

Chapter 4

GENERAL

ACCOUNTANTS' REPORTS AND PRO FORMA FINANCIAL INFORMATION

When Required

- 4.01 This Chapter sets out the detailed requirements for accountants' reports on the profits and losses, assets and liabilities of, and other financial information on, an issuer and/or a business or company, to be acquired or disposed of (as the case may be) by an issuer for inclusion in listing documents or circulars. Accountants' reports are required to be included in the following listing documents and circulars:—
- (1) a listing document issued by a new applicant (paragraph 37 of Part A of Appendix 1) but subject to rule 11.09(7);
 - (2) a listing document issued by a listed issuer in connection with an offer of securities to the public for subscription or purchase which is 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 to that Ordinance; ~~and~~
 - (3) a circular issued in connection with a reverse takeover (see rule 14.69), a very substantial acquisition (see rule 14.6906) or a major transaction (see rule 14.6709) (unless the company being acquired is itself a listed company on the Main Board or GEM); and
 - (4) a circular issued in connection with a very substantial disposal (see rule 14.68).
- 4.02 These requirements do not apply in the case of an issue of debt securities by a State or Supranational.

Reporting Accountants

- 4.03 All accountants' reports must be prepared by professional accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors of a company and who are independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the guideline requirements on independence (~~Statement 1.203~~) issued by the Hong Kong Society of Accountants, provided that, in the case of a circular issued by a listed issuer in connection with the acquisition of an overseas company, the Exchange may be prepared to permit the accountants' report to be prepared by a firm of accountants which is not so qualified but which is acceptable to the Exchange. Such a firm must normally have an international name and reputation and be a member of a recognised body of accountants.

Basic Contents of Accountants' Report for a Listing Document

4.04 In the case of a new applicant (rule 4.01(1)) and an offer of securities to the public for subscription or purchase falling within rule 4.01(2) the accountants' report must include:—

Three 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 in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Exchange (see rules 8.05A, 8.05B and 23.06);
- (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 rule 4.04(1)-above) in respect of each of the three financial years immediately preceding the issue of the listing document or in respect of each of the financial years since commencement of such business or the incorporation or other establishment of such subsidiary (as the case may be) if this occurred less than three years prior to such issue or such shorter period as may be acceptable to the Exchange (see rules 8.05A, 8.05B and 23.06);

Balance sheet Assets and Liabilities

- (3) (a) the balance sheet assets and liabilities of the issuer and, if the issuer is itself a holding company, the consolidated balance sheet assets and liabilities of the issuer and its subsidiaries in each case as at the end of each of the three financial years date 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 balance sheet assets and liabilities of the issuer and its subsidiaries;
- (b) in the case of banking companies, the balance sheet as at the end of each of the three financial years report on assets and liabilities prepared in accordance with rule 4.04(3)(a) must include information on the assets and liabilities set out in the Best Practice Guide on Financial Disclosure by Locally Incorporated Authorized Institutions issued by the Hong Kong Monetary Authority;
- (4) (a) the balance sheet assets and liabilities 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 rule 4.04(3)-above) in each case as at the end of each of the three 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 balance sheet as at the end of each of the three financial years report on assets and liabilities prepared in accordance with rule 4.04(4)(a) must include information on the assets and liabilities set out in the Best Practice Guide on Financial Disclosure by Locally Incorporated Authorized Institutions issued by the Hong Kong Monetary Authority;

~~Note: Compliance with rules 4.03(3)(b) and 4.04(4)(b) is required in respect of all accountants' reports in respect of accounting periods ending on or after 31st December, 1994.~~

Cash flow statement

(5) 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 three financial years to which the latest audited accounts of the issuer have been made up;

Statement of changes in equity

(6) a statement of changes in equity of the issuer for each of the three financial years to which the latest audited accounts of the issuer have been made up;

Additional disclosures for Financial Conglomerates

(7) where the issuer is regarded as a financial conglomerate (see paragraph 36 of Appendix 16) in any of the three financial years to which the latest audited accounts have been made up, the information required by paragraph 35 of Appendix 16 in respect of the financial year or years in which the issuer is regarded as a financial conglomerate;

Other

~~(58)~~ the earnings per share and the basis of computation in respect of each of the financial years referred to in rules 4.04(1) and 4.04(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 4.09 or if the accountants' report relates to an issue of debt securities;

~~(69)~~ all movements/transfers 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/transfers are not reflected in the results in respect of each of the financial years referred to in rules 4.04(1) and 4.04(2) above;

~~(710)~~ a statement of the indebtedness as at the end 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 4.04(2) and (4)), the aggregate amounts repayable:—

- (a) on demand or within a period not exceeding one year;

- (b) within a period of more than one year but not exceeding two years;
- (c) within a period of more than two years but not exceeding five years; and
- (d) within a period of more than five years;
- (811) the details of the principal accounting policies which have been applied in respect of the period reported on;
- (912) a statement of any significant subsequent events which have occurred to any business or company or within any group 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
- (4013) any other matters which appear to the reporting accountants to be relevant having regard to the purpose of the accountants' report.

Specific detail concerning financial information

4.05 The report on results and financial position under rules 4.04(1) ~~to and (42) above~~ must disclose separately the following information:—

(1) Income statement

(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;

(g2) profit (or loss) before taxation ~~and extraordinary items~~, including the share of the profit (or loss) of associated companies, with separate disclosure of any items included therein which are exceptional because of size, nature and incidence;

(h3) taxation on profits (Hong Kong and overseas) in each case indicating the basis of computation, with separate disclosure of the taxation on share of associated companies' profits;

(i4) profit (or loss) attributable to minority interests;

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

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

(j7) profit (or loss) attributable to shareholders;

(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:—

(i) if combined results are presented in accordance with rule 4.09 and, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the report; or

(ii) if the accountants' report relates to an issue of debt securities; or

(iii) in the case of a major transaction; and

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

(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;

(9)(3) In the case of banking companies for accounting periods ending on or after 31st December, 1994, the information on results and financial position set out in the Best Practice Guide on Financial Disclosure by Locally Incorporated Authorized Institutions issued by the Hong Kong Monetary Authority should must be provided in place of that set out in sub-paragraphs rule 4.05(1) (with the exception of that required by rules 4.05(1)(k) and 4.05(1)(l)) and rule 4.05 to (27) above; and

(4) Segment information

the income statement and balance sheet shall, in addition to that information required by rules 4.05(1) to 4.05(2), 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 Hong Kong Financial Reporting Standards; or

(b) International Accounting Standard 14 reporting financial information by segment if the issuer prepares its annual financial statements in accordance with International Financial Reporting Standards;

Note: 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.

Basic Contents of Accountants' Report for Certain Notifiable Transaction Circulars

4.06 In the cases referred to in rule 4.01(3) concerning a circular in connection with a reverse takeover, a very substantial acquisition or a major transaction on the acquisition of a business, company or companies, the accountants' report must include:—

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_i 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 respect of each of the three financial years immediately preceding the issue of the circular or in respect of each of the financial years since commencement of such business or the incorporation or other establishment of such company (as the case may be) if this occurred less than three years prior to such issue or such shorter period as may be acceptable to the Exchange (see rules 8.05 and 23.06); except provided always~~ that where any the company in question acquired 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 three financial years (applicable to such business or company) immediately preceding the issue of the circular (or, if less, the period since commencement of such business or the incorporation or establishment of such company, as the case may be) or such shorter period as may be acceptable to the Exchange.

- (b) ~~in~~ in the case of banking companies, the report on results prepared in accordance with rule 4.06(1)(a) must include the information on results set out in the **Best Practice Guide on Financial Disclosure** by Locally Incorporated Authorized Institutions issued by the Hong Kong Monetary Authority;_{i7}

Balance sheet

- (2) (a) the ~~balance sheet assets and liabilities~~ of the business which, or of the company (and, if that company is itself a holding company, the consolidated ~~balance sheet assets and liabilities~~ 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 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) date to which the latest audited accounts of such business or company (as the case may be) have been made up;
- (b) ~~in~~ in the case of banking companies, the 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) report on assets and liabilities must include the information on the assets and liabilities set out in the ~~Best Practice Guide on~~ Financial Disclosure by Locally Incorporated Authorized Institutions issued by the Hong Kong Monetary Authority;

Note: Compliance with rules 4.06(1)(b) and 4.06(2)(b) is required in respect of all accountants' reports for accounting periods ending on or after 31st December, 1994.

Cash flow statement

- (3) 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;

Statement of changes in equity

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

Additional disclosures for Financial Conglomerates

- (5) where the business or company acquired or to be acquired is regarded as a financial conglomerate (see paragraph 36 of Appendix 16) 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 paragraph 35 of Appendix 16 in respect of the financial year or years in which the issuer is regarded as a financial conglomerate;

(36) ~~all movementstransfers~~ 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 ~~movementstransfers~~ are not reflected in the results in respect of each of the financial years referred to in rule 4.06(1) ~~above~~;

(47) a statement of the indebtedness as at the end 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 one year;

(b) within a period of more than one year but not exceeding two years;

(c) within a period of more than two years but not exceeding five years; and

(d) within a period of more than five years,

except that such an analysis of debt repayments need not be included in the case of a major transaction (see rule 14.6709);

(58) the details of the principal accounting policies which have been applied in respect of the period reported on;

(69) 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

(710) any other matters which appear to the reporting accountants to be relevant having regard to the purpose of the accountants' report.

4.06A In the cases referred to in rule 4.01(4) concerning a circular in connection with a very substantial disposal, the accountants' report on the listed issuer's group (i.e. the issuer and its subsidiaries and any business or subsidiary acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up with the business, company or companies being disposed of shown separately as (a) discontinuing operation(s)) must include all the information referred to in rule 4.06 in respect of such group.

- 4.07 The report on results and financial position under rules 4.06(1) and 4.06(2) must disclose separately the information referred to in rule 4.05.

Requirements Applicable in All Cases

4.08 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 balance sheet assets and liabilities as at the end of each of the that 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;
- (4) the reporting accountants must be named in the accountants' report; and
- (5) the accountants' report must be dated.

Individual Or Combined Results

- 4.09 (1) In the case of a new applicant (rule 4.01(1)) and an offer of securities to the public for subscription or purchase falling within rule 4.01(2), the reporting accountants must report on the consolidated or combined financial history of results and the consolidated or combined balance sheet statement of assets and liabilities of the issuer and its subsidiaries and any business or subsidiary acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up, unless otherwise agreed by the Exchange.
- (2) In the case of a circular issued by a listed issuer in connection with the acquisition of more than one business and/or company and/or group of companies, the reporting accountants must report on the individual financial histories of results and the individual balance sheets statements of assets and liabilities of each of those businesses, companies or groups of companies referred to in rule 4.06, unless otherwise agreed by the Exchange.

Disclosure

- 4.10 The information to be disclosed in respect of rules 4.04 to 4.09 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, Hong Kong Financial Reporting Standards~~Statements of Standard Accounting Practice issued from time to time by the Hong Kong Society of Accountants or International Financial Reporting Standards~~ and, in the case of banking companies, the Best Practice Guide on Financial Disclosure by Locally Incorporated Authoriz~~ed~~ Institutions issued by the Hong Kong Monetary Authority.

Accounting Standards

- 4.11 The financial history of results and the balance sheet~~statement of assets and liabilities~~ included in the accountants' report must normally be drawn up in conformity with:-
- (a) Hong Kong Financial Reporting Standards~~accounting standards approved by the Hong Kong Society of Accountants and laid down in the Statements of Standard Accounting Practice issued from time to time by that Society~~; or
 - (b) International Financial Reporting Accounting Standards ("IAS") ~~as promulgated from time to time by the International Accounting Standards Committee. Listed issuers and listing applicants, which adopt IAS, are required:-~~
 - (i) to disclose and explain differences of accounting practice between IFRSAS and HKFRS~~generally accepted accounting principles in Hong Kong~~, which have a significant effect on their financial statements; and
 - (ii) to compile a statement of the financial effect of any such material differences.

Note: The issuer must apply one of these bodies of standards consistently and shall not change from one body of standards to the other, unless there are reasonable grounds to justify such a change.

- 4.12 Any significant departure from such accounting standards must be disclosed and explained and, to the extent practicable~~if it is both relevant and practical~~, the financial effects of such departure quantified.
- 4.13 The relevant standards will normally be those current in relation to the last financial year reported on and, wherever possible, appropriate adjustments should~~must~~ be made to show profits for all periods in accordance with such standards.

Statement of Adjustments

- 4.14 In preparing the accountants' report, the reporting accountants should~~must~~ make such adjustments (if any) as are in their opinion appropriate for the purposes of the accountants' report and state therein that all adjustments considered necessary have been made, or (where appropriate) that no adjustments were considered necessary. Where adjustments are made, a written statement (the statement of adjustments) is required to be made available for public inspection, and should~~must~~ be signed by the reporting accountants (see paragraph 53 of Part A and paragraph 43 of Part B of Appendix 1).

- 4.15 The statement of adjustments must set out, for each of the years reported upon, each adjustment made and be sufficiently detailed so as to reconcile the figures in the accountants' report with the corresponding figures in the audited accounts and must give the reasons therefor.
- 4.16 Where the accountants' report is set out in a listing document the statement of adjustments relating to that report must be submitted to the Exchange in draft form in accordance with rules 9.11(5) and 24.10(7) and in certified form in accordance with rules 9.14(2) and 24.13(2). In every other case, the statement of adjustments must be submitted to the Exchange at the same time as the proofs of the circular containing the accountants' report are submitted.

Reference to Other Reports

- 4.17 Where the reporting accountants refer to reports, confirmations or opinions of valuers, accountants or other experts, the names, addresses and professional qualifications of such other persons or firms ~~should~~ **must** be stated in the report. In any case, the listing document or circular will be required to include a statement that such other persons or firms have given and have not withdrawn their written consent to its issue with the inclusion of such references in the form and context in which they are included.

Qualified or Modified Reports

- 4.18 Where the reporting accountants qualify **or modify** their accountants' report, they ~~should~~ **must** refer to all material matters about which they have reservations. All reasons for the qualification **or modification** ~~should~~ **must** be given and its effect quantified if this is both relevant and practical. A qualified **or modified** accountants' report in respect of a new applicant may **not** be acceptable where the qualification **or modification** ~~does not~~ **relates** to a matter of significance to investors ~~but will not normally be acceptable where the qualification does relate to a matter of significance to investors.~~
- 4.19 Where the accountants' report relates to **a very substantial disposal or** an acquisition which is **a reverse takeover**, a very substantial acquisition or a major transaction and the report is expected to be qualified, the Exchange ~~should~~ **must** be consulted at an early stage.

Overseas Issuers

- 4.20 Special requirements apply in the case of overseas issuers and PRC issuers which are set out in Chapters 19, 19A and 36.

Debt Securities of State Corporations and Banks

- 4.21 These requirements are modified in the case of an issue of debt securities by State corporations and banks as set out in rules 33.03 and 34.06.

Additional Matters for Disclosure

- 4.22 Where the business of the issuer necessitates extra disclosure to the members in its annual accounts by virtue of special legislation, the equivalent disclosure must be made in the report.

General
Banks, Shipping Companies and Insurance Companies

- 4.23 ~~For accounting periods ending on or before 30th December, 1994 w~~here the 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 accountants' report which need not be disclosed in a balance sheet or profit and loss account of the 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 any of those provisions. In the case of such issuers the opinion of the reporting accountants which is required by 4.08(2) may be expressed on an appropriate basis.

~~Note: For accounting periods ending on or after 31st December, 1994, i~~nsurance and shipping companies will not be entitled to avail themselves of the benefits of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.

General

- 4.24 It is emphasised that these requirements are not exhaustive and that further information may be required, or the required information varied, by the Exchange where it considers it necessary. In cases of doubt or difficulty, the reporting accountants ~~should~~must consult the Exchange through the issuer's authorised representative or financial adviser, in the case of a listed issuer, or the issuer's sponsor, in the case of a new applicant.

Pro Forma Financial Information

- 4.25 In the cases referred to in rule 4.01(3) concerning a circular in connection with a major transaction, the pro forma financial information required under rules 14.67(4)(a)(ii) or 14.67(4)(b)(ii) on the enlarged group (i.e. the issuer, its subsidiaries and any business or subsidiary or, where applicable, assets acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up (including but not limited to any business, company or companies being acquired)) must include all the information referred to in rule 4.29 in respect of such enlarged group.
- 4.26 In the cases referred to in rule 4.01(3) concerning a circular in connection with a reverse takeover or a very substantial acquisition, the pro forma financial information required under rules 14.69(4)(a)(ii) or 14.69(4)(b)(ii) on the enlarged group (i.e. the issuer, its subsidiaries and any business or subsidiary or, where applicable, assets acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up (including but not limited to any business, company or companies being acquired)) must include all the information referred to in rule 4.29 in respect of such enlarged group.
- 4.27 In the cases referred to in rule 4.01(4) concerning a circular in connection with a very substantial disposal, the pro forma financial information required under rules 14.68(2)(a)(ii) or 14.68(2)(b)(ii) on the remaining group must include the information referred to in rule 4.29 in respect of such remaining group.
- 4.28 In the case of a new applicant (rule 4.01(1)) which has acquired or proposed to acquire any businesses or companies, which would at the date of application or such later date of acquisition before listing of the applicant be classified as a major subsidiary, since the date to which the latest audited accounts of the issuer have been made up, it must include in its listing document the pro forma financial information required under rule 4.29 in respect of the enlarged group (i.e. the new applicant, its subsidiaries and any

businesses or companies acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up).

Note: For purposes of rule 4.28, all acquisitions or proposed acquisitions since the date to which the latest audited accounts of the issuer have been made up, whether of businesses or companies, should be aggregated. If the aggregated total assets, profits or revenue represents 5% or more under any of the percentage ratios as defined under rule 14.04(9), these acquisitions will be deemed to be an acquisition of a major subsidiary for the purpose of rule 4.28. 100% of the major subsidiary's total assets, profits or revenue (as the case may be) or, where the major subsidiary itself has subsidiaries, the consolidated total assets, profits or revenue (as the case may be) of the major subsidiary is to be compared to the total assets, profits or revenue (as the case may be) shown in the issuer's latest published audited consolidated financial statements irrespective of the interest held in the major subsidiary.

4.29 Where an issuer includes pro forma financial information in any document (whether or not such disclosure of pro forma financial information is required under the Exchange Listing Rules), that information must comply with rules 4.29(1) to (6) and a report in the terms of rule 4.29 (7) must be included in the relevant document.

(1) The pro forma financial information must provide investors with information about the impact of the transaction the subject of the document by illustrating how that transaction might have affected the financial information presented in the document, had the transaction been undertaken at the commencement of the period being reported on or, in the case of a pro forma balance sheet or net asset statement, at the date reported. The pro forma financial information presented must not be misleading, must assist investors in analysing the future prospects of the issuer and must include all appropriate adjustments permitted by rule 4.29 (6), of which the issuer is aware, necessary to give effect to the transaction as if the transaction had been undertaken at the commencement of the period being reported on or, in the case of a pro forma balance sheet or net asset statement, at the date reported on.

(2) The information must clearly state:

- (a) the purpose for which it has been prepared;
- (b) that it is prepared for illustrative purposes only; and
- (c) that because of its nature, it may not give a true picture of the issuer's financial position or results.

(3) The information must be presented in columnar format showing separately the unadjusted financial information, the pro forma adjustments and the pro forma financial information. The pro forma financial information must be prepared in a manner consistent with both the format and accounting policies adopted by the issuer in its financial statements and must identify:

- (a) the basis upon which it is prepared; and
- (b) the source of each item of information and adjustment.

Pro forma figures must be given no greater prominence in the document than audited figures.

- (4) Pro forma financial information may only be published in respect of:
- (a) the current financial period;
 - (b) the most recently completed financial period; and/or
 - (c) the most recent interim period for which relevant unadjusted information has been or will be published or is being published in the same document;
- and, in the case of a pro forma balance sheet or net asset statement, as at the date on which such periods end or ended.
- (5) The unadjusted information must be derived from the most recent:
- (a) audited published accounts, published interim reports or published interim or annual results announcements;
 - (b) accountants' report;
 - (c) previously published pro forma financial information reported on in accordance with rule 4.29(7); or
 - (d) published profit forecast or estimate.
- (6) Any adjustments which are made to the information referred to in rule 4.29(5) in relation to any pro forma statement must be:
- (a) clearly shown and explained;
 - (b) directly attributable to the transaction concerned and not relating to future events or decisions;
 - (c) factually supportable; and
 - (d) in respect of a pro forma profit or cash flow statement, clearly identified as to those adjustments which are expected to have a continuing effect on the issuer and those which are not.
- (7) The pro forma financial information must be reported on in the document by the auditors or reporting accountants who must report that, in their opinion:
- (a) the pro forma financial information has been properly compiled on the basis stated;
 - (b) such basis is consistent with the accounting policies of the issuer; and
 - (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to rule 4.29(1).
- (8) Where pro forma earnings per share information is given for a transaction which includes the issue of securities, the calculation is to be based on the weighted average number of shares outstanding during the period, adjusted as if that issue had taken place at the beginning of the period.