next business day after approval by or on behalf of the board of the results and in any event not later than 45 days after the end of such period.

- (1) turnover;
- (2) profit (or loss) before taxation, including the share of profit (or loss) of affiliated companies with separate disclosure of any items included therein which are exceptional because of size and incidence;
- (3) taxation on profits (Hong Kong and overseas) in each case indicating basis of computation with separate disclosure of the taxation on share of affiliated companies' profits;
- (4) profit (or loss) attributable to minority interests;
- (5) profit (or loss) attributable to shareholders;
- (6) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);
- (7) all movements to and from any reserves;
- (8) earnings per share;
- (9) comparative figures of the matters specified in (1) to (8) inclusive for the corresponding previous period; and
- (10) particulars of any purchase, sale or redemption by the issuer or any of its subsidiaries, of its listed securities during the relevant period, or an appropriate negative statement.

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

2 The Exchange may authorise the omission from the preliminary announcement of any information if it considers:—

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

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

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

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

Banking companies

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

(1) As regards income statement

- (a) Interest income;
- (b) Interest expense;
- (c) Other operating income;
- (d) Operating expenses;
- (e) Charge for bad and doubtful debts;
- (f) Gains less losses on trading securities or other investments in securities;
- (g) Gains less losses from disposal of investment securities or non-trading securities;
- (h) Provisions on held-to-maturity securities and investment securities or provisions on held-to-maturity securities and non-trading securities;
- (i) Taxation on profits (Hong Kong and overseas) in each case indicating the basis of computation with separate disclosure of the taxation on share of profits of affiliated companies' profits;
- (k) As appropriations:-
  - (i) transfers to or from inner reserves;
  - (ii) all movements to or from other reserves;
- (l) Rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);
- (m) Earnings per share;
- (n) Comparative figures of the matters specified in (a) to (m) inclusive for the corresponding previous period;

(2) As regards statement of assets and liabilities

- (a) cash and short-term funds;
- (b) trading securities or other investments in securities;
- (c) advances and other accounts;
- (d) held-to-maturity securities and investment securities or held-to-maturity securities and non-trading securities;
- (e) issued debt securities;
- (f) other accounts and provisions; and

(g) comparative figures of the matters specified in (a) to (f) inclusive for the corresponding previous period.

(3) As regards segment information

The income statement and balance sheet of a listed issuer shall, in addition to that information required by rules 18.80(1) and (2), include the information required by:-

(a) Statement of Standard Accounting Practice 26 segment reporting if it prepares its annual financial statements in accordance with standard accounting practices in Hong Kong; or

(b) International Accounting Standard 14 reporting financial information by segment if it prepares its annual financial statements in accordance with International Accounting Standards; or

(c) the relevant accounting standards dealing with segment reporting in Generally Accepted Accounting Principles in the United States of America (US GAAP) if it prepares its annual financial statements in accordance with US GAAP.

(4) As regards off-balance sheet exposure

(a) contingent liabilities and commitments; and

(b) derivatives

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

(6) In the case of half-year and quarterly reports:

(a) those matters set out in rules 18.55 (in the case of half-year reports) or rule 18.68 (in the case of quarterly reports); and

(b) those matters set out in the Recommendations On Interim Financial Disclosure by Authorized Institutions Incorporated in Hong Kong as issued by the Hong Kong Monetary Authority.

Notes :1 The information required by rules 18.80(1) to (4) may be provided on the face of the income statement or the balance sheet, as appropriate, or in the notes to the financial statements.

2 Rules 18.80(2) to (4) (with the exception of those segment disclosures concerning results as specified in rule 18.80(3)) are not applicable to the quarterly reports of an issuer.

# Chapter 19

## EQUITY SECURITIES

### *Figures used in net tangible assets and profits calculations*

19.13 The net tangible assets and profits figures must be the figure shown in the accounts. A listed issuer should normally adjust the net tangible assets figure by the amount of profit or loss attributable to shareholders shown in any half-year, quarterly or other interim report published by the listed issuer and any dividend declared by the listed issuer since its latest published audited accounts.

19.55 In addition to the requirements set out in rule 19.54, a circular issued in relation to an acquisition constituting a major transaction must contain:—

- (1) information required under rule 19.53;
- (2) the information regarding the listed issuer required under paragraphs 31 (financial information) and 32 (no material adverse change) of Appendix 1 Part B;
- (3) the information required under paragraph 34 of Appendix 1 Part B in relation to each new director and member of senior management joining the listed issuer in connection with the transaction;

*Note: The fact that any director or proposed director is a director or employee of a company which has an interest in the share capital of the listed issuer which would fall to be disclosed to the listed issuer under the provisions of Part II of the SDI Ordinance need not be stated.*

- (4) where the business, company or companies being acquired become(s) a subsidiary of the listed issuer, a proforma statement of the assets and liabilities of the listed issuer's group combined with the assets and liabilities of the business, company or companies being acquired; ~~and~~
- (5) either:—
  - (a) an accountants' report on the business, company or companies being acquired;

*Notes: 1 The accountants' report must comply with Chapter 7.*

*2 The accounts on which the report is based must relate to a financial period ended 6 months or less before the circular is issued.*

*3 Where the accountants can only give a qualified report on the profits and net tangible assets of the business, company or companies being acquired, for example because the records of stock or work-in-progress are inadequate, the Exchange will not accept a shareholders' written approval for the transaction, but will require a general meeting to be held to consider the transaction. In these circumstances, listed issuers are urged to contact the Exchange as soon as possible.*

*or:—*

- (b) if the business, company or companies being acquired is or are listed on the Main Board or on GEM, the published financial statements for the last 3 years may be included in the circular instead of the accountants' report and the Exchange will require that the last announcement of interim results also be included. ~~and~~

(6) a management discussion and analysis of results of the business, company or companies being acquired covering all those matters set out in rule 18.41 for the period reported on in the accountants' report.

*Very substantial acquisition circulars and reverse takeover listing documents*

19.56 A circular issued in relation to a very substantial acquisition or a listing document issued in relation to a reverse takeover must contain:—

- (1) the information required under rule 19.52 (save for the information required under rule 19.52(3)) and under rules 19.53(3) and 19.54(4);
- (2) the information required under Appendix 1, Part A, if applicable, except paragraphs 8 and 15(3) in respect of the 12 months preceding the issue of the circular/listing document, and 20(1);
- (3) a valuation report on the enlarged group's interests in land or buildings in accordance with Chapter 8;
- (4) an accountants' report on the enlarged group in accordance with Chapter 7. The accounts on which the report is based must relate to a financial period ended 6 months or less before the circular/listing document is issued;
- (5) a statement that any controlling shareholder will not vote. Where the listed issuer has no controlling shareholder, those shareholders who participate in the management of the listed issuer will not vote;
- (6) the information required under rule 19.57(2) where the transaction also involves a disposal by the listed issuer; and
- (7)
  - (a) in the case of a circular issued in relation to a very substantial acquisition, general information on the trend of the business of the group since the date to which the latest audited accounts of the issuer were made up; and a statement as to the financial and trading prospects of the group for at least the current financial year (together with any material information which may be relevant thereto); or
  - (b) in the case of a listing document issued in relation to a reverse takeover, a statement of active business pursuits (in respect of the period of 24 months immediately preceding the date of the listing document) (see rules 14.15 to 14.18); and a statement of business objectives (in respect of the current financial year and the 2 financial years thereafter) (see rules 14.19 to 14.21). ~~and~~

(8) in the case of a circular issued in relation to a very substantial acquisition, a management discussion and analysis of results of the enlarged group covering all those matters set out in rule 18.41 for the period reported on in the accountants' report.

# Chapter 31

## DEBT SECURITIES

### *Information relating to rights involving the share capital of another company*

- 31.16 Where listed debt securities carry rights of conversion or exchange into or subscription for the share capital of another company, or are guaranteed by another company, the issuer must ensure that adequate information is at all times available about the other company and about any changes in the rights attaching to the shares to which such rights of conversion, exchange or subscription relate. This must include the availability of the annual report and accounts of the other company together with its half-year, quarterly or other interim reports and other information necessary for a realistic valuation of such listed debt securities to be made.

### *Forwarding of documents, circulars, etc.*

- 31.21 The issuer shall forward to the Exchange:—

- (1) 100 copies of:—
  - (a) all circulars to holders of its listed debt securities at the same time as they are issued;
  - (b) the annual report and accounts at the same time as they are despatched to the holders of its listed debt securities with registered addresses in Hong Kong; and
  - (c) any half-year or quarterly interim report prepared by the issuer as soon as possible after it has been approved by the board of directors of the issuer;

*Note: Wherever practicable the issuer should provide the Exchange with such reasonable number of additional copies of these documents as the Exchange may request.*

- (2) 7 copies of notices of meetings, forms of proxy, notices by advertisement to holders of its bearer debt securities, reports, announcements or other similar documents at the same time as they are issued; and
- (3) 7 certified copies of all resolutions of the holders of listed debt securities, within 15 days after they are passed.