VALUE HKFRS Limited

Interim financial reporting

June 2023

This publication presents the sample interim financial report of a fictional listed company, VALUE HKFRS Limited. It illustrates the financial reporting requirements (including disclosures) that would apply to such a company under Hong Kong Financial Reporting Standards as issued at 31 May 2023. Supporting commentary is also provided. For the purposes of this publication, VALUE HKFRS Limited is incorporated outside Hong Kong and listed on the Hong Kong Stock Exchange. It is the parent entity in a consolidated entity.

VALUE HKFRS Limited – Interim financial reporting June 2023 is for illustrative purposes only and should be used in conjunction with the relevant financial reporting standards and any other reporting pronouncements and legislation applicable in specific jurisdictions.

Introduction

This publication presents illustrative interim financial statements for a fictitious listed company, VALUE HKFRS Limited, for the six months to 30 June 2023. VALUE HKFRS Limited is incorporated outside Hong Kong and listed on the Hong Kong Stock Exchange. The financial statements comply with Hong Kong Financial Reporting Standards (HKFRS) as issued at 31 May 2023 and that apply to annual reporting periods commencing on or after 1 January 2023, including HKAS 34 *Interim Financial Reporting.*

This illustrative set of interim financial statements is also prepared in accordance with the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") which are published up to June 2020. The minimum disclosures required under the Listing Rules have been highlighted in red for easy reference.

This illustrative interim report do not include additional disclosure requirements under the Code of Real Estate Investment Trust (REIT Code) for REITs listed in Hong Kong. Please refer to Appendix C of the REIT Code or Part C of "Interim reporting checklist for half-year report and preliminary announcement" for the additional disclosure requirements.

If the client entity is incorporated in Hong Kong, the interim financial statements should include a statement as required under section 436 of the Hong Kong Companies Ordinance (Cap. 622). Refer to Link: AB6 issued by the HKICPA for detailed guidance.

New requirements for consideration of impact:

Adoption of HKFRS 17 and Amendments to HKAS 12

New requirements for 2023

Other than HKFRS 17 *Insurance Contracts* and amendments to HKAS 12 *Income taxes*, there are only a limited number of amendments to the accounting standards that became applicable from 1 January 2023 and that entities will need to consider in the preparation of interim reports for periods commencing after that date. These are listed in Appendix A. While we have assumed that none of them required a change in VALUE HKFRS Limited's accounting policies, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be disclosed in the notes.

Adoption of HKFRS 17 *Insurance Contracts*

In particular, all entities, including those that are not insurers, will also need to consider whether they have any contracts that meet the definition of insurance contracts and hence could be affected by the adoption of HKFRS 17 *Insurance Contracts.* Where this is the case, users may expect to see some information about the entity's assessments, even if the entity has concluded that the impact was not material. We have issued guidance to help non-insurance companies identify whether they have any contracts within the scope of HKFRS 17 – see In depth INT2022-14.

Insurance companies can refer to our separate Link: Insurance webpage on Viewpoint for guidance that will help with the adoption of the new rules. Viewpoint is our global digital platform which provides the latest information on accounting standards and financial reporting. Access to Viewpoint is complimentary. Register here where you can indicate your preferences.

Adoption of Amendments to HKAS 12 *Income Taxes*

The amendments to HKAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The adoption of the new rules might have an impact on the preparation of financial statements by entities that have substantial balances of right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities.

For more details, see our In brief INT2021-10 Link: *Amendments to IAS 12: deferred tax related to assets and liabilities arising from a single transaction*.

New requirements for consideration of impact:

Rising inflation and interest rates

Impacts of rising inflation and interest rates

Some entities may experience the effect of rising inflation and interest rates which touch all aspects of an entity's business, including increasing costs such as raw materials and wages, changes in customer behaviour and credit risk, negotiations of contract terms, and investment and financing decisions. Such companies need to consider the accounting implications when preparing interim financial statements in 2023.

Rising inflation and interest rates will affect fair value measurements, expected future cash flow estimates, discount rates used to determine present value of cash flows, impairment indicators and impairment tests. Rising inflation and interest rates may also cause significant estimation uncertainty in relation to the measurement of both short- and long-duration assets and liabilities. Entities may therefore also need to consider new or expanded disclosures in this area. While interim financial information usually updates the information in the annual financial statements, HKAS 34 requires an entity to include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. For example, an entity needs to disclose any changes in the business or economic circumstances that affect the fair value of its financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or at amortised cost. In the context of rising inflation and interest rates, such disclosures may be more relevant than previously for many entities.

For guidance, see our In depth INT2022-12 Link: *Navigating HKFRS Accounting Standards in periods of rising inflation and interest rates*.

Reminders for consideration of impact:

Accounting implications of Russia/Ukraine conflicts

Accounting implications of Russia/Ukraine conflicts

The Russia/Ukraine conflicts and the imposition of international sanctions continue to have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by these developments. This necessitates careful consideration of the resulting accounting implications by entities who are affected by these developments.

The European Securities and Markets Authority (ESMA) has issued a Link: statement on the Implications of the Russia/Ukraine conflicts on half-yearly financial reports. This is particularly relevant for entities within the European Union; however, the key messages and observations might be useful to any HKFRS reporter.

We have not updated the illustrative disclosures to reflect potential implications, because every entity will be impacted differently. Entities should carefully consider their direct and indirect exposures to the conflicts and provide required HKFRS disclosures in a manner that is appropriately tailored to their individual circumstances.

Guidance on assessing the impact of the Russia/Ukraine conflicts on the financial statements is included in the Link: Global In Depth INT2022-05 - *Accounting implications of the Russia/Ukraine conflicts*

Reminders for consideration of impact:

Disclosing impact of climate change

Disclosing impact of climate change in interim reports

As interim reports focus on significant events and changes in the financial position and performance of the entity since the end of the last annual financial reporting period, we would not normally expect to see extensive discussion of the impact of climate change in an interim report to the extent that it has already been discussed in annual financial statements.

However, the impact of climate change is a high-profile issue that investors and regulators are focusing on and entities should therefore consider what is appropriate to discuss in the context of the interim report. Examples might be where, subsequent to the most recent annual period:

- an entity has made a public statement about new or revised plans to decarbonise its operations (e.g. a net zero pledge)
- an entity has published a sustainability/ESG report where commentary or metrics provide additional information about exposure to various risks (e.g. a report which shows significant increases in emissions or considers climate change scenarios for the first time or in more detail), or
- there have been substantive changes in legislation or policy which could cause the entity to reassess the viability of a product line or result in the imposition of new costs since the end of the annual reporting period.

In such cases, the entity should consider how this has affected estimates, such as the exposure to credit losses for financial assets, impairment calculations, useful lives of depreciable assets or long-term non-financial obligations, and whether it needs to update the disclosures about those significant judgements and estimates compared to what was discussed in the most recent annual financial statements.

Further guidance on determining the impact of climate-related matters on financial reports is included in our In depth INT2021-11 Link: *Impact of ESG matters on HKFRS financial statements* and in our In depth INT2023-02 Link: *HKFRS Financial reporting considerations for entities participating in the voluntary carbon market.* Insurers can refer to the following publication – Link: *Climate related risks – what do insurers need to know*? You may also visit our Link: ESG Financial Reporting landing page on Viewpoint for the latest publications & updates.

The HKICPA is currently undertaking a project on Link: climate risk disclosures in financial statements and entities should also monitor those discussions as they evolve.

New requirements for consideration of impact:

Global implementation of OECD Pillar Two model rules

Global implementation of OECD Pillar Two model rules

In December 2021, the Organisation for Economic Co-operation and Development (OECD) published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS, hereafter referred to as the 'OECD Pillar Two model rules' or 'the rules'. The rules are designed to ensure that large multinational enterprises within the scope of the rules pay a minimum level of tax on the income arising in a specific period in each jurisdiction where they operate. In general, the rules apply a system of top-up taxes that brings the total amount of taxes paid on an entity's excess profit in a jurisdiction up to the minimum rate of 15%.

The rules need to be passed into national legislation based on each country's approach. Based on the OECD's recommendation, we expect that a number of territories will enact local legislation during 2023. The rules will impact current income tax when the legislation comes into effect.

Applying the OECD Pillar Two model rules and determining their impact on the HKFRS financial statements is complex and poses a number of practical challenges. It is not immediately apparent how the entities would apply the principles and requirements in HKAS 12 in accounting for top-up tax arising from the rules – specifically, whether the recognition and measurement of deferred tax assets and liabilities would be impacted. If deferred tax assets and liabilities would be impacted by the rules, this would be from the date when the relevant national legislation is enacted or substantively enacted.

The HKICPA is yet to issue a guidance on this issue shortly in the coming future but IASB has already issued an amended standard to address the issue on 23 May 2023. Therefore, the IFRS reporter should consider the impact of this issue in the current reporting period and more details are as below:

Having considered all of the potential challenges, the IASB issued *narrow-scope amendments to IAS 12, 'Income Taxes'* on 23 May 2023. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments to IAS 12 are required to be applied immediately (subject to any local endorsement processes) and retrospectively in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', including the requirement to disclose the fact that the exception has been applied if the entity's income taxes will be affected by enacted or substantively enacted tax law that implements the OECD's Pillar Two model rules. The disclosures relating to the known or reasonably estimable exposure to Pillar Two income taxes are required for annual reporting periods beginning on or after 1 January 2023, but they are not required to be disclosed in interim financial reports for any interim period ending on or before 31 December 2023.

For more details, see In brief INT2023-12 Link: *Global implementation of Pillar Two: narrow-scope amendments to IAS 12.*.

Reminders for consideration of impact:

Enactment of Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022

Impacts of enactment of Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022

On 17 June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 ("New Ordinance"). The New Ordinance will come into effect from 1 May 2025 ("Transition Date"). The New Ordinance results in:

- Change in the offsetting arrangement, such that benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("MPF Benefits") would no longer be eligible to offset against the portion of the long service payment ("LSP") accrued from the Transition Date; and

- Change of the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

The benefit payment under LSP remains capped at HK$390,000 per each employee. If an employee's total benefit payment exceeds HK$390,000, the amount in excess of the cap is deducted from the portion accrued from the Transition Date.

As the LSP is a defined benefit plan, the New Ordinance changes the employer's legal obligation which is considered as a plan amendment under HKAS 19 and thus the impact should be considered in 2022. HKICPA has published an alert in February 2023 on this specific issue, introduced two broad tentative approaches to account for the offsetting arrangement, including (i) deemed contribution from employees and (ii) right of reimbursement. HKICPA acknowledged that entities should be entitled to sufficient time to determine its accounting policy and implement any necessary policy change when the final decision on the accounting is made by the HKICPA. In the meantime, entities would need to exercise judgement in determining an appropriate accounting policy for the offsetting arrangement and its amendment based on relevant facts and circumstances and, if material, provide relevant financial statements disclosures. HKICPA will issue a detail guidance on this issue shortly in the coming future.

Using this publication

The source for each disclosure requirement is set out in the reference column on the left hand side of each page. Revised requirements that become applicable for the first time this year and improvements are identified as 'New illustration' or 'Revised illustration' in the reference column. In addition, some key reminders or considerations applicable for this year are also identified as 'New requirements for consideration of impact' or 'Reminders for consideration of impact' in the reference column. There is also commentary that (i) explains some of the more challenging areas and (ii) lists disclosures that have not been included because they are not relevant to VALUE HKFRS Limited.

As VALUE HKFRS Limited is an existing preparer of HKFRS consolidated financial statements, HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* does not apply.

The example disclosures are not the only acceptable form of presenting financial statements. Alternative presentations may be acceptable, if they comply with the specific disclosure requirements prescribed in HKFRS. This illustrative report also does not cover all possible disclosures that HKFRS require.

Some of the disclosures in this publication would likely be immaterial if VALUE HKFRS Limited was a 'real life' company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are for illustration purposes only. Disclosures should not be included where they are not relevant or not material in specific circumstances.

Change of titles of the financial statements

We have changed the titles of the financial statements this year to be consistent with the titles used in the accounting standards. In particular, we are now referring to 'statement of financial position' rather than 'balance sheet'. However, entities can use other titles for the financial statements, such as balance sheet and income statement, for example.

Top interim reporting pitfalls

Our experience of reviewing interim reports suggests that the following errors or omissions are the most frequent:

- Incorrect or no disclosure of new standards, amendments and IFRIC interpretations that are effective for the first time for the interim period and required a change in accounting policy. Appropriate disclosures are particularly important for major new or revised standards that will require significant changes, such as HKFRS 17 *Insurance Contracts.*
- Basis of preparation note is incorrect, e.g. does not refer to HKAS 34 or HKFRSs.
- No disclosure of the nature and amount of items that are unusual by their nature, size or incidence.
- Recognition of income and expense items in the wrong period.
- Insufficient consideration given to possible impairment issues in relation to both financial and non-financial assets.
- Omission of some or all business combinations disclosures, especially those related to combinations after the interim reporting date.
- No explanations of the effect of seasonality on operations.

- Incomplete HKFRS 7 and HKFRS 13 financial instruments disclosures.

Format of the publication

The references in the left-hand margin refer to the paragraph of the standard and the Listing Rules in which the disclosure appears, for example

- 'HKAS34(8)(b)' indicates HKAS 34 paragraph 8(b)
- 'HKFRS3(B67)' indicates HKFRS 3 paragraph B67
- 'AB6.13' indicates AB6 paragraph 13;
- 's436' indicates the new Hong Kong Companies Ordinance (Cap. 622), Section 436
- 'MB14.08' indicates paragraph 8 of Chapter 14 to the Main Board Listing Rules;
- 'GEM18.15' indicates paragraph 15 of Chapter 18 to the GEM Board Listing Rules;
- 'A4(1)(a) indicates paragraph 4(1)(a) of Appendix 16 to the Main Board Listing Rules;

VALUE HKFRS Limited

Interim report – Six months ended 30 June 2023

HKAS34(6)
A38
GEM18.55

This condensed interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by VALUE HKFRS Limited during the interim reporting period. [1]

HKAS34(8)(e)
HKAS1(138)(a)

General information

VALUE HKFRS Limited is a company limited by shares, incorporated and domiciled in Oneland. Its registered office and principal place of business is at 350 Harbour Street, 1234 Nice Town. Its shares are listed on the Hong Kong Stock Exchange.

These condensed interim financial statements were approved for issue on 29 August 2023.

The financial statements have been reviewed, not audited.

Commentary

Interim report to be read in conjunction with annual report

1. See paragraph 34 of the commentary to the notes to the consolidated financial statements (page 42) for our thoughts on why this disclosure should be retained.

HKAS34(8)(b)
A40(1), A4(1)
GEM18.50B(1)
GEM18.55(8)

Condensed consolidated statement of profit or loss [1-10, 17]

Reference		Notes	Half-year **2023** **CU'000**	Half-year 2022 CU'000
HKAS34(20)(b)	**Continuing operations**			
HKAS1(82)(a)	Revenue	2	**103,647**	87,704
HKAS1(99), HKAS2(36)(d)	Cost of sales of goods		**(41,016)**	(35,814)
	Cost of providing services		**(11,583)**	(12,100)
	Gross profit		**51,048**	39,790
HKAS1(99)	Distribution costs		**(23,729)**	(12,065)
HKAS1(99)	Administrative expenses		**(11,865)**	(6,032)
HKAS1(82)(ba)	Net impairment losses on financial assets [13-14]		**(305)**	(222)
	Other income		**4,459**	3,703
	Other gains/(losses) – net		**50**	1,018
	Operating profit	3	**19,658**	26,192
	Finance income [13-14]		**855**	572
HKAS1(82)(b)	Finance costs		**(3,704)**	(3,374)
	Finance costs – net		**(2,849)**	(2,802)
	Share of net profits of associates and joint ventures accounted for using the equity method	12	**205**	340
	Profit before income tax		**17,014**	23,730
	Income tax expense	4	**(4,555)**	(7,878)
	Profit from continuing operations	3(a)	**12,459**	15,852
	(Loss)/profit from discontinued operation	12(b)	**(32)**	664
	Profit for the half-year		**12,427**	16,516
	Profit is attributable to:			
	Owners of VALUE HKFRS Limited		**11,997**	16,063
	Non-controlling interests		**430**	453
			12,427	16,516
			Cents	Cents
HKAS34(11)	**Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:** [11,12]			
	Basic earnings per share		**22.5**	30.0
	Diluted earnings per share		**21.7**	28.6
HKAS34(11)	**Earnings per share for profit attributable to the ordinary equity holders of the company:** [11,12]			
	Basic earnings per share		**22.4**	31.2
	Diluted earnings per share		**21.6**	29.9

Not mandatory *The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.*

HKAS34(8)(b)
A40(1), A4(1)
GEM18.50B(1),
GEM18.55(8)

Condensed consolidated statement of comprehensive income [1-10]

HKAS34(20)(b)

			Half-year	
		Notes	**2023 CU'000**	2022 CU'000
	Profit for the half-year		**12,427**	16,516
	Other comprehensive income			
HKAS1(82A)	*Items that may be reclassified to profit or loss*			
	Changes in the fair value of debt instruments at fair value through other comprehensive income		**36**	(49)
	Exchange differences on translation of foreign operations		**(38)**	69
	Exchange differences on translation of discontinued operation	12(b)	**-**	170
	Gains and losses on cash flow hedges		**161**	(152)
	Costs of hedging		**8**	(20)
	Hedging gains reclassified to profit or loss		**(41)**	(240)
	Gains on net investment hedge		**85**	-
HKAS1(91)	Income tax relating to these items		**(47)**	87
HKAS1(82A)	*Items that will not be reclassified to profit or loss*			
	Gain on revaluation of land and buildings	6	**1,495**	1,460
	Changes in the fair value of equity investments at fair value through other comprehensive income		**91**	(79)
	Remeasurements of retirement benefit obligations		**81**	(143)
HKAS1(91)	Income tax relating to these items		**(500)**	(371)
	Other comprehensive income for the half-year, net of tax		**1,331**	732
	Total comprehensive income for the half-year		**13,758**	17,248
	Total comprehensive income for the half-year is attributable to:			
	Owners of VALUE HKFRS Limited		**13,259**	16,740
	Non-controlling interests		**499**	508
			13,758	17,248
	Total comprehensive income for the period attributable to owners of VALUE HKFRS Limited arises from:			
	Continuing operations		**13,291**	15,906
HKFRS5(33)(d)	Discontinued operations	12	**(32)**	834
			13,259	16,740

Not mandatory

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

HKAS34(8)(a)
A40(1), A4(2)
GEM18.50B(2), GEM18.55(8)

Condensed consolidated statement of financial position [1-9, 18]

HKAS34(20)(a)

		Notes	30 June 2023 CU'000	31 December 2022 CU'000
	ASSETS			
	Non-current assets			
	Property, plant and equipment	6	**143,480**	128,890
HKFRS16(47)(a)	Right-of-use assets [15]		**10,108**	9,756
	Investment properties		**12,510**	13,300
	Intangible assets	7	**27,265**	24,550
	Deferred tax assets		**8,209**	7,849
	Other assets		**247**	312
	Investments accounted for using the equity method	13	**4,230**	3,775
HKFRS7(8)(h)	Financial assets at fair value through other comprehensive income	17	**6,637**	6,782
	Financial asset at fair value through profit or loss	17	**2,410**	2,390
HKFRS7(8)(f)	Financial assets at amortised cost		**3,750**	3,496
	Derivative financial instruments	17	**310**	308
	Total non-current assets		**219,156**	201,408
	Current assets			
	Inventories		**26,780**	22,153
	Other current assets		**144**	491
HKFRS15(105)	Contract assets		**2,381**	1,519
A4(2)(a), GEM18.50B(2)(a)	Trade receivables		**16,731**	15,662
HKFRS7(8)(f)	Other financial assets at amortised cost		**677**	1,100
	Financial assets at fair value through profit or loss	17	**11,150**	11,300
	Derivative financial instruments	17	**1,634**	1,854
	Cash and cash equivalents (excluding bank overdrafts)		**35,369**	55,083
			94,866	109,162
	Assets classified as held for sale		**-**	250
	Total current assets		**94,866**	109,412
	Total assets		**314,022**	310,820
	LIABILITIES			
	Non-current liabilities			
	Borrowings	9	**94,193**	89,115
HKFRS16(47)(b)	Lease liabilities [15]		**8,846**	8,493
	Deferred tax liabilities		**9,963**	12,456
	Employee benefit obligations		**7,155**	6,749
	Provisions		**1,668**	1,573
	Total non-current liabilities		**121,825**	118,386

		Notes	30 June 2023 CU'000	31 December 2022 CU'000
HKAS34(20)(a)				
	Current liabilities			
A4(2)(b), GEM18.50B(2)(b)	Trade and other payables		**15,535**	15,760
HKFRS15(105)	Contract liabilities		**1,025**	1,982
	Current tax liabilities		**828**	1,130
	Borrowings	9	**8,110**	8,400
HKFRS16(47)(b)	Lease liabilities [15]		**3,105**	3,008
	Derivative financial instruments	17	**1,136**	1,376
	Employee benefit obligations		**800**	690
	Provisions	8	**3,467**	2,697
	Total current liabilities		**34,006**	35,043
	Total liabilities		**155,831**	153,429
	Net assets		**158,191**	157,391
	EQUITY			
	Share capital and share premium# (note)	10	**83,692**	83,054
	Other equity		**1,636**	1,774
	Other reserves		**18,907**	17,993
	Retained earnings		**44,760**	45,108
	Capital and reserves attributable to the owners of VALUE HKFRS Limited		**148,995**	147,929
	Non-controlling interests		**9,196**	9,462
	Total equity		**158,191**	157,391

 # The share premium account was abolished on 3 March 2014 brought about by the new Hong Kong Companies Ordinance (Cap.622). Therefore, the share premium account is not applicable for Hong Kong incorporated companies.

Not mandatory *The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.*

HKAS34(8)(c)

Condensed consolidated statement of changes in equity [1-9]

		Attributable to owners of VALUE HKFRS Limited						
		Share capital and share premium #	Other equity	Other reserves	Retained earnings	Total	Non-con-trolling interests	Total equity
	Notes	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
HKAS34(20)(c) **Balance at 1 January 2022**		**63,976**	**(550)**	**12,381**	**34,503**	**110,310**	**5,689**	**115,999**
Profit for the half-year		-	-	-	16,063	16,063	453	16,516
Other comprehensive income		-	-	690	(13)	677	55	732
Total comprehensive income for the half-year		**-**	**-**	**690**	**16,050**	**16,740**	**508**	**17,248**
Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year		-	-	13	-	13	-	13
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	79	(79)	-	-	-
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs	10	174		-	-	174	-	174
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax		9,730	-	-	-	9,730	-	9,730
Acquisition of treasury shares@	10	-	(1,217)	-	-	(1,217)	-	(1,217)
Non-controlling interest on acquisition of subsidiary		-		-	-	-	5,051	5,051
Dividends provided for or paid	5	-		-	(11,507)	(11,507)	(1,710)	(13,217)
Employee share schemes – value of employee services		-		995	-	995	-	995
Issue of treasury shares to employees@	10	-	1,091	(1,091)	-	-	-	-
		9,904	(126)	(96)	(11,507)	(1,825)	3,341	1,516
Balance at 30 June 2022		**73,880**	**(676)**	**13,067**	**38,967**	**125,238**	**9,538**	**134,776**

 # The share premium account was abolished on 3 March 2014 brought about by the new Hong Kong Companies Ordinance (Cap. 622) (HKCO). Therefore, the share premium account is not applicable for Hong Kong incorporated companies.

@ The HKCO does not permit companies to hold treasury shares.

		Notes	Attributable to owners of VALUE HKFRS Limited Share capital and share premium # CU'000	Other equity CU'000	Other reserves CU'000	Retained earnings CU'000	Total CU'000	Non-controlling interests CU'000	Total equity CU'000
HKAS34(20)(c)	**Balance at 31 December 2022**		**83,054**	**1,774**	**17,993**	**45,108**	**147,929**	**9,462**	**157,391**
	Change in accounting policy	18(a)	-	-	-	XXX	XXX	-	XXX
	Restated total equity at 1 January 2023		**83,054**	**1,774**	**17,993**	**45,108**	**147,929**	**9,462**	**157,391**
	Profit for the half-year		-	-	-	11,997	11,997	430	12,427
	Other comprehensive income		-	-	1,093	169	1,262	69	1,331
	Total comprehensive income for the half-year		**-**	**-**	**1,093**	**12,166**	**13,259**	**499**	**13,758**
	Deferred hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year		-	-	(5)	-	(5)	-	(5)
	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	(238)	238	-	-	-
	Transactions with owners in their capacity as owners:								
	Contributions of equity, net of transaction costs	10	638	-	-	-	638	-	638
	Acquisition of treasury shares@	10	-	(1,270)	-	-	(1,270)	-	(1,270)
	Non-controlling interest on acquisition of subsidiary	11	-	-	-	-	-	1,720	1,720
	Step acquisition of associate	13	-	-	(30)	30	-	-	-
	Dividends provided for or paid	5	-	-	-	(12,782)	(12,782)	(2,485)	(15,267)
	Employee share schemes – value of employee services		-	-	1,226	-	1,226	-	1,226
	Issue of treasury shares to employees@	10	-	1,132	(1,132)	-	-	-	-
			638	**(138)**	**64**	**(12,752)**	**(12,188)**	**(765)**	**(12,953)**
	Balance at 30 June 2023		**83,692**	**1,636**	**18,907**	**44,760**	**148,995**	**9,196**	**158,191**

Not mandatory *The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

 # The share premium account was abolished on 3 March 2014 brought about by the new Hong Kong Companies Ordinance (Cap. 622) (HKCO). Therefore, the share premium account is not applicable for Hong Kong incorporated companies.

@ The HKCO does not permit companies to hold treasury shares.

HKAS34(8)(d)

Condensed consolidated statement of cash flows [1-9,17]

	Notes	Half-year 2023 CU'000	Half-year 2022 CU'000
Cash flows from operating activities			
Cash generated from operations		**22,247**	42,743
Interest received		**855**	572
Interest paid		**(3,910)**	(3,869)
Income taxes paid		**(8,124)**	(14,748)
Net cash inflow from operating activities		**11,068**	24,698
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	11	**(10,175)**	(2,600)
Payments for property, plant and equipment	6	**(9,060)**	(2,411)
Payments for investment property		**-**	(1,150)
Payment for acquisition of associate	13	**(405)**	-
Payments for financial assets at fair value through other comprehensive income		**(563)**	(227)
Payments for financial assets at amortised cost		**(90)**	-
Payments for patents and trademarks	7	**(320)**	(9)
Payment of software development costs	7	**(725)**	(58)
Loans to related parties		**(641)**	(330)
Proceeds from sale of engineering division **	12	**-**	3,110
Proceeds from sale of property, plant and equipment		**3,700**	7,495
Proceeds from sale of financial assets at fair value through other comprehensive income		**694**	185
Repayment of loans by related parties		**658**	300
Distributions received from joint ventures and associates		**300**	170
Dividends received		**160**	150
Interest received on financial assets held as investments		**119**	108
Net cash (outflow)/inflow from investing activities		**(16,348)**	4,733
Cash flows from financing activities			
HKAS34(16A)(e) Proceeds from issues of shares and other equity securities	10	**241**	-
HKAS34(16A)(e) Proceeds from borrowings	9	**12,208**	18,293
Proceeds received under a supplier finance arrangement		**1,520**	1,430
Acquisition of treasury shares	10	**(1,270)**	(1,217)
Share issue cost		**-**	(50)
HKAS34(16A)(e) Repayment of borrowings		**(8,450)**	(25,300)
Repayments to a financial institution under a supplier finance arrangement		**(2,040)**	(1,860)
HKAS34(16A)(e), HKAS7(17)(e) Principal elements of lease payments		**(946)**	(922)
HKAS34(16A)(f) Dividends paid to company's shareholders	5	**(12,384)**	(11,333)
Dividends paid to non-controlling interests in subsidiaries		**(2,485)**	(1,710)
Net cash outflow from financing activities		**(13,606)**	(22,669)
Net (decrease)/increase in cash and cash equivalents *		**(18,886)**	6,762
Cash and cash equivalents at the beginning of the half-year *		**52,432**	28,049
Effects of exchange rate changes on cash and cash equivalents		**(217)**	(384)
Cash and cash equivalents at end of the half-year *		**33,329**	34,427

* Cash and cash equivalents are net of bank overdrafts (CU2,040,000 at 30 June 2023 and CU2,250,000 at 30 June 2022)

Not mandatory ** For cash flows of discontinued operations see note 12 [16]

Not mandatory *The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

Consolidated interim financial statements

Condensed financial statements

1. An interim financial report contains either a complete set of financial statements as described in HKAS 1 *Presentation of Financial Statements* or a set of condensed financial statements as described in HKAS 34 *Interim Financial Reporting*.

HKAS34(10)

2. If an entity publishes condensed financial statements in its interim financial report, these condensed financial statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial report and the selected explanatory notes as required by HKAS 34 *Interim Financial Reporting*.

3. The interim financial report for VALUE HKFRS Limited contains condensed financial statements, in that it does not include all of the notes that would be required in a complete set of financial statements. However, the primary financial statements are presented in a format consistent with the consolidated financial statements that are required to be presented in an annual financial report under HKAS 1 *Presentation of Financial Statements*. This is common and considered best practice.

4. In some countries, the extent to which line items may be aggregated in condensed interim financial statements may also be governed by local regulators or market requirements.

HKAS34(10)

5. Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading. Certain transactions may not be significant in the context of the annual report, but may need to be separately disclosed in the interim report. An example could be costs that are incurred unevenly during the year and that require separate presentation in the interim statement of profit or loss, but not in the annual financial statements.

Periods covered

HKAS34(20)(a)-(d)

6. The following tables summarise which statements need to be presented by entities that prepare half-yearly or quarterly reports.

Half-yearly reporting for period ended 30 June 2023

Statement	Current	Comparative
Statement of financial position at	30 June 2023	31 December 2022
Statement of comprehensive income (and separate statement of profit or loss, where applicable) : - 6 months ended	30 June 2023	30 June 2022
Statement of changes in equity: - 6 months ended	30 June 2023	30 June 2022
Statement of cash flows: - 6 months ended	30 June 2023	30 June 2022

Quarterly reporting – second quarter interim report for period ended 30 June 2023

Statement	Current	Comparative
Statement of financial position at	30 June 2023	31 December 2022
Statement of comprehensive income (and separate statement of profit or loss, where applicable) : - 6 months ended - 3 months ended	30 June 2023 30 June 2023	30 June 2022 30 June 2022
Statement of changes in equity: - 6 months ended	30 June 2023	30 June 2022
Statement of cash flows: - 6 months ended	30 June 2023	30 June 2022

Consolidated interim financial statements

HKAS34(20)(b)

7. For a half-year report, the current interim period and the annual reporting period to date are the same. However, where an entity prepares quarterly interim financial reports, the statement of comprehensive income in the interim financial reports for the second and third quarters will need to include additional columns showing the annual reporting period to date and the comparative annual reporting period to date for the corresponding interim period (see table in paragraph 6 above).

8. This interim report is for a half-year period. If an interim financial report is presented for a different interim reporting period, the heading of the financial statements should specify the interim reporting period covered (e.g. 'For the quarter ended 31 March 2023' or 'For the third quarter ended 30 September 2023') and the heading for the figures should indicate whether they are presented for a quarter, a half-year or the annual reporting period to date, as appropriate.

Third statement of financial position

HKAS1(BC33)

9. HKAS 34 has a year-to-date approach to interim reporting and does not replicate the requirements of HKAS 1 in terms of comparative information. As a consequence, it is not necessary to provide an additional statement of financial position as at the beginning of the earliest comparative period presented where an entity has made a retrospective change in accounting policies and/or a retrospective reclassification.

Separate statement of profit or loss

HKAS1(10A)
HKAS34(8A)

10. HKAS 1 permits entities to present the components of profit or loss either as part of a single statement of comprehensive income or in a separate statement of profit or loss. If an entity has decided to retain a separate statement of profit or loss in its annual financial statements, it shall also use this format for its interim report.

Earnings per share

HKAS34(11),(11A)

11. Entities that are within the scope of HKAS 33 *Earnings per Share* shall present basic and dilutive earnings per share (EPS) for the interim period as follows:

- in the statement of comprehensive income – if the entity presents a single statement, or
- in the statement of profit or loss – if the entity presents a separate statement of profit or loss and statement of comprehensive income.

HKAS33(68)

12. HKAS 34 does not specifically require disclosure of EPS for profit from continuing and discontinued operations, but where there are significant discontinued operations, we recommend that they be disclosed separately as required in an annual statement by HKAS 33. The EPS from discontinued operations could be disclosed as part of the discontinued operations note, as done in this illustrative interim report (see note 12).

Disclosure of specified separate line items in the financial statements

13. HKAS 1 *Presentation of Financial Statements* requires the separate presentation of the following line items in the statement of profit or loss:

HKAS1(82)(a)
(a) interest revenue calculated using the effective interest rate method, separately from other revenue *

HKAS1(82)(aa)
(b) gains and losses from the derecognition of financial assets measured at amortised cost *

HKAS1(82)(ba)
(c) impairment losses on financial assets, including reversals of impairment losses or impairment gains

HKAS1(82)(ca)
(d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss *

HKAS1(82)(cb)
(e) gains and losses reclassified from OCI as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss *.

HKAS1(29),(30),(30A)
HKFRS PS2(40)-(55)

* not illustrated, as immaterial or not applicable to VALUE HKFRS Limited.

14. Depending on materiality, it may not always be necessary to present these items separately in the primary financial statements. However, items that are of a dissimilar nature or function can only be aggregated if they are immaterial. Guidance on assessing materiality is provided in the non-mandatory HKFRS Practice Statement 2 *Making Materiality Judgements.*

HKFRS16(47)

15. Right-of-use assets and lease liabilities do not need to be presented as a separate line item in the statement of financial position, as done by VALUE HKFRS Limited, as long as they are disclosed separately in the notes.

Consolidated interim financial statements

Cash flows relating to discontinued operations

HKFRS5(33)(c)

16. The net cash flows relating to the operating, investing and financing activities of discontinued operations may either be presented on the face of the statement of cash flows or in the notes. VALUE HKFRS Limited has chosen to disclose this information in the notes. While it is not mandatory to include a reference to this note on the face of the cash flow statement, we consider it best practice to do so.

Alternative formats for financial statements

17. Appendix B to our *Link: Illustrative HKFRS consolidated financial statements for 2022 year-ends* publication shows the following alternative formats for the financial statements:

(a) Statement of profit or loss: classification of expenses by nature

(b) Statement of cash flows prepared using the direct method.

Alternative titles for the financial statements

18. We have changed the titles of the financial statements this year to be consistent with the titles used in the accounting standards. In particular, we are now referring to 'statement of financial position' rather than 'balance sheet'. However, entities can use other titles for the financial statements, such as balance sheet and income statement, for example.

Guidance relating to Listing Rules disclosures

19. Where the accounting information given in an interim report has not been audited that fact must be stated. If the accounting information contained in an interim report has been audited by the listed issuer's auditor, this report thereon including any qualifications shall be reproduced in full in the interim report.

HKAS34(8)(e)

Notes to the condensed consolidated financial statements [38,39]

1 Significant changes in the current reporting period [1,2]

HKAS34(6),(15)

Although global market conditions have affected market confidence and consumer spending patterns, the group remains well placed to grow revenues through ongoing product innovation and the recent acquisition of Complete Office Furniture Limited. The group has reviewed its exposure to climate-related and other emerging business risks, but has not identified any risks that could impact the financial performance or position of the group as at 30 June 2023. It has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments.

Not mandatory

The financial position and performance of the group was particularly affected by the following events and transactions during the six months to 30 June 2023:

- a significant increase in revenue from the furniture retail and electronic equipment divisions as a result of business combinations that occurred in the current and previous financial year (see note 11). This more than offset a reduction in revenue in the furniture manufacturing and wholesale segments (see note 2 below).
- an impairment loss of CU1,390,000 for the European IT consulting division as a result of a loss of two major customers and increased costs due to rising inflation (see note 7)
- an increase in the provision for legal claims against the Oneland furniture manufacturing and wholesale division (see note 8)
- an increase in warranty claims following problems with certain parts used in the manufacture of electronic equipment (see note 8)
- the acquisition of a vacant parcel of land to expand the production facilities of VALUE HKFRS Electronics Group (see note 6)
- the renegotiation of the group's main borrowing facility, to secure funding for the construction of the new production plant for the electronic equipment division (see note 9)
- an increase of the contingent consideration payable in relation to the acquisition of Better Office Furnishings Limited (see note 10), and
- the increase of the investment in Cedar Limited from 10% to 30% (see note 13).

Since the end of the interim reporting period, the group has acquired 100% of the issued capital of Complete Office Furniture Limited (see note 15).

Risk management disclosures may also need to be updated for the impacts of rising inflation and interest rates – see commentary para 29 at the end of this section

[Entities should also consider whether there have been any significant developments in relation to rising inflation and interest rates, climate change matters or Russia/Ukraine conflicts that could be discussed in this note.][8-13]

2 Segment and revenue information [5,38]

HKAS34(8)(e), (16A)(g)(v)

2(a) Description of segments

VALUE HKFRS Limited is a diversified group which derives its revenues and profits from a variety of sources. The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, considers the business from both a product and a geographic perspective and has identified six reportable segments.

1,2 Furniture – manufacturing and wholesale Oneland and China: the manufacture and sale of commercial office furniture, hardwood side boards, chairs and tables in Oneland and in China. The committee monitors the performance in those two regions separately.

3 Furniture – retail: Since January 2020, the manufacturing and wholesale business has been supplemented by a chain of retail stores in Oneland.

4,5 IT consulting: Business IT management, design, implementation and support services are provided in the US and Europe. Performance is monitored separately for those two regions.

6 Electronic equipment: Although this segment is not large enough to be required to be reported separately under the accounting standards, it has been included here as it is seen to be a potential growth segment which is expected to materially contribute to group revenue in the future. This segment was established following the acquisition of VALUE HKFRS Electronics Group in April 2022.

HKAS34(16A)(g)(v)

All other segments – The development of residential land, currently in the Someland Canal Estate in Nicetown and the Mountain Top Estate in Alpville, the purchase and resale of commercial properties, principally in Nicetown and Harbourcity and the management of investment properties are not reportable operating segments, as they are not separately included in the reports provided to the strategic steering committee. The results of these operations are included in 'all other segments'.

HKAS34(16A)(g)(v)

The engineering division was sold effective from 1 March 2022. Information about this discontinued segment is provided in note 12.

HKFRS8(23)

2(b) Segment information provided to the strategic steering committee [5]

The table below shows the segment information provided to the strategic steering committee for the reportable segments for the half-year ended 30 June 2023 and also the basis on which revenue is recognised:

		Furniture – manufacturing and wholesale		Furniture - retail	IT consulting		Electronic equipment	All other segments	Total
	Half-year 2023	**Oneland**	**China**	**Oneland**	**US**	**Europe**	**Oneland**		
		CU'000	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**
HKAS34(16A)(g)(i)	Total segment revenue	31,700	20,165	17,277	13,905	9,370	9,800	3,330	105,547
HKAS34(16A)(g)(ii)	Inter–segment revenue	(250)	(150)	(650)	(250)	(200)	(200)	(200)	(1,900)
	Revenue from external customers 14-16	**31,450**	**20,015**	**16,627**	**13,655**	**9,170**	**9,600**	**3,130**	**103,647**
HKAS34(16A)(l)	Timing of revenue recognition								
	At a point in time	31,450	20,015	16,627	1,000	600	9,600	3,130	82,422
	Over time	-	-	-	12,655	8,570	-	-	21,225
		31,450	**20,015**	**16,627**	**13,655**	**9,170**	**9,600**	**3,130**	**103,647**
HKAS34(16A)(g)(iii)	**Adjusted EBITDA**	**8,184**	**5,534**	**8,603**	**4,702**	**(1,520)**	**2,896**	**1,929**	**30,328**
	Half-year 2022 [5]								
HKAS34(16A)(g)(i)	Total segment revenue	32,434	21,200	6,402	12,049	10,900	4,300	3,119	90,404
HKAS34(16A)(g)(ii)	Inter–segment revenue	(600)	(300)	(400)	(500)	(300)	(300)	(300)	(2,700)
	Revenue from external customers 14-16	**31,834**	**20,900**	**6,002**	**11,549**	**10,600**	**4,000**	**2,819**	**87,704**
HKAS34(16A)(l)	Timing of revenue recognition								
	At a point in time	31,834	20,900	6,002	800	950	4,000	2,819	67,305
	Over time	-	-	-	10,749	9,650	-	-	20,399
		31,834	**20,900**	**6,002**	**11,549**	**10,600**	**4,000**	**2,819**	**87,704**
HKAS34(16A)(g)(iii)	**Adjusted EBITDA**	**8,503**	**6,403**	**5,710**	**8,301**	**3,450**	**2,620**	**2,164**	**36,791**

		Furniture – manufacturing and wholesale	Furniture - retail		IT consulting		Electronic equipment	All other segments	Total
	Half-year 2023	**Oneland**	**China**	**Oneland**	**US**	**Europe**	**Oneland**		
		CU'000	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**	**CU'000**
HKAS34(16A)(g)(iv)	**Total segment assets**								
	30 June 2023	67,480	50,700	63,110	26,970	19,825	31,940	23,699	283,724
	31 December 2022	63,286	45,500	54,950	31,640	23,510	32,815	28,632	280,333
HKAS34(16A)(g)(iv)	**Total segment liabilities**								
	30 June 2023	12,905	5,100	10,051	2,800	2,200	6,938	2,697	42,691
	31 December 2022	12,238	4,800	11,390	3,900	2,600	6,087	1,112	42,127

The strategic steering committee uses adjusted EBITDA as a measure to assess the performance of the segments. This excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non–recurring event. It also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

2(b) Segment information provided to the strategic steering committee

HKAS34(16A)(g)(vi)

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	Notes	Half-year 2023 CU'000	2022 CU'000
Adjusted EBITDA		**30,328**	33,991
Intersegment eliminations		**(270)**	(160)
Finance costs – net		**(2,849)**	(2,802)
Depreciation and amortisation expense	6,7	**(6,758)**	(5,697)
Impairment of goodwill and other assets	7	**(1,390)**	(3,620)
Legal expenses		**(1,375)**	-
Unrealised financial instrument gains/(losses)		**245**	105
Share options and rights granted to directors and employees		**(1,226)**	(995)
Other		**309**	108
Profit before income tax from continuing operations		**17,014**	20,930

Sales between segments are carried out at arm's length and are eliminated on consolidation. The amounts provided to the strategic steering committee with respect to segment revenue and segment assets are measured in a manner consistent with that of the financial statements. Segment assets are allocated based on the operations of the segment and the physical location of the asset.

3 Profit and loss information [8,19-20]

3(a) Significant items

		Half-year 2023 CU'000	2022 CU'000
	Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:		
HKAS34(16A)(c)	Gain on sale of freehold land (included in other gains/(losses))	**-**	1,270
HKAS34(16A)(c)	Impairment of goodwill (see note 7)	**(1,390)**	(2,410)
HKAS34(16A)(c)	Provision for legal claim (see note 8)	**(1,375)**	-
	Re-estimation of warranty provision (see note 8)	**(505)**	-
	Acquisition-related costs from the business combination (note 11)	**(750)**	-
	Remeasurement of contingent consideration (see note 11)	**(540)**	-
	COVID-19-related rent concessions	**XXX**	XXX
A4(1)(a) GEM18.50B(1)(a)	Loss on disposal of properties	**(XXX)**	(XXX)
HKAS34(16A)(c)	Write off of assets destroyed by fire		
	Office and warehouse building	**-**	(465)
	Plant and equipment	**-**	(210)
	Inventories	**-**	(535)
		-	(1,210)
	Less: Insurance recovery	**-**	300
	Net loss incurred in relation to the fire	**-**	(910)

4 Income tax

HKAS34(30)(c)
HKAS34(B12)

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2023 is 35%, compared to 33% for the six months ended 30 June 2022. The tax rate was lower in 2022 due to the recognition of previously unrecognised carried forward tax losses.

5 Dividends

		Half-year 2023 CU'000	Half-year 2022 CU'000
	5(a) Ordinary shares		
HKAS34(16A)(f) A4(3) GEM18.50B(3)	Dividends provided for or paid during the half-year	**12,782**	11,507

5(b) 6% cumulative redeemable preference shares

Dividends on these shares of CU330,000 (2022 - CU330,000) have been recognised in the statement of financial position as payables and have been charged to profit or loss as interest and finance charges because the shares are classified as liabilities.

		Half-year 2023 CU'000	Half-year 2022 CU'000
	5(c) Dividends not recognised at the end of the half-year		
Not mandatory	In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 22 cents per fully paid ordinary share (2022 - 20 cents). The aggregate amount of the proposed dividend expected to be paid on 10 October 2023 out of retained earnings at 30 June 2023, but not recognised as a liability at the end of the half-year, is	**12,806**	11,310

6 Property, plant and equipment [4,8,9]

HKAS34(15B)(d),(e),(15C)

In June 2023, the group acquired a block of vacant land in Springfield at a cost of CU3,000,000. The land will be used for the construction of additional production facilities for the electronic equipment division and the group has entered into new capital commitments of CU12,300,000 in relation to these facilities. Construction is expected to start in October 2023.

		Freehold land CU'000	Freehold buildings CU'000	Furniture, fittings and equipment CU'000	Machinery and vehicles CU'000	Assets under construction CU'000	Total CU'000
	At 31 December 2022						
HKAS16(73)(d)	Cost or fair value	22,570	38,930	31,790	90,285	3,450	187,025
HKAS16(73)(d)	Accumulated depreciation	-	-	(11,970)	(46,165)	-	(58,135)
	Net book amount	22,570	38,930	19,820	44,120	3,450	128,890
	Half-year ended 30 June 2023						
HKAS16(73)(e)	Opening net book amount	22,570	38,930	19,820	44,120	3,450	128,890
HKAS16(73)(e)(viii)	Exchange differences	-	-	(10)	(20)	-	(30)
HKAS16(73)(e)(iv)	Revaluation surplus	920	575	-	-	-	1,495
HKAS16(73)(e)(iii)	Acquisition of subsidiary (note 11)	-	1,000	1,300	9,795	-	12,095
HKAS16(73)(e)(i),(74)(b)	Additions	6,850	80	400	1,085	-	8,415
HKAS16(73)(e)(ii)	Disposals	(1,070)	(660)	(900)	(940)		(3,570)
	Transfers	-	3,450	-	-	(3,450)	-
HKAS16(73)(e)(vii)	Depreciation charge	-	(750)	(765)	(2,300)	-	(3,815)
HKAS16(73)(e)	Closing net book amount	29,270	42,625	19,845	51,740	-	143,480
	At 30 June 2023						
HKAS16(73)(d)	Cost or fair value	29,270	42,625	32,580	100,205	-	204,680
HKAS16(73)(d)	Accumulated depreciation	-	-	(12,735)	(48,465)	-	(61,200)
	Net book amount	29,270	42,625	19,845	51,740	-	143,480

7 Intangible assets [4,8-12]

HKAS34(15B)(d),(15C)

The intangible assets held by the group increased primarily as a result of the acquisition of Better Office Furnishings Limited. See note 11 for further information.

HKFRS3(B67)(d)(i)
HKAS38(118)(e)

		Goodwill [17] CU'000	Patents, trademarks and other rights CU'000	Internally generated software CU'000	Customer lists and contracts CU'000	Total CU.'000
	At 31 December 2022					
	Cost	10,715	12,430	3,855	3,180	30,180
	Accumulated amortisation and impairment	(2,410)	(1,300)	(710)	(1,210)	(5,630)
	Net book amount	8,305	11,130	3,145	1,970	24,550
	Half-year ended 30 June 2023					
	Opening net book amount	8,305	11,130	3,145	1,970	24,550
HKFRS3(B67)(d)(ii)	Additions	-	320	725	-	1,045
	Acquisition of subsidiary (note 11)	1,360	-	-	3,465	4,825
	Impairment charge (a)	(1,390)	-	-	-	(1,390)
	Amortisation charge	-	(410)	(150)	(1,205)	(1,765)
	Closing net book amount	8,275	11,040	3,720	4,230	27,265
HKFRS3(B67)(d)(viii)	At 30 June 2023					
	Cost	12,075	12,750	4,580	6,645	36,050
	Accumulated amortisation and impairment	(3,800)	(1,710)	(860)	(2,415)	(8,785)
HKAS1(77)	Net book amount	8,275	11,040	3,720	4,230	27,265

7(a) Goodwill impairment [10,12]

Revised illustration

Significant estimates

Rising inflation has had a negative impact on the purchasing power of customers, resulting in the European IT consulting division losing two major customers. There was also an unexpected significant increase in costs due to rising inflation in the industry in both Europe and the US. Management has therefore recalculated the recoverable amount of the two CGUs as at 30 June 2023. An impairment loss of CU1,390,000 was recognised for the European IT consulting CGU, reducing the carrying amount of the goodwill for this CGU to CU1,480,000. The recoverable amount of the entire European CGU at 30 June 2023 was CU19,963,000.

The recoverable amount of the IT consulting CGU in the US was estimated to be CU27,153,000 as at 30 June 2023 (31 December 2022 – CU36,275,000) which exceeded the carrying amount of the CGU by CU123,000 (31 December 2022 – CU4,560,000). No impairment was therefore required for this CGU.

HKAS36(134)(d)(i)

The recoverable amount of the two CGUs was determined based on value-in-use calculations, consistent with the methods used as at 31 December 2022. For details see note 8(c) of our Annual report. The following table sets out the key assumptions for the two CGUs where the impairment calculations were updated as at 30 June 2023:

HKAS36(130)(g), (134)(d)(i),(iv),(v)

See the commentary at the end of this section for the impact of:

- inflation on long-term growth rates (para 17) and
- economic uncertainty on determining the WACC (para 18)

	30 June 2023		31 Dec 2022	
	US	**Europe**	US	Europe
Sales volume (% annual growth rate)	**2.1**	**1.5**	3.2	4.1
Sales price (% annual growth rate)	**1.5**	**0.9**	1.7	1.8
Budgeted gross margin (%)	**45**	**40**	60.0	55.5
Other operating costs (CU'000)	**9,300**	**7,200**	8,400	5,600
Annual capital expenditure (CU'000)	**500**	**280**	500	230
Long term growth rate (%)	**2.4**	**2.1**	2.2	2.0
Pre-tax discount rate (%)	**14.5**	**15.3**	14.0	14.8

New illustration

The significant decrease in the budgeted gross margin assumption in the current period was primarily due to:

(a) an increase in costs due to the current environment of high inflation which cannot be passed on to customers and

(b) a decrease in demand for products due to reduced purchasing power of customers.

[Entities should also consider explaining whether and how climate change has affected the assumptions made for the purpose of the impairment assessment, in particular if there have been significant changes since the last annual report.] [10-12]

HKAS36(134)(f)(ii), (iii)

The recoverable amount of the IT consulting CGU in the US would equal its carrying amount if the key assumptions were to change as follows:

	30 June 2023		31 Dec 2022	
	From	**To**	From	To
Sales volume (% annual growth rate)	**2.1**	**1.8**	3.2	2.0
Budgeted gross margin (%)	**45**	**42**	60	43
Long-term growth rate (%)	**2.4**	**2.1**	2.2	1.3
Pre-tax discount rate (%)	**14.5**	**14.9**	14.0	15.3

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any other instances that could cause the carrying amount of the US IT consulting CGU to exceed its recoverable amount.

As there were no indicators for impairment of any of the other CGUs, management has not updated any of the other impairment calculations.

8 Current provisions [8-9,19-20]

	30 June 2023 CU'000	31 December 2022 CU'000
Legal claims	**1,835**	460
Service warranties	**1,064**	635
Restructuring costs	**320**	900
Make good provision	**248**	225
Contingent liability recognised on acquisition of VALUE HKFRS Electronics Group	**-**	477
	3,467	2,697

HKAS34(16A)(c),(d) The group has received new legal advice in relation to the claim which alleges that VALUE HKFRS Manufacturing Limited had breached certain registered patents of a competitor. The advice now states that it is probable that the entity will be required to pay some compensation in relation to this matter. While the entity is still vigorously defending the claim, it has recognised a provision of CU1,375,000 for this claim as at 30 June 2023.

HKAS34(15B)(f), (16A)(d) The lawsuit against VALUE HKFRS Electronics Group alleging defects on products supplied to certain customers was settled in April 2023 with a payment of CU460,000. The unused amount of CU17,000 was reversed to profit or loss.

HKAS34(16A)(d) In May 2023, the group discovered problems with certain parts used in the manufacture of electronic equipment which resulted in an increase of warranty claims. As a consequence, the estimated rate of claims has been increased in calculating the warranty provision as at 30 June 2023. This resulted in an increase of the provision by CU505,000 in addition to the normal movements in the provision.

	Contingent liability CU'000	**Restructuring obligations CU'000**	**Service warranties CU'000**	**Legal claims CU'000**	**Make good provision CU'000**	**Total CU'000**
Current						
Carrying amount at 1 January 2023	477	900	635	460	225	2,697
Charged/(credited) to profit or loss						
additional provisions recognised	-	-	652	1,375	13	2,040
unused amounts reversed	(17)	-	-	-	-	(17)
unwinding of discount	-		-	-	10	10
Amounts used during the half-year	(460)	(580)	(223)	-	-	(1,263)
Carrying amount at 30 June 2023	-	320	1,064	1,835	248	3,467

9 Borrowings [8-9,13]

HKAS34(16A)(c),(e) In February 2023, the group entered into a new loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility is CU20,000,000 of which CU7,000,000 were drawn down as at 30 June 2023. The facility is repayable in three annual instalments, commencing 1 June 2027.

HKAS34(15C) The loan is a fixed rate, Oneland-currency denominated loan which is carried at amortised cost. It therefore did not have any impact on the entity's exposure to foreign exchange and cash flow interest rate risk.

HKFRS9(B5.4.2) Facility fees of CU250,000 were payable to the lender upon signing the new loan agreement. These were debited as transaction cost to the loan account to the extent the loan was drawn down as at 30 June 2023. An amount of CU162,500 is carried forward in other current assets and will be recognised as a transaction cost when the balance of the facility is drawn down. This is expected to occur within the next six months, as construction payments become due and payable.

HKFRS9(B5.4.6) In addition, the group also renegotiated one of its existing loan facilities to take advantage of lower interest rates. The refinancing resulted in the recognition of a modification gain of CU80,000 which is included in other gains/(losses) in the statement of profit or loss.

As at 30 June 2023, the contractual maturities of the group's non-derivative financial liabilities were as follows:

Risk management disclosures may also need to be updated for the impacts of rising inflation and interest rates – see commentary para 29 at the end of this section

Contractual maturities of financial liabilities At 30 June 2023	**Less than 6 months CU'000**	**6 – 12 months CU'000**	**Between 1 and 2 years CU'000**	**Between 2 and 5 years CU'000**	**Over 5 years CU'000**	**Total contractual cash flows CU'000**	**Carrying Amount (assets)/ liabilities CU'000**
Non-derivatives							
Trade payables	11,252	-	-	-	-	11,252	11,252
Contingent consideration (note 11)	-	600	650	700	-	1,950	1,820
Borrowings	4,245	4,540	9,500	31,490	55,725	105,500	102,303
HKFRS16(58) Lease liabilities	1,240	1,280	3,020	5,440	2,290	13,270	11,951
Total non-derivatives	16,737	6,420	13,170	37,630	58,015	131,972	127,326

Contractual maturities of financial liabilities At 31 December 2022 [3,4]	Less than 6 months CU'000	6 – 12 months CU'000	Between 1 and 2 years CU'000	Between 2 and 5 years CU'000	Over 5 years CU'000	Total contractual cash flows CU'000	Carrying Amount (assets)/ liabilities CU'000
Non-derivatives							
Trade payables	13,700	-	-	-	-	13,700	13,700
Borrowings (excluding finance leases)	4,439	4,639	9,310	46,195	40,121	104,704	97,515
Lease liabilities	1,455	1,456	2,911	5,337	2,340	13,499	11,501
Total non-derivatives	19,594	6,095	12,221	51,532	42,461	131,903	122,716

Loan covenants [9]

The new loan agreement also made changes to the loan covenants:

(c) the gearing ratio must now be below 45% (reduced from 50%), and

(d) the ratio of net finance cost to EBITDA must not exceed 10% (reduced from 12%).

The group complied with these ratios throughout the reporting period. As at 30 June 2023, the gearing ratio was 36% (21% at 31 December 2022) and the ratio of net finance cost to EBITDA was 9% (7% at 31 December 2022).

Financing arrangements [9]

The group's undrawn borrowing facilities were as follows:

	30 June 2023 CU'000	31 December 2022 CU'000
Fixed rate – expiring beyond one year	**13,000**	-
Floating rate		
Expiring within one year (bank overdraft and bill facility)	**12,400**	12,400
Expiring beyond one year (bank loans)	**6,160**	9,470
	31,560	21,870

10 Equity securities issued

	2023 Shares (thousands)	2022 Shares (thousands)	**2023 CU'000**	2022 CU'000
Issues of ordinary shares during the half-year				
HKAS34(16A)(e) Exercise of options issued under the VALUE HKFRS Employee Option Plan	**46**	-	**241**	-
Acquisition of subsidiary, net of transaction costs and tax	**-**	1,698	**-**	9,730
Issued for no consideration:				
HKAS34(16A)(e) Dividend reinvestment plan issues	**64**	59	**397**	174
	110	1,757	**638**	9,904

		2023 Shares (thousands)	2022 Shares (thousands)	2023 CU'000	2022 CU'000
	Movements in treasury shares during the half-year				
HKAS34(16A)(e)	Acquisition of shares by the VALUE HKFRS Employee Share Trust	**(201)**	(207)	**(1,270)**	(1,217)
HKAS34(16A)(e)	Employee share scheme issue	**183**	186	**1,132**	1,091
	Net movement	**(18)**	(21)	**(138)**	(126)

HKAS34(16A)(i)

11 Business combination [3,19,21,38]

11(a) Current period

HKFRS3(B64)(a)-(d)

On 15 February 2023, VALUE HKFRS Limited acquired 87.5% of the issued shares in Better Office Furnishings Limited, a retailer of office furniture and equipment, for consideration of CU12,030,000. The acquisition is expected to increase the group's market share and reduce cost through economies of scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

		CU'000
HKFRS3(B64)(f)	Purchase consideration	
	Cash paid	10,750
	Contingent consideration (ii)	1,280
	Total purchase consideration	12,030

HKFRS3(B64)(i)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value CU'000
Cash and cash equivalents	575
Property, plant and equipment (note 6)	12,095
Customer list (note 7)	2,285
Customer contracts (note 7)	1,180
Inventories	1,010
Receivables	685
Payables	(2,380)
Employee benefit obligations	(230)
Borrowings	(3,250)
Net deferred tax assets	420
Net identifiable assets acquired	12,390
Less: non-controlling interest	(1,720)
Add: goodwill	1,360
	12,030

HKFRS3(B64)(e),(k)

The goodwill is attributable to Better Office Furnishings Limited's strong position and profitability in trading in the office furniture and equipment market and synergies expected to arise after the company's acquisition of the new subsidiary. It has been allocated to the furniture-retail segment. None of the goodwill is expected to be deductible for tax purposes. See note 7 above for the changes in goodwill as a result of the acquisition.

HKFRS3(B67)(a)

The fair value of the acquired customer list and customer contracts of CU3,465,000 is provisional pending receipt of the final valuations for those assets. Deferred tax of CU1,040,000 has been provided in relation to these fair value adjustments.

11(a) Current period

(i) Acquisition-related costs

HKFRS3(B64)(m) Acquisition-related costs of CU750,000 are included in administrative expenses in profit or loss.

(ii) Contingent consideration

HKFRS3(B64)(g) The contingent consideration arrangement requires the group to pay the former owners of Better Office Furnishings Limited 20% of the average profit of Better Office Furnishing Limited in excess of CU2,000,000 for three years from 2023 to 2025, up to a maximum undiscounted amount of CU2,000,000. There is no minimum amount payable.

The fair value of the contingent consideration arrangement of CU1,280,000 was estimated calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Better Office Furnishing Limited of CU4,200,000 to CU4,400,000.

HKFRS3(B67)(b),(58) As at 30 June 2023, there was an increase of CU540,000 recognised in other gains/losses in profit or loss for the contingent consideration arrangement as the assumed probability-adjusted profit in Better Office Furnishings Limited was recalculated to be in the region of CU5,000,000 to CU5,300,000. The liability is presented within trade and other payables in the statement of financial position.

(iii) Acquired receivables

HKFRS3(B64)(h) The fair value of trade and other receivables is CU685,000 and includes trade receivables with a fair value of CU623,000. The gross contractual amount for trade receivables due is CU705,000, of which CU82,000 is expected to be uncollectible.

(iv) Non-controlling interest

HKFRS3(B64)(o) The group has chosen to recognise the non-controlling interest at its fair value for this acquisition. The fair value of the non-controlling interest in Better Office Furnishings Limited, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

(a) an assumed discount rate of 8%

(b) an assumed terminal value based on a range of terminal EBITDA multiples between three and five times

(c) long-term sustainable growth rate of 2%

(d) assumed financial multiples of companies deemed to be similar to Better Office Furnishings Limited, and

(e) assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest in Better Office Furnishing Limited.

(v) Revenue and profit contribution

HKFRS3(B64)(q) The acquired business contributed revenues of CU16,230,000 and net profit of CU2,675,000 to the group for the period from 15 February 2023 to 30 June 2023. If the acquisition had occurred on 1 January 2023, consolidated revenue and consolidated profit after tax for the half-year ended 30 June 2023 would have been CU109,070,000 and CU12,676,000 respectively.

11(b) Prior period [3]

On 1 April 2022, the parent entity acquired 70% of the issued share capital of VALUE HKFRS Electronics Group. Details of this business combination were disclosed in note 14 of the group's annual financial statements for the year ended 31 December 2022.

12 Discontinued operation [3,19,21]

12(a) Description

HKAS34(16A)(c),(i) On 30 October 2021, the group announced its intention to exit the engineering business and initiated an active program to locate a buyer for its German subsidiary, VALUE HKFRS Engineering GmbH. The subsidiary was sold on 28 February 2022 with effect from 1 March 2022 and was reported in the financial statements for the half-year ended 30 June 2022 as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. For further information about the discontinued operation, please refer to note 15 in the group's annual financial statements for the year ended 31 December 2022.

12(b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the two months ended 28 February 2022 and subsequent adjustments to the contingent consideration receivable.

		Half-year 2023 CU'000	2022 CU'000
	Revenue	-	4,200
	Expenses		(3,939)
HKFRS5(35)	Other gains/(losses) (revaluation of contingent consideration receivable)	**(45)**	-
	(Loss)/profit before income tax	**(45)**	261
	Income tax benefit/(expense)	**13**	(78)
	(Loss)/profit after income tax of discontinued operation	**(32)**	183
	Gain on sale of subsidiary after income tax (see (c) below)	**-**	481
	(Loss)/profit from discontinued operation	**(32)**	664
	Exchange differences on translation of discontinued operation	**-**	170
	Other comprehensive income from discontinued operation	**-**	170
	Net cash inflow from ordinary activities	**-**	1,166
	Net cash inflow (outflow) from investing activities (2022 includes an inflow of CU3,110,000 from the sale of the division)	**-**	3,110
	Net increase in cash generated by the subsidiary	**-**	4,276
		Cents	Cents
HKAS33(68)	Basic earnings per share from discontinued operations	0.1	1.2
	Diluted earnings per share from discontinued operations	0.1	1.2

12(c) Details of the sale of the subsidiary

	Half-year 2023 CU'000	2022 CU'000
Consideration received or receivable:		
Cash	**-**	3,110
Fair value of contingent consideration	-	1,200
Total disposal consideration	**-**	4,310
Carrying amount of net assets sold	-	(3,380)
Gain on sale before income tax and reclassification of foreign currency translation reserve	**-**	930
Reclassification of foreign currency translation reserve		(170)
Income tax expense on gain	-	(279)
Gain on sale after income tax	-	481

In the event that the operations of the subsidiary achieve certain performance criteria during the period 1 March 2022 to 28 February 2024 as specified in an 'earn out' clause in the sale agreement, additional cash consideration of up to CU2,400,000 will be receivable. At the time of the sale, the fair value of the consideration was determined to be CU1,200,000 and was recognised as a financial asset at fair value through profit or loss.

HKFRS5(35) As at 30 June 2023, the fair value was estimated to be CU1,245,000 (note 17). The change in fair value of CU45,000 relates to the remeasurement of the expected cash flows and is presented in the statement of profit and loss within loss from discontinued operations, net of applicable income tax of CU13,000.

HKAS34(16A)(i)

13 Interests in associates and joint ventures [22]

On 15 February 2023, VALUE HKFRS Limited increased its investment in Cedar Limited from 10% to 30% for cash consideration of CU400,000 plus CU5,000 transaction costs. As a consequence, VALUE HKFRS Limited gained significant influence over this investment and the investment was reclassified from a financial asset at fair value through other comprehensive income (FVOCI) to an associate.

The carrying amount of the investment presented in FVOCI at the time of the transaction was CU150,000, including fair value gains of CU30,000 that had been recognised in other reserves. The group's accounting policy for step acquisitions of associates is to measure the cost as the sum of the fair value of the interest previously held plus the fair value of the additional consideration transferred (totalling CU550,000). The transaction costs of CU5,000 were expensed as incurred and recognised in administrative expenses. Consistent with the group's policy to transfer any amounts recognised in the FVOCI reserve to retained earnings upon disposal of an investment, CU30,000 were transferred to retained earnings following the step acquisition.

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2023:

	Half-year 30 June 2023 CU'000
Beginning of the period	3,775
Additions	550
Profit/(loss) for the period	205
Dividends paid	(300)
End of the period	4,230

14 Contingencies [8,9]

14(a) Contingent liabilities

HKAS34(15B)(m)
A32(12)
GEM18.41(12)

A claim for unspecified damages was lodged during the period against the furniture division. The company has disclaimed liability and is defending the action. No provision in relation to the claim has been recognised in the financial statements, as legal advice indicates that it is not probable that a significant liability will arise.

HKAS34(16A)(c),(15B)(f)

The claim lodged against VALUE HKFRS Retail Limited in December 2021 and disclosed in note 17 of the annual financial statements was settled through mediation. A payment of CU25,000 was made to the claimant.

15 Events occurring after the reporting period [23]

HKAS34(16A)(h)

On 31 July 2023, VALUE HKFRS Limited acquired all of the issued shares in Complete Office Furniture Limited, a manufacturer and retailer of premium office furniture and equipment, for cash consideration of CU4,500,000.

The provisionally determined fair value of the net identifiable assets of the company at the date of acquisition was CU4,090,000 and the purchased goodwill amounted to CU410,000.

The financial effects of the above transaction have not been brought to account at 30 June 2023. The operating results and assets and liabilities of the company will be brought to account from 31 July 2023.

Refer to note 5 for dividends recommended since the end of the reporting period.

16 Related party transactions [8-9,19-20]

HKAS34(15),(15B)(j)

During the half-year ended 30 June 2023, VALUE HKFRS Limited entered into a contract with Combined Construction Company Proprietary Limited for the construction of the new production facilities for the electronic equipment division. A director of VALUE HKFRS Plc, Mr A L Cunningham, is also a director and shareholder of Combined Construction Company Proprietary Limited. The contract is a fixed price contract for the sum of CU1,300,000. It is based on normal commercial terms and conditions.

17 Fair value measurement of financial instruments [2,9,24,38]

See the commentary (paras 25 to 27) at the end of this section for the impact of rising inflation and interest rates on fair value

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments since the last annual financial report.

17(a) Fair value hierarchy

HKAS34(15B)(h),(15C)

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2023 and 31 December 2022 [4] on a recurring basis:

HKFRS13(93)(a),(b)

At 30 June 2023	**Level 1 CU'000**	**Level 2 CU'000**	**Level 3 CU'000**	**Total CU'000**
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
US unlisted equity securities	**-**	**-**	**2,350**	**2,350**
US listed equity securities	**2,825**	**-**	**-**	**2,825**
Oneland listed equity securities	**5,975**	**-**	**-**	**5,975**
Preference shares – property sector	**-**	**1,165**	**-**	**1,165**
Other (contingent consideration; note 12)	**-**	**-**	**1,245**	**1,245**
Hedging derivatives – interest rate swaps	**-**	**310**	**-**	**310**
Hedging derivatives – foreign currency options	**-**	**1,634**	**-**	**1,634**
Financial assets at fair value through other comprehensive income (FVOCI)				
Equity securities – property sector	**1,412**	**-**	**-**	**1,412**
Equity securities – retail sector	**2,628**	**-**	**-**	**2,628**
Equity securities – biotech sector	**-**	**-**	**1,180**	**1,180**
Debentures – property sector	**340**	**-**	**-**	**340**
Debentures – retail sector	**372**	**705**	**-**	**1,077**
Total financial assets	**13,552**	**3,814**	**4,775**	**22,141**
Financial liabilities				
Contingent consideration payable (note 11)	**-**	**-**	**1,820**	**1,820**
Hedging derivatives – foreign currency forwards	**-**	**566**	**-**	**566**
Trading derivatives	**-**	**355**	**215**	**570**
Total financial liabilities	**-**	**921**	**2,035**	**2,956**

At 31 December 2022 [4]	Level 1 CU'000	Level 2 CU'000	Level 3 CU'000	Total CU'000
Financial assets				
Financial assets at FVPL				
US listed equity securities	5,190	-	-	5,190
Oneland listed equity securities	6,110	-	-	6,110
Preference shares – property sector	-	1,100	-	1,100
Contingent consideration – note 12	-	-	1,290	1,290
Hedging derivatives – interest rate swaps	-	453	-	453
Trading derivatives – foreign currency options	-	1,709	-	1,709
Financial assets at FVOCI				
Equity securities – property sector	1,286	-	-	1,286
Equity securities – retail sector	2,828	-	-	2,828
Equity securities – forestry sector	-	-	1,150	1,150
Debentures – property sector	378	-	-	378
Debentures – retail sector	350	790	-	1,140
Total financial assets	16,142	4,052	2,440	22,634
Financial liabilities				
Hedging derivatives – foreign currency forwards	-	766	-	766
Trading derivatives	-	275	335	610
Total financial liabilities	-	**1,041**	**335**	**1,376**

17(a) Fair value hierarchy

HKAS34(15B)(h),(k),(15C),(16A)(j) HKFRS13(93)(c),(e)(iv)

In March 2023, a major investment of VALUE HKFRS Limited was delisted. As it is no longer possible to determine the fair value of this investment using quoted prices or observable market data, it has been reclassified from level 1 into level 3.

HKFRS13(95)

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

HKFRS13(93)(a),(b),(d)

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2023.

HKFRS13(76),(91)(a)

Revised illustration

Level 1: The fair value of financial instruments traded in active markets (e.g. publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

HKFRS13(81),(91)(a),(93)(d)

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over–the–counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

HKFRS13(86),(91)(a),(93)(d)

Revised illustration

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

17(b) Valuation techniques used to determine fair values

HKFRS13(93)(d)

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves
- for foreign currency forwards – the present value of future cash flows based on the forward exchange rates at the reporting date
- for foreign currency options – option pricing models (e.g. Black-Scholes model), and
- for other financial instruments – discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain foreign currency forwards explained in (c) below.

17(c) Fair value measurements using significant unobservable inputs (level 3)

HKAS34(15B)(k),(15C)

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2023: [4]

HKFRS13(93)(e)

		Unlisted equity securities CU'000	Trading derivatives at FVPL CU'000	Contingent consideration receivable CU'000	Contingent consideration payable CU'000	Total CU'000
	Opening balance 31 December 2022	**1,150**	**(335)**	**1,290**	**-**	**2,105**
HKFRS13(93)(e)(iv)	Transfer from level 1	2,350	-	-	-	**2,350**
	Disposals	(100)	-	-	-	**(100)**
	Acquisitions	-	3	-	(1,280)	**(1,277)**
	Gains recognised in other income *	-	117	-	(540)	**(423)**
	Losses recognised in discontinued operations *	-	-	(45)	-	**(45)**
	(Losses)/gains recognised in other comprehensive income	130	-	-	-	**130**
	Closing balance 30 June 2023	**3,530**	**(215)**	**1,245**	**(1,820)**	**2,740**
HKFRS13(93)(f)	* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	-	93	(45)	(540)	(492)

HKFRS13(93)(d),(h)(ii)
Revised illustration

17(c) Fair value measurements using significant unobservable inputs (level 3)

(i) Transfers between levels 2 and 3 and changes in valuation techniques

The group further assessed the need for transfers between levels in the hierarchy given the changes in economic conditions and considering whether a lack of observable information existed for factors relevant to the value of certain instruments.

However, other than the transfer of equity securities from level 1 to level 3 explained under (a) above, there were no transfers required between the levels of the fair value hierarchy in the six months to 30 June 2023. The group also did not change any valuation techniques in determining the level 2 and level 3 fair values.

HKFRS13(93)(d),(99)

(ii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

HKFRS13(93)(d),(h)(i)

Description	Fair value at 30 June 2023 CU'000	Unobser-vable inputs *	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Unlisted equity securities	3,530	Earnings growth factor	2.5 % - 3.5% (3%)	Increased earnings growth factor (+50 basis points (bps)) and lower discount rate (-100 bps) would increase FV by CU190,000; lower growth factor (-50 bps) and higher discount rate (+100 bps) would decrease FV by CU220,000.
		Risk-adjusted discount rate	9% - 11% (10%)	
Trading derivatives	(215)	Credit default rate	25%	A shift of the credit default rate by +/- 5% results in a change in FV of CU60,000
Contingent consideration receivable	1,245	Risk-adjusted discount rate	14%	A change in the discount rate by 100 bps would increase/ decrease the FV by CU200,000
		Expected cash inflows	CU1,950,000 - CU2,170,000 (CU2,020,000)	If expected cash flows were 10% higher or lower, the FV would increase/ decrease by CU55,000
Contingent consideration payable	(1,820)	Risk adjusted discount rate	8%	A change in the discount rate by 100 bps would increase/decrease the fair value by CU52,000
		Expected revenues	CU5,200,000 - CU5,500,000	If expected revenues were 10% higher or lower, the fair value would increase/decrease by CU400,000

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

HKFRS13(93)(g)

(iii) Valuation processes

The finance department of the group includes a team that performs the valuations of non-property assets required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the group's half-yearly reporting periods.

17(c) Fair value measurements using significant unobservable inputs (level 3)

The main level 3 inputs used by the group in measuring the fair value of financial instruments are derived and evaluated as follows:

See commentary para 28 at the end of this section for guidance on determining the discount rate in times of high economic uncertainty.

- Discount rates: these are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by VALUE HKFRS Limited's internal credit risk management group.
- Earnings growth factor for unlisted equity securities: these are estimated based on market information for similar types of companies.
- Contingent consideration receivable and payable – expected cash inflows: these are estimated based on the terms of the sale contract, the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion, the team presents a report that explains the reason for the fair value movements.

17(d) Fair values of other financial instruments (unrecognised)

HKAS34(16A)(j)
HKFRS7(25)
HKFRS7(29)(a)

The group also has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2023:

	Carrying amount CU'000	Fair value CU'000
Non-current receivables		
Loans to key management personnel	520	455
Financial assets at amortised cost		
Debentures	750	885
Zero coupon bonds	550	773
Non-current borrowings		
Bank loans	42,852	45,100
Convertible notes	16,830	17,505
Redeemable preference shares	11,000	9,240

17(d) Fair values of other financial instruments (unrecognised)

Trade receivables

A4(2)(a)
GEM18.50B(2)(a)

The majority of the Group's sales are on letter of credit or documents against payment. The remaining amounts are with credit terms of 60 days and which are mostly covered by customers' standby letters of credit or bank guarantees. At 30 June 2023 and 31 December 2022, the ageing analysis[39] of the trade receivables based on invoice date were as follows:

	30 June 2023 CU'000	**31 December 2022 CU'000**
Trade receivables		
[Insert ageing, e.g.		
0-30 days	xxx	xxx
31-60 days]	xxx	xxx
	xxx	**xxx**

Trade and other payables

A4(2)(a)
GEM18.50B(2)(a)

At 30 June 2023, the ageing analysis[39] of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	30 June 2023 CU'000	**31 December 2022 CU'000**
Trade payables		
[Insert ageing, e.g.		
0-30 days	xxx	xxx
31-60 days	xxx	xxx
61-90 days]	xxx	xxx
	xxx	**xxx**

Risk management disclosures may also need to be updated for the impacts of rising inflation and interest rates – see commentary paras 29 to 32 at the end of this section.

18 Basis of preparation of half-year report [1-2,8,33-35]

HKAS34(19)
A38
GEM18.55(Note 1)

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting.*

HKAS34(6)
Not mandatory

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by VALUE HKFRS Limited during the interim reporting period.[34]

s436(3)

[Below guidance is applicable for companies incorporated in Hong Kong:]

The financial information relating to the year ended 31 December 2022 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2023 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622)*.

PwC Commentary – Statement required by Section 436(3) of the Hong Kong Companies Ordinance (Cap. 622) in relation to the publication of the non-statutory accounts for the comparative financial year included in this condensed consolidated interim financial information - Applicable to Hong Kong incorporated companies only (listed/unlisted)

The above paragraphs (or similar wording that covers all the matters that are required to be stated by section 436(3)) must be included in (or accompany) the non-statutory accounts to fulfil the requirements of Section 436(3) of the Hong Kong Companies Ordinance (Cap. 622) regarding the publication of non-statutory accounts.

* If the auditor's report on the comparative full year financial statements was qualified or modified or the auditor had drawn attention to a matter by way of emphasis or it contained any of the statements under section 406(2) (information in the directors' report is inconsistent with the financial statements), 407(2) (accounting records inadequate or financial statements not agreeing with accounting records) or 407(3) (failure to obtain necessary information and explanations), it will be necessary to adapt the illustrated wording to give information required by section 436(3)(d), as appropriate. It would be informative if a brief description is provided of the matter or matters addressed in the auditor's report. Section 436(4) expressly prohibits the full auditor's report accompanying the non-statutory accounts.

PwC commentary – Going concern basis

Although it is not an explicit requirement under HKAS 34 to disclose the interim financial statements are prepared on a going concern basis, going concern is one of the underlying assumptions of financial reporting and is also applicable to interim reporting. If there is a going concern issue, merely disclosing a statement in the interim report that the same accounting policies and presentation as adopted in the most recent annual financial statements is not adequate. The interim report should disclose the material uncertainties and an explanation on why the directors believe preparing the interim report on a going concern basis is appropriate.

HKAS34(16A)(a)
A37.2
GEM18.55(Note 5)

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see note 3(b)) and the adoption of new and amended standards as set out below. [33]

18(a) New and amended standards adopted by the group [40-47]

HKAS8(28)(a)

A number of amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards. [43]

18(b) Impact of standards issued but not yet applied by the entity [36,37]

HKAS8(30)

[Entities that could be expected to be significantly impacted by the adoption of any of the amendments made to accounting standards that are not yet mandatory should consider whether there is any information that they should provide in the interim financial report.] [36]

Notes to the consolidated financial statements

Structure of notes

1. We have structured our interim report using the same principles as applied in the annual report. Like the annual report, the interim report has a summary of significant events and transactions upfront, to help readers get a better picture of the entity's performance and of any changes to the entity's financial position during the interim period.

2. Focusing on the relevance of information, we have moved information to the back of the notes that we do not consider immediately relevant for an understanding of the major changes to the financial position and performance of the group during the interim period. For example, the information about the valuation of financial instruments must be disclosed in all interim reports, regardless of whether there have been significant changes during the period. For entities with only a limited amount of financial instruments and no major changes, this information will generally be of little interest and so has been moved to the back end of the report. However, this will not be the same for all, and each entity should consider what structure would be most useful in their own circumstances.

Comparative information

Narrative disclosures

HKAS34(16A)(j)

3. HKAS 34 does not comment on whether narrative information that was disclosed in the interim financial report for the comparative period must be repeated in the current interim financial report. However, as per paragraph 6 of HKAS 34, the interim financial report is intended to provide an update on the last complete set of annual financial statements. It should therefore focus on new activities, events and circumstances and does not need to duplicate information previously reported. On this basis, we do not believe it is necessary to repeat business combination disclosures that were also included in the latest annual financial statements. However, we have chosen to retain the comparative disclosures for the discontinued operation, since this disclosure explains amounts separately presented in the statement of profit or loss for the comparative period. These amounts may not necessarily be the same as the amounts reported in relation to the discontinued operation in the latest annual financial statements.

Roll-forward information

HKAS34(16A)(g)

4. There is also a question as to whether comparative information is required for roll-forward information, such as the table showing movements in property, plant and equipment or in relation to the financial instrument disclosures. For the same reasons as set out in the previous paragraph, we do not believe that comparative roll-forward information is required under HKAS 34. However, it may be necessary in certain circumstances to provide context for a particular transaction or event that is significant to an understanding of the changes in the entity's financial position and performance.

Segment information

5. Under HKAS 34, segment information must be included in interim reports for the year to date, but the standard does not specifically require the disclosure of segment information for additional periods for which a statement of profit or loss is presented in an interim report. We believe such disclosure would be helpful to the users of the interim report and it is likely to be consistent with the management commentary. Management should, therefore, consider providing segmental information for each period for which the statement of profit or loss is presented, including comparative figures.

Materiality

HKAS34(23)
HKAS1(7)
HKFRS PS2

6. Paragraph 23 of HKAS 34 requires management to assess materiality in relation to the interim period financial data when deciding how to recognise, measure, classify or disclose an item for interim financial reporting purposes. In making assessments of materiality, interim measurements may rely on estimates to a greater extent than measurements of annual financial data.

7. While materiality judgements are always subjective, the overriding concern is to ensure that an interim financial report includes all the information that is relevant to an understanding of the financial position and performance of the entity during the interim period. It is therefore generally inappropriate to base quantitative estimates of materiality on projected annual figures. Guidance on assessing materiality is provided in the non-mandatory HKFRS Practice Statement 2 *Making Materiality Judgements*.

Notes to the consolidated financial statements

Significant events and transactions

HKAS34(15),(15B)

8. Interim financial reports must include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. HKAS 34 provides examples of events or transactions that may need to be disclosed, but please note that the list is not exhaustive.

HKAS34(15C)

9. The information disclosed in relation to these events and transactions shall update the relevant information presented in the most recent annual financial statements and that are required under other accounting standards (e.g. HKFRS 7 *Financial Instruments: Disclosures*). For example, VALUE HKFRS Limited has acquired a significant parcel of land in the six months to June 2023 and refinanced a major borrowing. To show the impact of the acquisition on total property, plant and equipment, we have updated the reconciliation of property, plant and equipment from the last financial statements. We have also updated the liquidity risk disclosures to reflect the revised payment terms resulting from the refinancing.

10. If climate change matters create uncertainties that affect the assumptions used by the entity to develop estimates such as exposure to credit losses for financial assets, impairment calculations, useful lives of depreciable assets or long-term non-financial obligations, and there have been changes to those assumptions since the last annual financial report, the entity should explain how this has affected these estimates. Changes to assumptions may be necessary for example:

(a) following an entity's public statement about new or revised plans to decarbonise its operations (e.g. a net zero pledge)

(b) if an entity has published a sustainability/ESG report where commentary or metrics provide additional information about exposure to various risks (e.g. a report which shows significant increases in emissions or considers climate scenarios for the first time or in more detail), or

(c) as a result of substantive changes in legislation or policy, which could cause an entity to reassess the viability of a product line or result in the imposition of new costs since the end of the annual reporting period.

Further guidance on determining the impact of climate-related matters on financial reports is included in our In Depth INT2021-11 Link: *Impact of ESG matters on HKFRS financial statements* and our In brief INT2021-14 Link: *Impact of the Paris Agreement on Financial Reporting under HKFRS* which can both be accessed from Viewpoint. Insurers can also refer to the following publication, Link: *Climate related risks – what do insurers need to know?*

11. Similarly, if the entity has recognised an impairment loss during the interim reporting period, it should consider which of the disclosures made in the annual report would need to be updated in the interim report, to give users sufficient context and information about the uncertainties associated with the impairment calculations. We have illustrated what we would consider appropriate in the context of VALUE HKFRS Limited's fictional scenario. Depending on the individual circumstances, more or less disclosures may be required.

New requirements for consideration of impact:

Rising inflation and interest rates

12. Rising inflation and interest rates may also cause significant estimation uncertainty for both short- and long-duration assets and liabilities, and possibly require significant changes to estimates made in the most recent annual financial report. Where this is the case, an entity would need to provide appropriate explanations in the interim report. An entity further needs to disclose any changes in the business or economic circumstances that affect the fair value of its financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or at amortised cost. In the context of rising inflation and interest rates, such disclosures may be more relevant than previously for many entities. For guidance, see our In depth INT2022-12 Link: *Navigating HKFRS Accounting Standards in periods of rising inflation and interest rates.*

HKAS34(15C)

13. Another example of disclosures that may require updating in the interim report would be the offsetting disclosures that are required under HKFRS 7. The disclosures provided in the annual report (see note 23) should be updated if there have been any changes to the offsetting arrangements in the interim period. Entities should remember that the disclosures also cover master netting and similar arrangements that are not currently enforceable, see the commentary to note 23 in our Link: *Illustrative HKFRS consolidated financial statements for 2022 year-ends* publication for further information.

Notes to the consolidated financial statements

Disaggregation of revenue

HKFRS15(114), (B87)-(B89)

14. Entities must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will depend on the specific circumstances of each entity as to how much detail is disclosed. VALUE HKFRS Limited has determined that a disaggregation of revenue using existing segments and the timing of the transfer of goods or services (at a point in time vs over time) is adequate for its circumstances. However, this is a judgement and will not necessarily be appropriate for other entities.

HKFRS15(115)

15. Other categories that could be used as basis for disaggregation include:
    (a) type of good or service (e.g. major product lines)
    (b) geographical regions
    (c) market or type of customer
    (d) type of contract (e.g. fixed price vs time-and-materials contracts)
    (e) contract duration (short-term vs long-term contracts, or
    (f) sales channels (directly to customers vs wholesale).

16. When selecting categories for the disaggregation of revenue, entities should also consider how their revenue is presented for other purposes, e.g. in earnings releases, annual reports or investors presentation), and what information is regularly reviewed by the chief operating decision makers. Where revenue is disaggregated on a basis other than reportable segments, the entity must disclose sufficient information so users of their financial statements can understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each reportable segment.

Impact of inflation and increased economic uncertainty on impairment testing

New requirements for consideration of impact:
Rising inflation and increased economic uncertainty

17. The long-term growth rate should be reasonable in comparison to long-term inflation expectations, where a cash flow is prepared on a nominal basis. Nominal long-term growth rates in excess of long-term nominal GDP growth imply that the business will eventually grow at a rate faster than the economy itself. This is unlikely to be appropriate. The long-term growth rate should be corroborated using external evidence. For guidance, see our In depth INT2022-12 Link: *Navigating HKFRS Accounting Standards in periods of rising inflation and interest rates*.

New requirements for consideration of impact:
Rising inflation and interest rates

18. Where uncertainty in the economic environment has increased, the established methods for calculating the WACC should continue to be used. However, a reassessment of each input into the calculation and assessment of the overall result is needed. We would generally expect the inputs (such as long-term risk-free rates) used in the calculation of discount rates to increase compared to prior periods. See Link: In brief INT2022-20 *Have WACCs changed for December 2022 financial year ends?* for further information.

Other disclosures

HKAS34(16A)

19. In addition to disclosing significant events and transactions as explained in paragraphs 8 to 12 above, an entity shall include the information set out in paragraph 16A of HKAS 34 in the notes to the interim financial statements, unless the information is not material or disclosed elsewhere in the interim financial report. The information shall normally be reported on an annual reporting period to date basis. Where the information is disclosed elsewhere, the entity must provide a cross reference from the interim financial statements to the location of that information, and make the information available to users on the same terms and at the same time as the interim financial statements.

Unusual items

HKAS34(16A)(c)

20. Disclosure is required of the nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence.

Changes in the composition of the entity

HKAS34(16A)(i)

21. HKAS 34 requires interim financial reports to disclose the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinued operations. In the case of business combinations, the entity shall disclose the information required to be disclosed under paragraphs 59 – 62 and B64 – B67 of HKFRS 3 *Business Combinations*. If the goodwill relating to the acquisition is material, the disclosure should also include a reconciliation of goodwill as per paragraph B67(d) of HKFRS 3. See also commentary paragraph 38 below for disclosures that are not applicable to VALUE HKFRS Limited and therefore are not illustrated in note 11.

Notes to the consolidated financial statements

IFRS IC Agenda decision

January 2019

Step acquisition of associates

22. There are two approaches that could be adopted when an investor increases their stake in another entity and an existing equity investment measured at fair value becomes an associate for the first time. Those two methods are:

(a) 'Cost of each purchase' method: the cost of an associate acquired in stages is measured as the sum of the cost of the most recent purchase, plus transaction costs, plus the starting cost. The starting cost is the original consideration paid for each purchase, plus a share of the investee's subsequent profits and other equity movements (e.g. revaluations). for each purchase up to the date it becomes an associate. The difference between the fair value of the initial investment and its starting cost is recognised through profit or loss, even if the original change in the fair value was recognised in OCI.

IFRS IC Agenda decision

January 2009

(b) 'Fair value as deemed cost' method (by analogy with HKFRS 3): The cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held, plus the fair value of any additional consideration transferred as of the date when the investment became an associate. Previously held interests would have been measured at fair value under HKFRS 9 with changes in fair value recognised in either profit or loss or OCI. Under HKFRS 9, reclassification of fair value changes recognised in OCI to profit or loss are not allowed and remain in OCI or might be transferred to retained earnings (HKFRS 9.4.1.4, 5.7.5, B5.7.1). Because this method is based on analogy with the HKFRS 3, any acquisition-related costs are expensed in the period in which the costs are incurred. This is different from acquisition-related costs on initial recognition of an associate at cost, as they form part of the carrying amount of the associate. This is the method used by VALUE HKFRS Limited and illustrated in note 13 of this interim report.

The accounting method chosen by the entity should be applied consistently for all such transactions whereby an entity increases its investment from a portfolio investment to an associate undertaking.

Events occurring after the reporting period

HKAS34(16A)(h)

23. The interim financial report shall disclose events after the interim period that have not been reflected in the interim financial statements. Such disclosure would normally also include an indication of the financial effect of each event, where possible.

Fair value measurement

HKAS34(16A)(j)
HKFRS13(91)-(93)(h), (94)-(96),(98),(99)
HKFRS7(25),(26), (28)-(30)

24. Entities must also provide detailed information about the fair value measurements of their financial instruments, regardless of whether there have been significant changes or transactions during the interim period. This includes information about:

(a) the recognised fair value measurements at the end of the interim period.
(b) for financial assets and financial liabilities that are not measured at fair value – the fair value such that it can be compared with the carrying amount.
(c) for non-recurring fair value measurements, the reason for the measurement.
(d) the level of the fair value hierarchy within which the measurements are categorised.
(e) the amount of transfers between level 1 and level 2 of the hierarchy, the reasons for those transfers and the entity's policy for determining when transfers have occurred.
(f) for level 2 and level 3 measurements, a description of the valuation techniques and inputs used, changes in the valuation techniques used and reasons for changes. For level 3 measurements also quantitative information about significant unobservable inputs used.
(g) for level 3 measurements, a reconciliation from opening to closing balances, showing separately a number of specifically identified items.
(h) for recurring level 3 measurements, the amount of unrealised gains or losses for the period that is attributable assets and liabilities held at the end of the reporting period.
(i) for level 3 measurements, a description of the valuation processes used by the entity.
(j) for recurring level 3 measurements, a narrative description of the sensitivity of the fair value to changes in unobservable inputs and the effect of changes to unobservable inputs if such changes have a significant effect on the fair value.
(k) the existence of inseparable third-party credit enhancements.

Note that HKAS 34 only requires this information for financial instruments, not for non-financial assets and liabilities. However, where an entity has revalued non-financial assets or liabilities to fair value during the interim reporting period, or measured non-financial assets or liabilities at fair value for the first time, it should consider providing similar disclosures if the amounts involved are material. For further commentary around the fair value disclosures required under HKFRS 13 see commentary 12-13 to note 7 in our Link*: Illustrative HKFRS consolidated financial statements for 2022 year-ends* publication.

Impact of rising inflation and interest rates on fair value measurements

New requirements for consideration of impact:

Rising inflation and interest rates

25. Entities may need to consider the impact of changes in economic conditions on the fair value measurement, having regard to both direct and indirect impacts.

New requirements for consideration of impact:

Rising inflation and interest rates

26. Valuation best practices support the use of multiple valuation techniques when estimating the fair values. In some circumstances, it may be appropriate to change the methodology (for example, from a market multiple approach to a discounted cash flow approach) or change the weighting where multiple valuation techniques are used, where the change results in a measurement that is equally or more representative of the fair value. This change would be considered a change in accounting estimate.

New requirements for consideration of impact:

Rising inflation and interest rates

27. A change in the fair value measurement affects the disclosures required by HKFRS 13 about the valuation techniques and the inputs used in the fair value measurement, as well as the sensitivity of the valuation to changes in assumptions. For example, for the inputs disclosed in note 17(c), there may be additional indirect impacts from rising inflation and interest rates, such as changes to the credit risk of counterparties as a result of economic uncertainties. These impacts may need to be reflected in the sensitivity analysis that is required for recurring fair value measurements categorised within level 3 of the fair value hierarchy.

Determining discount rates in times of high economic uncertainty

New requirements for consideration of impact:

Rising inflation and interest rates

28. When determining discount rates in times of high economic uncertainty, entities may also need to consider the systematic and unsystematic risks to ensure that the discount rate and cash flows appropriately reflect the risks inherent to the asset. In this context:

(a) The systematic risk is measured in relation to the market as a whole. It represents the risk that cannot be reduced through diversification, and it is rewarded with a risk premium or higher level of expected return. This risk is derived from external macroeconomic factors that affect all companies in some way, although in different magnitudes.

(b) The unsystematic risk reflects the diversifiable risk, which is the risk specific to the particular asset. Factors considered include customer concentration risk, key person risk and regulatory risk. Where relevant, unsystematic risk should be reflected in the asset's cash flows, by using different scenarios with appropriate weightings.

Impact of rising inflation and interest rates on risk management disclosures

HKAS34(15)

New requirements for consideration of impact:

Rising inflation and interest rates

29. As noted in paragraph 8, interim financial reports must include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. In this context, entities may also need to provide updates on risk management disclosures, such as the impact of changes in economic conditions on liquidity risk and interest rate risk.

30. For example, sensitivity disclosures would need to be updated if the magnitude of a reasonably possible change in interest rates is materially different from that disclosed in the previous annual financial statements. Where there are changes in expected volatility, prior year disclosures should not be restated. An entity could choose, however, to present additional sensitivity information for the comparative period in addition to the required comparative figures from the prior year.

31. HKFRS 7 further does not limit disclosure of risks to only credit risk, liquidity risk and market risk. Hence, an entity may need to provide specific disclosures relating to inflation risk, if this information is not already captured in other market risk disclosures. For example, if an entity has an inflation-linked financial instrument, the sensitivity of such an instrument to changes in inflation rates should be disclosed.

32. In a difficult economic climate, it is further likely that entities will encounter increasing margin calls on derivatives requiring the posting of collateral, which can pose a significant liquidity risk. Entities may also be impacted where contractual terms include inflation-linked interest rates, for example in leasing contracts. If such contractual terms give rise to significant liquidity risk, entities should provide quantitative disclosures of their collateral and contractual arrangements to explain how this liquidity risk is managed.

Accounting policies

HKAS34(16A)(j),(15C)
A37.2
GEM18.55(Note 5)

33. The interim financial report shall include a statement that the same accounting policies and methods of computation are followed in the interim financial report as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change (see paragraphs 40 below for details of amended standards that apply to annual reporting periods commencing on or after 1 January 2023).

34. While there is no longer a requirement to prominently display an explicit statement that the interim financial report is to be read in conjunction with the most recent annual financial report, we recommend retaining it, as it is a useful explanation and reminder of the nature of an interim report. Entities may also want to place this statement on the front cover of the interim financial report as illustrated on the example contents page, to make this clear to readers of the interim financial report.

35. Where an entity prepares its first interim financial report and there is no previous annual report, we believe that a complete disclosure of material accounting policies should be provided. For guidance on assessing whether accounting policy information is material, please refer to our Link: *Practice Aid on the Accounting Policies Disclosures (Amendments to HKAS 1).*

Impact of standards issued but not yet applied

36. While not explicitly required under HKAS 34, entities should also consider explaining the impact of the future adoption of an accounting standard that has been issued, or amendments to existing standards that have been issued, but do not yet need to be applied by the entity. This would be the case in particular where adoption of the standard or the amendments will have a significant impact on the amounts recognised in the financial statements and this had not been disclosed in the previous annual financial report, or where the entity's assessment has significantly changed.

37. A list of amendments to standards that have been issued but that are not yet mandatory for annual reporting periods beginning on or before 1 January 2023 is in Appendix A(c).

Notes to the consolidated financial statements

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

38. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

Reference	Issue not illustrated	Relevant disclosure or reference
HKAS1(82)(aa),(ca),(cb)	Separate line items in the statement of profit or loss	Where applicable and material also disclose: - gains and losses arising from the derecognition of financial assets measured at amortised cost - gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss, and - gains and losses reclassified from OCI as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss.
HKAS34(16A)(b),(21)	Seasonal or cyclical operations	Explain how the seasonality or cyclicality affects the results and financial position for the interim report (see paragraph 39 below). Consider including financial information for the twelve months up to the end of the interim period and comparative information for the previous twelve months.
HKAS34(16A)(g)(v)	Segment disclosures: changes in basis of segmentation or measurement of segment profit or loss	Describe differences.
HKAS34(16A)(k) HKFRS12(9B)	The entity became an investment entity or ceased to be an investment entity during the interim period	Provide the disclosures required by HKFRS 12 paragraph 9B

Business combinations

Reference	Issue not illustrated	Relevant disclosure or reference
HKAS34(16A)(i)		
HKFRS3(B64)(j)	Contingent liabilities assumed in the business combination	Provide the disclosures required by HKAS 37 paragraphs 85 and 86
HKFRS3(B64)(l),(m)	Transactions recognised separately from the business combination	Disclose the details required by HKFRS 3 paragraph B64(l) and (m)
HKFRS3(B64)(n)	Bargain purchase	Disclose the amount of any gain recognised and where it is presented, and explain why the transaction resulted in a gain.
HKFRS3(B64)(p)	Business combination achieved in stages	Disclose the acquisition-date fair value of the equity interest held immediately before the acquisition date, the gain/loss recognised and where it is presented.
HKFRS3(B67)(a)(iii)	Subsequent adjustments to incomplete initial accounting	Provide the details required by HKFRS 3 paragraph B67(a)(iii)
HKFRS3(B67)(e)	Gains and losses recognised during the period relating to assets or liabilities acquired in a business combination in the current or previous reporting period	Disclose the amount and an explanation of any gain or loss recognised, if this information is relevant to an understanding of the entity's interim report.

Notes to the consolidated financial statements

Financial instruments – fair value measurements

Margin reference	Issue not illustrated	Relevant disclosure or reference
HKAS34(16A)(j)	**Issue not illustrated**	**Relevant disclosure or reference**
HKFRS13(93)(a)	Non-recurring fair value measurements	Disclose the reason for the measurement
HKFRS13(93)(c)	Transfers between level 1 and level 2 of the fair value hierarchy	Disclose the amount of any transfers, the reasons and the entity's policy for determining when transfers are deemed to have occurred
HKFRS13(98)	Liabilities measured at fair value with inseparable third-party credit enhancements	Disclose their existence and whether they are reflected in the fair value measurement of the liability
HKFRS7(28)	Financial assets or liabilities recognised where the transaction price is not the best evidence of fair value	Provide the information required by HKFRS 7 paragraph 28.

Seasonal or cyclical operations

39. Where an entity's operations are seasonal or cyclical, comments along the following lines should be included in the notes:

Seasonality of operations

Due to the seasonal nature of the US and UK retail segment, higher revenues and operating profits are usually expected in the second half of the year than the first six months. Wholesale revenues and operating profits are more evenly spread between the two half years. In the financial year ended 31 December 2022, 39% of revenues accumulated in the first half of the year, with 61% accumulating in the second half.

Changes in accounting policies

HKAS34(16A)(a)

40. New and amended standards and interpretations must be adopted in the first interim financial statements issued after their effective date or date of early adoption. There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2023 and entities will need to consider whether any of these amendments could affect their existing accounting policies for their 2023 interim reports:

(a) HKFRS 17 Insurance Contracts
(b) Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2
(c) Definition of Accounting Estimates – Amendments to HKAS 8
(d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12..

41. In addition to these amendments, at the time of writing this publication the HKICPA was further expected to finalise the following amendments by June 2023:

(a) International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
(b) Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7
(c) Lack of Exchangeability – Amendments to HKAS 21. .

Notes to the consolidated financial statements

42. HKAS 34 does not specify how much detail entities must provide to explain a change in policy. Where the change has a significant impact, we recommend following the requirements in HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Depending on the individual circumstances, in particular the impact of the change on individual line items in the financial statements, less detailed disclosures may also be sufficient.

43. There are a number of amendments to the accounting standards that became applicable from 1 January 2023 and that entities will need to consider in the preparation of interim reports for periods commencing after that date. These amendments are listed in Appendix A. For the purpose of this edition, we have assumed that VALUE HKFRS Limited did not have to make any changes to its accounting policies, as it is not affected by any of the amendments listed in Appendix A. However, this assumption will not necessarily apply to all entities. Except for the amendments that had already been early adopted, entities would need to consider whether any of these amendments could affect their existing accounting policies for their 2023 interim reports. Where there has been a change in policy, this will need to be explained.

Changes in accounting policy following IFRS IC agenda decisions

44. While IFRS IC agenda decisions do not form part of HKFRSs, they often provide explanatory material that provides new information 'that was not otherwise available and could not otherwise reasonably have been expected to be obtained' relating to the application of accounting standards. Therefore, an entity might be required to change its previous accounting treatment following the issue of an IFRS IC agenda decision. Often, but not always, changes resulting from an agenda decision would be a voluntary accounting policy change in accordance with HKAS 8, as it arises from 'new information'.

45. Paragraph 43 of HKAS 34 requires a voluntary change in accounting policy to be accounted for by restating the financial statements of prior interim periods of the current financial year, and the comparable interim periods of any prior financial years that will be restated in the annual financial statements in accordance with HKAS 8.

46. In this case, entities will need to identify which of the primary financial statements have been restated (usually by adding the word 'restated' to the relevant column headers), together with a reference to the note where information about the restatement can be found. In the statement of changes in equity, entities should show the effects of the retrospective restatement for each component of equity, usually by presenting three rows for the beginning balances of the comparative period: 'as originally presented', 'change in accounting policy, net of tax' with the note reference, and 'as restated'. Entities also need to include a third statement of financial position as at the beginning of the comparative period where the restatement had a material effect on the information at the beginning of the comparative period.

47. As noted in paragraph 42, entities should consider whether the requirements of HKAS 8 could be used to explain the nature and effect of the change in accounting policy. Entities should apply judgement to determine the extent of the disclosure, taking into consideration the requirements or expectations of local regulators and the significance of the changes. IFRS IC agenda decisions issued in the last 12 months to 28 February 2023 that may be relevant for the preparation of interim reports in 2023 are listed in Appendix A.

Guidance relating to Listing Rules disclosures

48. The disclosure requirement of the Listing Rule for ageing analysis of trade debtors should include the amounts due by related companies which are trading in nature. Moreover, the ageing analysis should be presented on the basis of the date of the relevant invoice or demand note and categorized into time-bands based on analysis used by an issuer's management to monitor the issuer's financial position. The basis on which the ageing analysis is presented should be disclosed. If the issuer is in industry that does not issue invoice to their customers, the issuer should present the ageing analysis based on the payment schedule set out in the sales and purchase contracts. (A4(2)(4.2), GEM18.50B(2)(Note))

Appendix A: New standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2023 (i.e. years ending 31 December 2023), (b) a list of IFRS IC agenda decisions for consideration and (c) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

(a) New standards and amendments – applicable 1 January 2023

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

Title	Key requirements	Effective Date *
HKFRS 17 *Insurance Contracts*	HKFRS 17 was issued in May 2017 as replacement for HKFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: ● discounted probability-weighted cash flows ● an explicit risk adjustment, and ● a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under HKFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying HKFRS 17 to investors and others. The amendments also deferred the application date of HKFRS 17 to 1 January 2023. classification overlay in the comparative period(s) presented on initial application of HKFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of HKFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of HKFRS 9. The classification can be applied on an instrument-by-instrument basis.	1 January 2023 (deferred from 1 January 2021) Insurance Industry page In depth INT2022-14
Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2	The HKICPA amended HKAS 1 to require entities to disclose their *material* rather than their *significant* accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. • To support this amendment, the HKICPA also amended HKFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023 In brief INT2021-2 Practice Aid Oct 2022
Definition of Accounting Estimates – Amendments to HKAS 8	The amendment to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023 In brief INT2021-2

* Applicable to reporting periods commencing on or after the given date.

Title	Key requirements	Effective Date *
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12	The amendments to HKAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: ● right-of-use assets and lease liabilities, and ● decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. • HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023 In brief INT2021-10

(b) IFRS IC agenda decisions issued in the last 12 months

As at 31 May 2023, the following agenda decisions were issued that may be relevant for the preparation of annual and interim reports in 2023. The date issued refers to the date of approval by the IASB as per the IASB's website. For more recent information, refer to our website at Link: viewpoint.pwc.com.

Date issued	Topic
April 2022	Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7)
May 2022	Principal versus Agent: Software Reseller (IFRS 15)
July 2022	Negative Low Emission Vehicle Credits (IAS 37)
July 2022	Special Purpose Acquisition Companies: Classification of Public Shares as Financial Liabilities or Equity (IAS 32)
July 2022	Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17)
October 2022	Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition
October 2022	Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16); for PwC guidance, see In brief INT2022-15
October 2022	Multi-currency groups of insurance contracts (IFRS 17 and IAS 21)
April 2023	Definition of a Lease—Substitution Rights (IFRS 16 Leases)

(c) Forthcoming requirements

As at 31 May 2023, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023. For more recent information, refer to our website at Link: www.viewpoint.pwc.com.

Title	Key requirements	Effective Date *
Classification of Liabilities as current or non-current - Amendments to HKAS 1	Amendments made to HKAS 1 *Presentation of Financial Statements* in 2020 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarified what HKAS 1 means when it refers to the 'settlement' of a liability. The amendments were due to be applied from 1 January 2022. However, the effective date was subsequently deferred to 1 January 2023 and then further to 1 January 2024.	1 January 2024 In depth INT2020-04
Non-current liabilities with covenants – Amendments to HKAS 1	In October 2022, the HKICPA made further amendments to HKAS 1 in response to concerns raised about these changes to the classification of liabilities as current or non-current. The new amendments clarify that covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current, even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include: ● the carrying amount of the liability ● information about the covenants, and ● facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants. • The amendments must be applied retrospectively in accordance with the normal requirements in HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.	1 January 2024 In brief INT2022-16
Lease liability in sale and leaseback – amendments to HKFRS 16	In September 2022, the HKICPA finalised narrow-scope amendments to the requirements for sale and leaseback transactions in HKFRS 16 *Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	1 January 2024 In brief INT2022-12
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28	The HKICPA has made limited scope amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in HKFRS 3 *Business Combinations*). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. *** In December 2015, the HKICPA decided to defer the application date of this amendment until such time as the HKICPA has finalised its research project on the equity method.	n/a ***
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements –Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	In December 2022, the HKICPA issued amendments to HKAS 1 *Non-current Liabilities with Covenants* to deal with the classification of long-term loan arrangements with covenants as current or non-current.	HK Int 5 (Revised) has incorporated the references to Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 Noncurrent Liabilities with Covenants. Both amendments are to be applied as a package and are effective for annual reporting periods beginning on or after 1 January 2024.

* Applicable to reporting periods commencing on or after the given date.

Appendix B: Abbreviations

Abbreviations used in this publication are set out below:

AGM	Annual General Meeting
bps	basis points
CGU	Cash-generating Unit
CODM	Chief operating decision maker
DP	Discussion Papers
ED	Accounting Exposure Drafts
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
FRS	Financial Reporting Standard (UK)
FV	Fair value
FVLCOD	Fair value less cost of disposal
FVOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVPL	(Financial assets/liabilities at) fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
HKAS	Hong Kong Accounting Standards
HKFRS	Hong Kong Financial Reporting Standards
HKICPA	The Hong Kong Institute of Certified Public Accountants
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBORs	Interbank offered rates
IFRIC	IFRIC Interpretations issued by the IFRS IC
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretations Committee of the IASB
ISA	International Standard on Auditing issued by the IAASB
ISRE	International Standard on Review Engagements issued by the the IAASB
NCI	Non-controlling interest
OCI	Other comprehensive income
PS	Practice Statement issued by the HKICPA
TSR	Total shareholder return

PwC’s Accounting Technical Publications

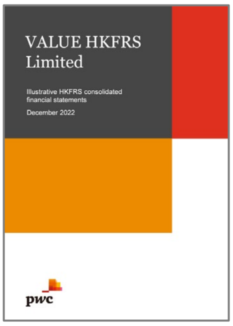
Manual of Accounting – IFRS 2022
Global guide to IFRS providing comprehensive practical guidance on how to prepare financial statements in accordance with IFRS.

The manual includes hundreds of worked examples and guidance on financial instruments.

Language: English

In depth – New IFRSs for 2023
This publication outlines the new IFRS standards and amendments plus those standards, amendments and IFRICs that are effective from 1 January 2023.

Language: English and Simplified Chinese



Illustrative HKFRS consolidated financial statements – for the year ended 31 Dec 2022

The 2022 version of the illustrative HKFRS consolidated financial statements is for a fictional listed manufacturing, wholesale and retail group. The illustrative example is prepared in accordance with the requirements as set out in:

- The Hong Kong Companies Ordinance (Cap.622);
- The Listing Rules issued by the Stock Exchange of Hong Kong Limited; and
- HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Language: English

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