

**Accounting Standards for Enterprises No. 32 - Interim Financial Report****Cai Kuai [2006] No. 3****Chapter I General Provisions**

Article 1 These Standards are formulated in accordance with the Accounting Standards for Enterprises - Basic Standards for the purpose of regulating the contents of interim financial reports, and the principles of recognition and measurement to be followed when working out the interim financial reports.

Article 2 An interim financial report refers to a financial report worked out on the basis of an interim period.

An interim period refers to a reporting term which is shorter than a full fiscal year.

**Chapter II Contents of Interim Financial Reports**

Article 3 An interim financial report shall at least include a balance sheet, an profit statement, a cash flow statement and explanatory notes.

The balance sheet, profit statement and cash flow statement included in an interim financial report shall be presented in their complete forms. Their format and contents shall be consistent with the annual accounting statements of the prior fiscal year. .

If the format and content of the financial statements have been changed due to the adoption of new accounting standards for the current year, the interim financial statements shall be worked out according to the amended format and content. In addition, the format and content of comparative financial statements for the prior fiscal year shall also be adjusted accordingly.

The basic earnings per share and the diluted earnings per share shall be separately presented in the interim profit statement.

Article 4 Where consolidated financial statements were worked out for the prior year, consolidated financial statements shall be worked out by the end of the interim period.

If a financial report for the prior year includes financial statements of the parent company besides the consolidated financial statements, the interim financial report shall include the financial statements of the parent company as well.

If a financial report for the prior year includes consolidated financial statements, but if all subsidiaries which were included in the consolidation scope were disposed during the period of interim reporting, the interim financial report shall be only required to provide the financial statements of the parent company, but the comparative financial statements for the prior year shall still include the consolidated financial statements unless there is no subsidiary in the comparative interim period of the prior year.

Article 5 An interim financial report shall, according to the following provision, provide the comparative financial statements :

(1) The balance sheet statement at the end of the current interim period and the balance sheet statement at the end of the prior year;

(2) The profit statement for the current interim period, the profit statement for the period from the beginning of the year to the end of the current interim period, as well as the profit statement of the

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comparative period of the prior year; and

(3)The cash flow statement for the period from the beginning of the year to the end of the current interim period, and the cash flow statement for the period from the beginning of the prior year to the end of the comparative current interim period.

Article 6Where any adjustment or revision is made to the items of the financial statements in an interim report, the relevant amounts of the items in the comparative financial statements for the prior year shall be re-classified according to the requirements of the interim financial statements for the current year, and the reasons and contents of the reclassification shall be explained in the notes. If the reclassification is impracticable, the reasons shall be given in the notes.

Article 7The notes in an interim financial report shall be worked out based on the period from the beginning of the year to the end of the current interim, and shall disclose any significant events or transactions, which occurred after the balance sheet date of the prior year and which may be helpful to the understanding of financial status, operating performance and cash flows changes of the enterprise.

The enterprise shall, in its notes, disclose any significant events or transactions, which may be helpful to the understanding of its financial status, operating performances and cash flows during the current interim period.

Article 8The notes in an interim financial report shall at least include the following information:

(1)A declaration that the accounting policies adopted for the interim financial statements are consistent with those for the financial statements of the prior year.

If the accounting policy altered, the nature, details, reasons and effect of the change of the accounting policy shall be explained . If it is unable to make a retrospective adjustment, the reasons shall be explained.

(2)The details, reasons and effect of alteration of accounting estimates, or if the effect cannot be determined, the reason shall be explained;

(3)The nature of any prior period error and the amount of correction; if the retrospective restatement is impractical, the reasons shall be explained;

(4)The seasonal or periodicity features of the enterprise's operations;

(5)The details of changes in affiliated enterprises where a control relationship exists. Where there are related party transactions, the nature of the affiliated party relationship, the types of transactions and the essential elements of the transactions shall be disclosed;

(6)The details of changes in the consolidation scope for the consolidated financial statements;

(7)The explanatory comments about the financial statement items that are abnormal in terms of their nature or amounts;

(8)The details of issuance, repurchase, and repayment of securities;

(9)The details of any distribution of profits to the enterprise's owners, including profits distributed and distribution proposed or approved but not yet made in the interim period;

(10)If any segment reporting information is required to be disclosed under the Accounting Standards for Enterprises, the segment revenue and segment profit (loss) under primary segment reporting shall be disclosed;

(11)The non-adjusting events occurring during the period from interim balance sheet date to the

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date on which the interim financial report is authorized for issuance;

(12)The details of any changes in contingent liabilities and contingent assets after the prior year's balance sheet date;

(13)A description of any changes in the composition of the enterprise such as business combination, acquisition or disposal of long-term investments for which the enterprise can exercise significant influence, has joint control or control over the investees, or termination of business operations; and

(14)Other significant transactions or events such as transfer and sale of significant long-term assets, significant acquisitions of fixed assets and intangible assets, significant research and development disbursements, significant assets impairment losses, etc.

When an enterprise provides information about the affiliated party transactions, and segment revenue and segment profit (loss) as mentioned in the preceding items (5) and (10), it shall simultaneously provide the figures of the current interim period (or the end of the current interim period), the figures during the period from the beginning of the current year to the end of the current interim period, the comparative figures of the comparative current period of the prior year (or the end of the comparative period), and comparative figures during the period from the beginning of the comparative year to the end of the current interim period.

Article 9In the recognition, measurement and reporting the each line item on the interim financial statements, the enterprise shall base its judgment about the importance of each line item on the interim financial figure other than on the annual financial figure.

As compared with annual financial figures, the interim accounting measurement may rely on the estimates to a greater extent, however, the enterprise shall ensure that the interim financial report it provides includes the relevant important information.

Article 10During the same fiscal year, if an estimate amount reported in an prior interim financial report is changed significantly during the final interim period but a separate financial report is not published for that final interim period by enterprise, the details, reasons, and effect amount of that alteration of estimate should be disclosed in the notes of the annual financial statements. .

### Chapter III Recognition and Measurement

Article 11The accounting policies adopted by an enterprise for its interim financial statements shall be consistent with those as adopted for its annual financial statements.

If any accounting policy alters after the balance sheet date of prior year and if the accounting policy after alteration will be adopted for the annual financial statements, the accounting policy after alteration shall be adopted for the interim financial statements and shall be treated according to the provision of Article 14 of these Standards.

Article 12The interim accounting measurement shall be based on the period from the beginning of the year to the end of the current interim period. The frequency of the financial reports shall not affect the measurement of the annual results.

Within a same accounting year, if the accounting estimate for an accounting statement item reported in a prior interim period alters in the subsequent interim period, such amount after accounting estimate alteration should be reflected in the subsequent interim accounting statements,

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but the amount of the item as reported in the prior interim period should not be adjusted.

In the mean while, the alteration of the accounting estimate shall also be disclosed in the notes according to provisions of Article (2) or Article 10 of these Standards.

Article 13 An enterprise should recognize and measure revenues that are received seasonally, cyclically or occasionally when they are occurred and shall not anticipate or defer such revenues in interim accounting statements unless anticipation or deferral were permitted at the end of the accounting year.

An enterprise shall recognize and measure costs that are incurred unevenly during an accounting year when they are incurred and shall not anticipate or defer such costs in the interim accounting statements unless the anticipation or deferral would be acceptable at the end of the fiscal year.

Article 14 If there is any alteration in an accounting policy during the interim period for an enterprise, it shall be treated according to the Accounting Standards for Enterprises No. 28 - Changes in Accounting Policies and Accounting Estimates, and Corrections of Errors and shall be disclosed accordingly in the notes pursuant to the provision of Article 8 (1) of these Standards.

If the cumulative effect of a change in accounting policy can be reasonably determined and if the change in accounting policy affects the figures of any line items on the interim financial statements for the prior interim period in the current fiscal year, these items shall be adjusted retrospectively as if the same accounting policy has been adopted throughout the whole fiscal year. In the mean while, the comparative financial statements of the prior year shall also be adjusted accordingly.

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