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HKFRS financial statements 2005

A practical guide for preparers

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Foreword

1 January 2005 marked the beginning of a new era for the setting of Hong Kong Financial Reporting Standards (HKFRSs). On that date, the suite of Accounting Standards in Hong Kong became fully harmonised with International Financial Reporting Standards (IFRSs), except for a few minor differences. This process resulted in the revision of numerous Standards and Interpretations and the issuance of several brand new Standards and Interpretations. The cumulative effect of these revisions and new Standards is that entities are being required to rewrite substantially their financial statements in 2005.

The objective of this guide is to provide assistance with the process of drafting those financial statements. This publication draws on our experience of the presentation and disclosure requirements of the new and revised Standards and their international equivalents and, in particular, of the understanding that we have gained by closely monitoring the drafting process. It deals with issues that we have faced, and overcome – in the hope that we can help readers to avoid those pitfalls.

This publication includes 2005 HKFRS model financial statements, a presentation and disclosure checklist for 2005 and a section which gives a summary of the key changes made to the listing rules which affect the disclosure and presentation of information in the 2005 annual report.

This is a year in which preparers will need to commit time and resources, well in advance of the final run-up to publication, to considering how best to apply the new requirements in drafting their financial statements. There is no one "correct" way to meet the requirements of HKFRSs – preparers need to consider the options available and to determine which best present the results and financial position in the entity's particular circumstances. The aim should be to arrive at a presentation that communicates information to the users of the financial statements in a manner that is clear, unambiguous and informative – and that meets the technical requirements of the Standards.

I would encourage readers to take the challenge further than simply addressing the new and revised requirements effective for 2005. I would strongly encourage preparers to stand back and review their financial statements as a whole – even those areas unaffected by the 2005 changes – and spend some time considering whether the layout and presentation can be improved. Very often, when a new disclosure is introduced, preparers will tend to "fit it in" to the existing financial statements with a view to minimum disruption. After a few years, the cumulative impact of these ad hoc changes can be to undermine the logical structure of the financial statements. 2005 is an opportunity to take the financial statements apart again and improve them as a whole.

Please continue to keep up to date with the new international developments that will shape Hong Kong Standard setting in the future via our IAS Plus website. Nearly 3 million people have visited www.iasplus.com to date. Our goal is to be the most comprehensive source of news about international financial reporting on the internet. Please check in regularly.

Stephen Taylor
Partner
Deloitte Touche Tohmatsu, December 2005

Abbreviations

App	Appendix to the Listing Rules
EPS	Earnings Per Share
GEM	Growth Enterprise Market of the SEHK
HKAS	Hong Kong Accounting Standard(s) issued by the HKICPA
HKFRS	Hong Kong Financial Reporting Standard(s) issued by the HKICPA
HKICPA	Hong Kong Institute of Certified Public Accountants
HK – Int	Hong Kong Interpretation
HK (IFRIC) – Int	Hong Kong (IFRIC) Interpretation
HK (SIC) – Int	Hong Kong (SIC) Interpretation
IAS(s)	International Accounting Standard(s)
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee of the IASB, and title of Interpretations issued by that Committee
IFRS(s)	International Financial Reporting Standard(s)
LR	Rules Governing the Listing of Securities on the SEHK (the Listing Rules)
PN	Practice Note to the Listing Rules
PRC	People's Republic of China
s	Section reference, Hong Kong Companies Ordinance
SAS	Statement of Auditing Standards issued by the HKICPA
Sch 10	Hong Kong Companies Ordinance, Tenth Schedule
SEHK	Stock Exchange of Hong Kong Limited (the Stock Exchange)
SFO	Securities and Futures Ordinance
SIC	Standing Interpretations Committee of the IASB's predecessor body and title of Interpretations issued by that Committee
SORIE	Statement of Recognised Income and Expense
SSAP	Statement of Standard Accounting Practice

The paragraphs of the guide, excluding the appendices, that represent the authors' interpretations are highlighted by green shading.

* Illustrative disclosures, provided in addition to those in the model financial statements, are highlighted by stone shading.

Contents

1. Summary of changes affecting disclosure and presentation in 2005 financial statements

At a glance

- The revisions to HKAS 1 and HKAS 8 merit particular consideration, specifically as regards the disclosure of the impact of new Standards (including those not yet effective), disclosure of critical accounting judgements and key sources of estimation uncertainty, and the presentation of changes in accounting policies and the correction of errors (see section 1.2 below).
- Revisions to HKAS 24 extend the related party Standard and the definition of related party, so that entities will need to revisit their disclosures to ensure that all relevant transactions and balances have been appropriately disclosed (see section 6.16).
- HKFRS 2 has considerably expanded the disclosure requirements for entities issuing share options to employees and entering into other share-based payment arrangements for goods or services (see section 6.14).
- Entities will need to consider their approach to the presentation and disclosure of financial instruments due to the introduction of two comprehensive Standards on financial instruments, HKAS 32 and HKAS 39. In addition, HKFRS 7 has been released, which is not yet effective, but for which early adoption is encouraged. It may be worthwhile considering early adoption (see section 6.12).
- For entities with discontinued operations, HKFRS 5 will require a fundamental redesign of the income statement. Not only that, but the Standard has quite a pervasive effect on the financial statements as a whole – in particular on the presentation of income statement disclosures required by other Standards and on the presentation of the cash flow statement (see section 1.3 below).
- For entities with interests in jointly controlled entities, HKAS 31 will permit the use of proportionate consolidation as an alternative to the equity method. If an entity changes to proportionate consolidation, this will significantly affect the way that jointly controlled entities are presented in the financial statements (see section 1.4 below).

1.1 Standards and Interpretations effective for the first time in 2005

All of the existing Statements of Standard Accounting Practice (SSAPs) and Interpretations have been renamed as Hong Kong Accounting Standards (HKASs) and Hong Kong (SIC) Interpretations (HK (SIC)-Ints), and their numbering has been aligned with the equivalent International Accounting Standards (IASs) and Interpretations issued by the Standing Interpretations Committee (SICs), respectively.

There are four new home-grown Hong Kong Interpretations (HK- Int 1–4) that have not been redesignated as there are no corresponding International Interpretations.

In addition, the new International Financial Reporting Standards (IFRSs) and Interpretations of IFRSs issued by the International Financial Reporting Interpretations Committee (IFRICs) are mirrored by equivalent HKFRSs and HK (IFRIC)-Ints. The majority of the Standards and Interpretations are effective for financial periods beginning on or after 1 January 2005.

The term “Hong Kong Financial Reporting Standards” (HKFRSs) includes all HKFRSs, HKASs and Interpretations. Interpretations refer to Hong Kong (IFRIC) Interpretations (HK(IFRIC)-Ints), Hong Kong (SIC) Interpretations (HK (SIC)-Ints) and the four Hong Kong Interpretations (HK-Ints) mentioned above. All of the HKICPA’s Standards and Interpretations in issue at 30 November 2005 are listed in the appendix to this publication.

The HKICPA has subsequently issued two new Standards (HKFRSs 6 and 7) and three Interpretations (HK(IFRIC)-Ints 4, 5 and 6), and has made revisions to HKAS 19, HKAS 32, and HKAS 39, which are not effective for 2005 year ends but for which early application is encouraged.

The presentation and disclosure requirements of all of these Standards and Interpretations are dealt with in the presentation and disclosure checklist section within this publication. The guidance in this section does not attempt to address all of these requirements – but rather focuses on those changes that are likely to be the most challenging in terms of the presentation of financial statements. In sections 2 to 6 we discuss the areas requiring consideration, generally in the order in which they might be presented in financial statements. There are, however, two specific matters that have quite a pervasive effect and to which we would like to just draw your attention.

1.2 Impact of revisions to HKAS 1 *Presentation of Financial Statements* and HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

HKAS 1 and HKAS 8 introduce a number of specific changes affecting presentation and disclosure which will have a significant effect on the overall presentation of the financial statements.

Matters arising from HKAS 1 to which preparers will need to pay particular attention include:

- changes in the detailed rules for the classification of assets and liabilities as current and non-current, which may be critical in circumstances where the reporting entity is refinancing its obligations or having difficulty in meeting its debt covenants (see section 3.1); and

- the introduction of a new requirement to disclose critical accounting judgements made and key sources of estimation uncertainty (see section 6.5). Although these disclosures have always been implicitly required by virtue of the general requirement to disclose all information relevant to an understanding of the financial statements, this new requirement puts preparers "on the spot" and requires them to publish an explicit and clear explanation of these items

Noteworthy revisions introduced by HKAS 8 have made the disclosure requirements regarding changes in accounting policies and the adoption of new Standards more onerous – so that the impact of such changes now has to be disclosed on a line-by-line basis (see section 6.2). In addition, the introduction of a new requirement to disclose the effect of Standards and Interpretations issued but not yet effective means that preparers will need to be aware of developments up to the date when financial statements are authorised for issue.

The revisions to HKAS 8 have also affected the presentation of the correction of errors, and the presentation of changes in accounting policies. Essentially, the concept of a "fundamental" error has been abandoned, and entities are now required to correct all material errors by restatement of prior period amounts unless this is impracticable (see section 4.3). All changes in accounting policies are required to be presented by restatement of prior period amounts, unless this is impracticable (see section 4.4). HKAS 8 includes a definition of "impracticable" and guidance on its interpretation.

1.3 Impact of HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

HKFRS 5 deals with two key points:

- the presentation of non-current assets held for sale, and associated liabilities, as separate captions on the face of the balance sheet (see section 3.2); and

- the presentation of discontinued operations (requirements have been substantially revised when compared to those previously contained in SSAP 33 *Discontinuing Operations*).

Under the revised requirements, the impact of discontinued operations will generally be presented as a single-line item on the face of the income statement – after the "profit for the year from continuing operations". Therefore, where an entity has discontinued operations, the amounts relating to those operations that would previously have been included in revenue, expenses, operating profit, tax etc. are excluded from those headings – thus conveying the impact of the "shrinkage" of the entity. Consequently, the impression of the scale of the entity's activities given by the income statement may be fundamentally changed.

From a purely practical perspective, this fundamental redraft of the income statement leads to a myriad of other issues. The problem is that HKAS 1, and other Standards that dictate disclosures in relation to the income statement, have not been redrafted in line with HKFRS 5. Therefore, for example, HKAS 1 requires that all revenue be presented on the face of the income statement – but this will not be possible where a single-line presentation of discontinued operations is adopted under HKFRS 5. Similarly, various Standards require the presentation of totals for expenses (e.g. HKAS 23 requires the disclosure of total borrowing costs), but the segregation of the income statement under HKFRS 5 means that this requirement will not be met on the face of the income statement, and that note disclosures will need to be redesigned. The change may also impact the layout of the cash flow statement, where an entity has discontinued operations (see section 5.1).

This is not rocket science – but it can result in the need for a fundamental redesign of the layout of the financial statements. The time required to complete this redesign should not be underestimated. Because a number of Standards are now inconsistent, this can be a frustrating process as the preparer tries to meet all the requirements, while still aiming for a clear presentation. We have highlighted a number of points that will require special consideration (see section 2 (income statement), section 6.6 (segment reporting) and section 6.7 (income and expense analysis)) in particular). We hope that this guidance will help preparers to avoid some of the hidden pitfalls.

1.4 Impact of applying proportionate consolidation under HKAS 31 *Interests in Joint Ventures*

HKAS 31 permits the use of proportionate consolidation to account for interests in jointly controlled entities. Under proportionate consolidation, the proportion of the venturer's holding in the entity is applied to each item of assets, liabilities, income and expense of the jointly controlled entity and these amounts are included within, or reported as a separate component of, each appropriate line item in the venturer's financial statements (see section 2.3 (income statement) and section 3.4 (balance sheet)). There will also be a similar impact on the cash flow statement (see section 5.2).

2. Income statement

At a glance

- Some changes to HKAS 1 regarding the amounts to be presented on the face of the income statement.
- Some guidance from the International Financial Reporting Interpretations Committee (IFRIC), the IASB's interpretative body, regarding other matters of presentation on the face of the income statement under IAS 1 (the international Standard equivalent to HKAS 1).
- Consistent with changes in other components of the financial statements, the minority share of the results for the period is now presented as an allocation to equity.
- For entities with discontinued operations, a fundamental redraft of the income statement is required to segregate the effect of discontinued operations.
- For an entity accounting for jointly controlled entities using proportionate consolidation, the income statement will include its share of the income and expenses of those entities on a line by line basis.

2.1 Items to be presented on the face of the income statement

2.1.1 Specific headings required by HKAS 1

HKAS 1.81 sets out the headings required to be presented on the face of the income statement. Two principal changes have been made to the requirements in SSAP 1:

- there is no longer a requirement to present "the results of operating activities" as a separate heading on the face of the income statement; and
- extraordinary items have been deleted from the list.

HKAS 1 makes no specific reference to operating profit or loss – although entities are clearly permitted to continue to present this sub-total. In fact, HKAS 1 would implicitly require its presentation "when such presentation is relevant to an understanding of an entity's financial performance". [HKAS 1.83] The IFRIC has spent some time considering what should be included and excluded from operating result in the event that it is presented – see section 2.1.2 below.

As regards extraordinary items, these have been an endangered species for some years – but the revisions to HKAS 1 mark the formal pronouncement of their extinction. "An entity shall not present any items of income and expense as extraordinary items, either on the face of the income statement or in the notes." [HKAS 1.85] It is interesting to note that there is no definition of 'extraordinary item' in the revised Standard – so future generations may be somewhat confused as to what it is that they are not permitted to present!

2.1.2 IFRIC discussions

Over the past 12 months, the International Financial Reporting Interpretations Committee (IFRIC), the IASB's interpretative body, has spent some time considering the question of presentation on the face of the income statement under IAS 1. As the requirements of HKAS 1 are the same as the requirements for IAS 1, the IFRIC discussions are summarised below for guidance.

It has rejected the idea of defining "operating" result in advance of the conclusion of the IASB's ongoing project on Performance Reporting. However, in the Basis of Conclusions to IAS 1 (the international Standard equivalent to HKAS 1), the IASB (the Board) has provided the following guidance:

> *The Board recognises that an entity may elect to disclose the results of operating activities, or a similar line item, even though this term is not defined. In such cases, the Board notes that the entity should ensure the amount disclosed is representative of activities that would normally be considered to be 'operating'. In the Board's view, it would be misleading and would impair the comparability of financial statements if items of an operating nature were excluded from the results of operating activities, even if that had been industry practice. For example, it would be inappropriate to exclude items clearly related to operations (such as inventory write-downs and restructuring and relocation expenses) because they occur irregularly or infrequently or are unusual in amount. Similarly, it would be inappropriate to exclude items on the grounds that they do not involve cash flows, such as depreciation and amortisation expenses. [IAS 1.BC13]*

The IFRIC has also considered the question of providing disclosure of expenses using a mix of the functional and natural classifications of expenses and has determined that this is not permitted. IAS 1 (and hence HKAS 1) specifies that an entity should present an analysis of expenses using a classification based on either the nature of expenses (staff costs, depreciation etc.) or their function within the entity (cost of sales, administration costs, distribution costs etc.), whichever provides information that is reliable and more relevant. The IFRIC considered examples where entities had chosen to classify expenses on a functional basis but excluded certain 'unusual' expenses from the functional classifications to which they related and presented them separately by nature (e.g. inventory write-downs, employee termination benefits, and impairments of property, plant and equipment or intangible assets). This practice has been rejected as misleading – because it can result in the misstatement of the functional classifications. For example, if termination benefits relating to manufacturing employees are separately presented on the face of the income statement, then the functional heading in which those costs should have been included (i.e. cost of sales) is misstated (see IFRIC Update October 2004).

At the same meeting, the IFRIC considered whether it is acceptable to present finance revenue and finance costs 'net' on the face of the income statement. The IFRIC members noted that paragraph 81 of IAS 1/HKAS 1 requires the face of the income statement to include line items that present, among other things, amounts for revenue and finance costs. It was agreed that, taken together with paragraph 32 of IAS 1/HKAS 1 (general prohibition on offsetting items in the income statement), paragraph 81 precludes presenting 'net finance costs' (or a similar term) on the face of the income statement without showing the finance costs and finance revenue making up the net amount. However, it was considered that this did not preclude presentation of finance revenue followed immediately by finance costs and a subtotal (e.g. 'net finance costs') on the face of the income statement (see IFRIC Update October 2004).

The following extract illustrates the presentation of a sub-total for 'net finance costs':

Extract from the income statement

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Operating profit	126,342	49,774
Investment revenues	3,501	717
Finance costs	(36,187)	(32,165)
Net finance costs	(32,686)	(31,448)
Share of profit of associates	12,763	983
Other gains and losses	(563)	(44)
Profit before tax	105,856	19,265

The conclusion in the previous paragraph raises another interesting question on the presentation of revenue, i.e. given IAS 1's/HKAS 1's requirement to present revenue on the face of the income statement, where the entity has more than one category of revenue (e.g. both trading and finance revenue), is it necessary to present a single line item that includes the combined revenue from all sources, or is it acceptable to present different categories of revenue as individual line items, without presenting a total for revenue? Before the October 2004 IFRIC conclusion on net finance costs (see above), there had been some uncertainty over whether paragraph 81 of IAS 1/HKAS 1 should be interpreted as requiring a single total for each item listed or whether several "line items" could be presented to represent a single requirement in paragraph 81 (e.g. revenue). The IFRIC conclusion on net finance costs implicitly confirms that it is acceptable to show separate items for revenue from customers and for finance revenue without having to total the two items on the face of the income statement. Therefore, if using the example formats in IAS 1/HKAS 1, it may be that the 'revenue' line consists only of revenue from the sale of goods and services.

The underlying message – be alert. The rules for presentation are not always clear – and accepted practice will evolve in coming reporting periods. In the meantime, regulators are keeping a watchful eye for any layout perceived to be misleading. One of the most important principles to bear in mind is that of consistency – both as regards the treatment of similar items in the same period, and the presentation adopted in successive periods.

2.1.3 Presentation of minority interest

Under HKAS 1, minority interests have been clearly defined as a subset of equity. Therefore, for the purpose of income statement presentation, the result for the period is effectively split between the proportion attributable to equity holders of the parent and the proportion attributable to minority interest. This is quite a key point of principle in reporting the result for the period, and is illustrated at the bottom of the consolidated income statement in the model financial statements.

2.2 Entities with discontinued operations

2.2.1 Requirements of the Standard

The HKFRS 5 requirements regarding the presentation of discontinued operations on the face of the income statement are set out below.

> *An entity shall disclose:*
>
> *a) a single amount on the face of the income statement comprising the total of:*
> *(i) the post-tax profit or loss of discontinued operations; and*
> *(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.*
>
> *b) an analysis of the single amount in (a) into:*
> *(i) the revenue, expenses and pre-tax profit or loss of discontinued operations;*
> *(ii) the related income tax expense as required by paragraph 81(h) of HKAS 12;*
> *(iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and*
> *(iv) the related income tax expense as required by paragraph 81(h) of HKAS 12.*
>
> *The analysis may be presented in the notes or on the face of the income statement. If it is presented on the face of the income statement it shall be presented in a section identified as relating to discontinued operations, i.e., separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition ….. [HKFRS 5.33]*

The effect of these requirements is that where an entity has a discontinued operation, the income statement is divided into two sections – continuing operations and discontinued operations. The components of the results of the continuing operations (revenue, expenses, tax etc.) are always presented on the face of the income statement. For discontinued operations, the entity has the choice of presenting the components on the face of the income statement or in the notes.

Presentation using the “single-line” approach for discontinued operations is illustrated in the income statement in the model financial statements.

Preparers need to be alert to the following consequences of a single-line presentation:

- the impact of the discontinued operation is excluded from the other headings on the face of the income statement – e.g. the amount presented as “revenue” is not the total revenue for the group, but the revenue for the continuing operations. Prior period amounts will need to be restated on same basis;

- this has implications for the entity’s compliance with the requirements of HKAS 1. For example, HKAS 1 requires the presentation of an analysis of expenses for the entire group, not just for continuing operations. HKAS 1 has not been amended to reflect the revised format of the income statement under HKFRS 5 – so entities will need to ensure that, where the requirements of HKAS 1 are not met on the face of the income statement, the required information is presented in the notes of the financial statements (see section 6.7 for further discussion); and

- where the entity elects not to present the detailed components of the discontinued operation on the face of the income statement, the detail must be presented in the notes to the financial statements. Note 10 in the model financial statements illustrates a possible note presentation.

Where the entity elects to present the detailed components of the results of discontinued operations on the face of the income statement, preparers will need to use their ingenuity to avoid cluttering the face of the income statement. To present the discontinued operation in a vertical layout, following on from the continuing operations, will generally result in a two-page income statement. Alternatively, a columnar approach could be considered. The most appropriate layout will depend on the entity’s particular circumstances.

2.2.2 Transitional provisions and restatement of comparatives

In practice, the transitional provisions of HKFRS 5 require more consideration than one might have imagined. Under HKFRS 5.43, the Standard is to be applied *prospectively* to operations that meet the criteria to be classified as discontinued after 1 January 2005 (the effective date of the Standard).

The entity may opt for retrospective application from a date earlier than 1 January 2005 if sufficient information is available (see HKFRS 5.43). If this approach is adopted then prior period amounts will be restated to reflect the segregation of all operations discontinued up to the 2005 balance sheet date. This would ensure consistency in the reporting of the income statement.

Preparers considering retrospective application in respect of their discontinued operations should be aware that it will only be possible to select this option if they also have the necessary information available for the retrospective application of HKFRS 5's requirements regarding non-current assets held for sale.

Assuming that the entity opts for prospective application, then the requirements of HKFRS 5 (as set out in 2.2.1 above) apply to operations that meet the criteria to be classified as discontinued in the 2005 accounting period. There are a number of issues regarding prospective application on which the Standard is unclear:

- HKFRS 5.34 requires that, where an operation is discontinued in the current period, the income statements for all prior periods should be restated so as to segregate the impact of those operations as discontinued. It is not clear whether this restatement is required in 2005 where the entity is adopting HKFRS 5 on a prospective basis;
- for operations that met the criteria for a discontinued operation in 2004, but that continue to impact the income statement in 2005, it is unclear whether prospective application means that they do not fall within the scope of the Standard; and
- based on the above, what happens if an operation was discontinued in 2004 but has no impact on the 2005 financial statements?

The answers to these questions are not clear. We believe that the most helpful approach is to assume that the comparatives should be restated for all operations that qualify as discontinued in either 2004 or 2005. This will ensure that the income statements for both periods will be comparable.

2.3 Entities with interests in jointly controlled entities

If an entity (venturer) has interests in jointly controlled entities and chooses to account for those interests using proportionate consolidation, the income statement will include the venturer's share of the income and expenses of the jointly controlled entities, either:

- combined line by line with similar items; or
- reported as separate line items in the venturer's income statement.

The following extract illustrates one way of presenting revenue in the income statement showing a separate line item for interests in jointly controlled entities:

Extract from the income statement

		Year ended 31/12/05		Year ended 31/12/04
		HK$'000		HK$'000
Revenue				
- Group	1,056,660		683,150	
- Jointly controlled entities	8,000		45,100	
		1,064,660		728,250

3. Balance sheet

At a glance

- New and revised Standards in 2005 are unlikely to have a very significant impact on the overall appearance of the face of the balance sheet.
- There have been a number of detailed changes regarding the analysis of assets and liabilities between current and non-current. These changes may be important – particularly where liquidity ratios are key, for example, for debt covenants.
- Consistent with changes in other components of the financial statements, minority interests are now presented within equity.
- HKFRS 5 requires the separate identification of non-current assets held for sale and associated liabilities.
- HKAS 39 is likely to result in the reclassification of financial instruments on the balance sheet.
- For an entity accounting for jointly controlled entities using proportionate consolidation, the balance sheet will include its share of the assets and liabilities of those entities.

3.1 Analysis of assets and liabilities between current and non-current

3.1.1 Presentation on the face of the balance sheet

From 2005, entities are required to analyse their assets and liabilities between current and non-current on the face of the balance sheet, except where a presentation based on liquidity provides information that is reliable and is more relevant. Where this exception applies, assets and liabilities should be presented in the balance sheet broadly in order of liquidity. [HKAS 1.51]

The Standard cites financial institutions as an example of entities for which a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is reliable and is more relevant than a current/non-current presentation, because such entities do not supply goods or services within a clearly identifiable operating cycle.

In the past, entities were effectively in a position to choose whether or not to present the current/non-current distinction on the face of the balance sheet. Where an entity supplies goods or services within a clearly identifiable operating cycle, and has previously elected not to present the current/non-current distinction on the face of the balance sheet, HKAS 1 requires the balance sheet presentation (including comparative amounts) to be amended.

3.1.2 Amended definition of current liability

The definition of a current liability has been expanded. Under SSAP 1, a liability was classified as current when it:

- was expected to be settled in the normal course of the entity's operating cycle; or
- was due to be settled within twelve months of the balance sheet date.

The revisions for 2005 financial statements add the following to liabilities that are classified as current: [HKAS 1.60]

- liabilities held primarily for the purpose of being traded; or
- liabilities where the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

The first of these will impact a small number of entities that acquire liabilities for trading purposes. The second addition may, however, have a more far-reaching impact. For example, where an entity borrows from a related party with no specific repayment date, a non-current classification could previously have been justified on the basis that there was no expectation of payment within the normal operating cycle, and there was no specified settlement date. Under HKAS 1, unless the entity has an unconditional right (rather than an expectation) to defer settlement until at least twelve months after the balance sheet date, the liability is classified as current.

The amended definition should also be applied to the comparative amounts presented in the balance sheet. Therefore, items that were not previously classified as current, but which fall within the expanded definition, should also be reclassified in amounts disclosed for prior years.

3.1.3 No adjustment for refinancing/rectification of breaches after the balance sheet date

Following the revisions to HKAS 1, financial liabilities that are due within twelve months of the balance sheet date must be classified as current, even where they have been refinanced after the balance sheet date. [HKAS 1.63] Under SSAP 1, the liability could be classified as current provided that the refinancing agreement was finalised before the financial statements had been authorised for issue.

Similarly, if, due to a breach of covenants before the balance sheet date, a long-term loan has become repayable on demand, the loan must be classified as current, unless the lender has agreed *before the balance sheet date* not to demand repayment as a consequence of the breach. The loan is classified as non-current if the lender has agreed, by the balance sheet date, to provide a period of grace ending at least twelve months after the balance sheet date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment. [HKAS 1.65 & 66] SSAP 1 allowed classification as non-current when (a) the lender had agreed before authorisation of the financial statements not to demand payment, and (b) it was not probable that further breaches would occur within twelve months of the balance sheet date.

These changes may be crucial for entities under financial stress and involved in renegotiation of their financing arrangements. Firstly, they will result in increased pressure to conclude negotiations before the balance sheet date. Secondly, if the negotiations are not completed by that date, the liabilities may be classified as current, which will have a consequential effect on liquidity ratios and, potentially, result in a breach of loan covenants.

Amounts presented for comparative periods should also be reclassified using the revised rules.

3.2 Assets and liabilities reclassified under HKFRS 5

HKFRS 5 specifies the following for balance sheet presentation purposes: [HKFRS 5.38]

- non-current assets classified as held for sale and the assets of a disposal group classified as held for sale should be presented separately from other assets in the balance sheet;
- the liabilities of a disposal group classified as held for sale should be presented separately from other liabilities in the balance sheet;
- the assets and liabilities shall not be offset and presented as a single amount; and
- the major classes of assets and liabilities classified as held for sale should be separately disclosed either on the face of the balance sheet or in the notes (except if the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition).

Therefore, "assets classified as held for sale" and "liabilities directly associated with assets classified as held for sale" may be two new categories on the face of the balance sheet. They should be included in the totals for current asset and current liabilities respectively. The balance sheet in the model financial statements illustrates one way of achieving this.

On an ongoing basis, where an asset meets the definition as held for sale and is classified as such in the current period, amounts for comparative periods are not reclassified.

The transitional provisions of HKFRS 5 allow that it be applied prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale after 1 January 2005. [HKFRS 5.43] Therefore, it will not generally be necessary to restate prior year balance sheets. However, in some circumstances, the entity may wish to opt for retrospective application from an earlier date (see discussion at 2.2.2) which is permitted by the Standard provided that sufficient information is available. [HKFRS 5.43]

3.3 Reclassification of financial instruments

HKAS 39 *Financial Instruments: Recognition and Measurement* may result in the reclassification of financial instruments in the balance sheet. The classification and measurement of financial assets under HKAS 39 is relatively similar to the alternative treatment of investments in securities under SSAP 24. However, HKAS 39 applies to all financial assets, not just investments in securities. HKAS 39 also has a fourth category, namely loans and receivables.

Entities will need to spend time categorising their financial instruments under the new HKAS 39 requirements. The new categories may lead to financial instruments currently recognised being measured differently (e.g. amortised cost vs. fair value). The introduction of the category "at fair value through profit and loss" also introduces a new choice to be considered. HKAS 39 has stringent rules for classifying financial assets in the amortised cost categories (i.e. held-to-maturity and loans and receivables). For example, financial assets classified as loans and receivables cannot be quoted in active markets and the held-to-maturity category is subject to tainting rules, whereby an entity cannot classify any financial assets as held-to-maturity for three financial years if it sells or reclassifies more than an insignificant amount of its held-to-maturity investments before maturity.

3.4 Entities with interests in jointly controlled entities

If an entity (venturer) has interests in jointly controlled entities and chooses to account for those interests using proportionate consolidation, the balance sheet will include the venturer's share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The proportionate share is either combined line by line with similar items in the venturer's financial statements or reported as separate line items.

The following extract illustrates one way of presenting inventories in the balance sheet, showing a separate line item for interests in jointly controlled entities.

Extract from the balance sheet

		31/12/05		31/12/04
		HK$'000		HK$'000
Inventories				
- Group	103,590		93,584	
- Jointly controlled entities	14,103		15,114	
		117,693		108,698

4. Statement of changes in equity

At a glance

- There have been some changes to HKAS 1's requirements regarding the presentation of changes in equity – nothing major, but they will require attention to ensure compliance with the detailed requirements.
- Movements in equity attributable to minority shareholders are now required to be separately identified.
- For entities adopting the February 2005 amendments to HKAS 19 in advance of their effective date, an option has been introduced to recognise in equity actuarial gains and losses arising in post-employment defined benefit schemes.
- There have been some changes to the requirements concerning the correction of errors and accounting for changes in accounting policies which, in general, will result in more restatement of prior periods and additional disclosures.
- Entities with amounts recognised in equity as a result of share-based payment arrangements will need to consider how best to present those amounts.
- Movements in the equity of associates are now specifically required to be separately disclosed.

4.1 Presentation of changes in equity

The general requirement to present a statement of changes in equity has not changed. Essentially, the entity has a choice between presenting a statement of recognised income and expense (excluding transactions with equity holders) as a primary statement, with a comprehensive reconciliation of all movements in equity presented in the notes, and presenting a comprehensive statement of all changes in equity as a primary statement (see HKAS 1.96 and HKAS 1.97). The model financial statements illustrate both of these options.

Detailed changes for 2005 include:

- whichever format is selected, the entity is required to present a separate line item "total income and expense for the period", calculated as the total of profit or loss for the period and other items of income and expense recognised directly in equity;
- the statement must show separately the total amounts of income and expense attributable to equity holders of the parent and to minority interest;
- an explicit requirement to present separately in the statement of changes in equity distributions to equity holders; and
- formal clarification that transactions costs arising on transactions with equity holders should be excluded from amounts recognised as income and expense, consistent with the treatment of the underlying transactions.

The February 2005 amendments to HKAS 19 (see section 4.2 below) have introduced another minor change in the requirements – where the entity opts to present a primary statement showing only items of income and expense (with transactions with equity holders relegated to the notes), the primary statement should be titled "statement of recognised income and expense" (SORIE).

Although there have been no significant changes in the requirements outlined above, entities may wish to reconsider the option that they have previously selected for the presentation of changes in equity. They may wish to change the presentation adopted in order to more effectively communicate the impact of changes in equity. Factors to be considered include:

- as discussed in section 4.2 below, where an entity elects to recognise actuarial gains and losses outside of profit or loss, the amendments to HKAS 19 require that it present those changes in a SORIE. Therefore, for such entities, the alternative of presenting the comprehensive statement of all changes in equity as a primary statement is not available; and

- as financial statements become more comprehensive, there are more and more problems in practice with the presentation of a comprehensive statement of changes in equity as a primary statement. New Standards (e.g. HKFRS 2) are requiring additional items to be presented in equity. Additional sub-totals (e.g. the total for all income and expense discussed above) and analyses (separate identification of equity movements attributable to minorities) expand the statement further and test the limitations of word processors in all but quite simple scenarios. Preparers may wish to opt for the SORIE presentation in order to avoid a cluttered and incomprehensible primary statement.

4.2 Recognition of actuarial gains and losses outside of profit or loss

In February 2005, the HKICPA issued amendments to HKAS 19 which deal with the following:

- the introduction of an additional recognition option for actuarial gains and losses arising in post-employment defined benefit schemes;

- clarification that a contractual agreement between a multi-employer plan and participating employers that determines how a surplus is to be distributed or a deficit funded will give rise to an asset or liability;

- accounting requirements for group defined benefit plans in the separate or individual financial statements of entities within a group; and

- a number of additional disclosure requirements (see section 6.15).

Under the additional recognition option, entities that elect to recognise actuarial gains and losses in the period in which they occur are permitted to recognise those gains and losses in the statement of changes in equity. Entities that continue to follow HKAS 19's 'corridor approach' or any other recognition pattern that does not result in immediate recognition of actuarial gains and losses must continue to recognise the portion of actuarial gains and losses recognised in any period in the income statement.

Where a policy of immediate recognition in equity is selected, that policy must be applied equally to all of the entity's defined benefit plans and to all of its actuarial gains and losses. The statement of changes in equity in which the gains or losses are recognised must be titled a "statement of recognised income and expense" and it must only include items of income and expense that, as permitted by specific Standards, are recognised in equity. Therefore, where an entity adopts this recognition option, it is not permitted to also select the option of presenting a comprehensive statement of changes in equity as a primary statement.

The amendments to HKAS 19 are effective from 1 January 2006, but earlier application is encouraged. Where the amendments are adopted for an earlier accounting period, that fact should be disclosed in the financial statements. In the absence of specific transitional provisions, the change in policy should be applied retrospectively.

Entities may therefore wish to consider applying the new recognition option in their December 2005 year ends – but it is not a decision that should be taken lightly. The impact of the change is that actuarial gains and losses never pass through the income statement – which might be perceived by some preparers as advantageous. The counter to this is that, under this new option, all actuarial gains and losses are recognised immediately – there is no corridor within which movements need not be recognised, and there is no smoothing of the impact over the average remaining working lives of the employees participating in the plan. This immediate recognition may have a significant impact on the entity's balance sheet – which preparers need to anticipate and accept.

It is interesting to note that, in its introduction to the amendments to HKAS 19, the HKICPA stated that it has reservations about aspects of HKAS 19, including concerns about deferred recognition of actuarial gains and losses. The HKICPA notes the intention of the IASB to undertake a major project on accounting for post-employment benefit plans – and, given the stated concern about deferred recognition, it appears that the IASB intends for all entities to be required to recognise gains and losses as they occur.

4.3 Corrections of errors

4.3.1 Revisions to HKAS 8

In the past, restatements of previous financial statements (other than those relating to changes in accounting policies) were required where a "fundamental" error had occurred. A fundamental error was defined as an error discovered in the current period of such significance that the financial statements of one or more prior periods could no longer be considered to have been reliable at their date of issue. The precise interpretation of this definition was a hotly debated topic – but there was general agreement that "fundamental" was a higher threshold than "material". To fall within the scope, it was generally required that the error had quite a pervasive effect. Such corrections were consequently quite rare and, when they did occur, they attracted close scrutiny from users of financial statements and regulators.

The revisions to HKAS 8 have eliminated the concept of a fundamental error. From 2005, all material prior period error corrections are to be treated in the same manner, i.e. by: [HKAS 8.42]

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest period presented.

4.3.2 Definition of a prior period error

Prior period errors are defined as:

> *… omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:*
>
> *a) was available when financial statements for those periods were authorised for issue; and*
>
> *b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.*
>
> *Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud. [HKAS 8.5]*

Although the concept of "fundamental" has fallen away – preparers still need to distinguish between corrections of errors and changes in accounting estimates. Accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

4.3.3 Meaning of impracticable

HKAS 8 does not require retrospective restatement for prior period errors where it is impracticable to determine the period-specific effects or the cumulative effect of the error. HKAS 8 provides new detailed guidance on the meaning of "impracticable" in this context.

> *Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:*
>
> *a) the effects of the retrospective application or retrospective restatement are not determinable;*
>
> *b) the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or*
>
> *c) the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:*
>
> *(i) provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and*
>
> *(ii) would have been available when the financial statements for that prior period were authorised for issue*
>
> *from other information. [HKAS 8.5]*

Further guidance is provided in paragraphs 50 to 53 of HKAS 8.

Preparers reading HKAS 8.5 will note that these are quite explicit requirements. It will not be acceptable to avoid retrospective restatement for errors or changes in accounting policies on the basis that the required information is not readily available. Given the expanded disclosure requirements relating to the correction of errors and, in particular, the justification where it has been determined that restatement is impracticable (see section 4.3.4), preparers will need to ensure that every effort is made to determine the effect on prior periods or that they are in a position to provide a robust explanation as to why this has not been possible.

Subparagraphs (b) and (c) of HKAS 8.5 (see above) may have the effect of prohibiting retrospective application, particularly where that treatment would require assumptions to be made about what management intent would have been in a prior period.

4.3.4 Disclosure

HKAS 1 deals with the disclosure of such corrections in the statement of changes in equity. For each component of equity, the effects of corrections of errors should be disclosed separately. These adjustments should be disclosed for each prior period and the beginning of the period. [HKAS 1.96(d) &100]

HKAS 8 sets out the following expanded disclosure requirements, which will normally be presented in the notes to the financial statements.

…an entity shall disclose the following:

a) the nature of the prior period error;

b) for each prior period presented, to the extent practicable, the amount of the correction:

(i) for each financial statement line item affected; and

(ii) if HKAS 33 applies to the entity, for basic and diluted earnings per share;

c) the amount of the correction at the beginning of the earliest prior period presented; and

c) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Financial statements of subsequent periods need not repeat these disclosures. [HKAS 8.49]

4.4 Presentation of changes in accounting policies

Changes in accounting policies are applied retrospectively with the resulting adjustment reported as an adjustment to the opening balance of retained earnings (or other relevant category of equity).

The guidance on impracticability referred to in section 4.3.3 above applies equally to restatements arising from changes in accounting policies. Therefore, preparers are required to restate retrospectively except in very limited circumstances and, where the 'impracticability' exception has been availed of, they must be prepared to disclose an appropriate justification.

HKAS 1 deals with the disclosure of such adjustments in the statement of changes in equity. For each component of equity, the effects of changes in accounting policies should be disclosed separately. These adjustments should be disclosed for each prior period and the beginning of the period. [HKAS 1.96(d) &100]

HKAS 8 expands the disclosure requirements regarding changes in accounting policy – see section 6.2 for a discussion of these changes.

4.5 Presentation of amounts recognised in equity for share-based payments

HKFRS 2 requires that certain amounts be recognised in equity in respect of share-based payment, but is not specific as to how those equity movements should be classified. There are a range of presentations available – the most common of which are:

- the creation of a separate reserve; or
- taking the credit entry to retained earnings.

The creation of a separate reserve is favoured by those who view the entry as representing the proceeds for the issue of equity instruments and who wish to segregate those proceeds. The reserve is built up over time as a representation of shares to be issued in the future – depending on the legal jurisdiction, it may be transferred to share capital or share premium when the underlying shares are issued. Supporters of this view generally see the retained earnings as the accumulated profits of the entity, and consider it illogical to charge an expense through profit or loss only to effectively reinstate it by a credit to retained earnings.

Taking the credit to retained earnings is justified on the basis that there is little point in building up a separate reserve for which there is no obvious future event that would result in its elimination. Retained earnings is not seen as the cumulative total of undistributed profit or loss (a view that was confirmed by the IASB in paragraph 48W in the Basis of Conclusions to HKAS 19 (as amended in February 2005)).

Either of the treatments discussed above seems acceptable under HKFRSs. We expect that practice will tend to vary between jurisdictions – where legal requirements as regards distributable profits and other factors will dictate conventions for the presentation of equity components.

4.6 Movements in the equity of associates

HKAS 28 *Investments in Associates* requires that the investor's share of changes recognised directly in the associate's equity should be recognised directly in equity by the investor and should be separately disclosed in the statement of changes in equity. [HKAS 28.39]

Most entities will have followed the requirements of HKAS 28.39 in the past in that, where an item was recognised directly in equity by an associate, it was also recognised in equity in the consolidated financial statements. However, these items were not always separately identified – as is now required. Whether or not each separate movement in the equity of associates needs to be separately disclosed will be a question of materiality in the context of the consolidated financial statements – if the movements are not individually material, then a single line item (share of movements in the equity of associates) will generally be acceptable.

Note that, under HKAS 28.27, if an associate uses accounting policies other than those of the investor for like transactions and events in similar circumstances, the associate's financial statements should be restated in line with investor's accounting policies for the purposes of equity accounting. Therefore, the reference in HKAS 28.39 to items recognised directly in equity by an associate refers to items recognised directly in equity using the investor's accounting policies.

This absolute requirement for uniform accounting policies is new under HKAS 28. Entities that have previously incorporated the financial statements of associates prepared using accounting policies that were inconsistent with those of the group as a whole will need to amend this practice. The change should be applied retrospectively and, where material, prior period adjustments may be required in the investor's financial statements

5. Cash flow statement

At a glance

- There have been no significant changes in the requirements regarding the preparation of cash flow statements introduced by HKAS 7, except the removal of the scope exemption for an entity with revenue of less than HK$20 million per annum and a charity or non-profit making entity where financial statements are prepared on a cash basis.
- However, entities will need to reconsider the structure of their cash flow statements where they have discontinued operations or if they choose to account for interests in jointly controlled entities using the proportionate consolidation method.

5.1 Cash flows arising from discontinued operations

5.1.1 Separate disclosure of cash flows arising from discontinued operations

HKAS 7 contains no specific rules as regards the presentation of cash flows from discontinued operations. HKFRS 5 continues the disclosure requirements previously included in SSAP 33 *Discontinuing Operations,* i.e. that there should be separate disclosure of the amounts of net cash flows attributable to the operating, investing and financing activities of the discontinued operation. [HKFRS 5.33(c)]

HKFRS 5 allows that these disclosures may be presented either in the notes or on the face of the cash flow statement. Our experience is that most entities present the disclosure as an additional narrative in the note dealing with discontinued operations, rather than on the face of the cash flow statement. This avoids undue clutter on the face of the cash flow statement. We suggest wording such as the following.

During the year, Subsix Limited contributed HK$4.8 million (2004: HK$4.25 million) to the Group's net operating cash flows, paid HK$1.37 million (2004: HK$2.89 million) in respect of investing activities and paid HK$0.9 million (2004: HK$3.71 million) in respect of financing activities.

5.1.2 Presentation of the operating cash flows section of the cash flow statement when the entity has discontinued operations

Where the entity is using the indirect method of presenting cash flows, profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. [HKAS 7.18(b)]

Given that the cash flows from discontinued operations must be incorporated into the appropriate sections of the cash flow statement (no Standard allows an exemption in this regard), then the question arises as to which "profit or loss" should be used as the starting point for this presentation. The illustrative examples in HKAS 7 start with the "profit before taxation". But, in an income statement presented under HKFRS 5, the amount disclosed for "profit before taxation" relates only to continuing operations. We believe that there are a number of ways in which the requirements can be met.

The first approach is to start with the "profit for the year" as disclosed in the income statement under HKAS 1.81(f). This includes both continuing and discontinued operations. The amount can then be adjusted for the items presented in the income statement between operating profit and profit for the period, as well as the other items required under HKAS 7.18(b) (see above). The advantage of this approach is that it results in a very clear link between the amounts presented in the income statement, and the amounts presented in the cash flow statement. The disadvantage is that it can result in a long list of adjustments being presented on the face of the cash flow statement. The layout of the cash flow statement under alternative 2 [Alt 2] in the model financial statements illustrates this approach.

One solution to the presentation of this extended list on the face of the cash flow statement would be to present the adjustments between profit for the period and the cash generated from operations in the notes to the financial statements. HKAS 7 is not explicit as to where these adjustments should be presented – and we believe that presentation in the notes is acceptable. However, we would generally recommend presentation on the face of the cash flow statement. The illustrative example in Appendix A to HKAS 7 shows them on the face of the cash flow statement and this is also the presentation used in the IAS illustrative financial statements published by the IASB.

Another solution would be to start with an operating profit figure disclosed on the face of the income statement (i.e. the operating profit from continuing operations) and to add to this the operating profit from discontinued operations, to arrive at an operating profit for the reporting entity as a whole. This would reduce the number of adjustments presented on the face of the cash flow statement, and is likely to provide a clearer presentation for the user of the cash flow statement. The disadvantage is that it is not so easily linked to the amounts presented on the face of the income statement. The following layout illustrates this approach.

	Notes	Year ended 31/12/05	Year ended 31/12/04
		HK$'000	HK$'000
Operating activities			
Operating profit from continuing operations		126,342	49,774
Operating profit from discontinued operations		4,493	5,390
Total operating profit		130,835	55,164
Adjustments for:			
Depreciation of property, plant and equipment		29,517	19,042
Impairment loss on fixtures and equipment		4,130	-
Amortisation of goodwill		-	247
Amortisation of other intangible assets		2,614	846
Impairment of goodwill		463	-
Negative goodwill released to income		-	(2,210)
Share-based payment expense		5,872	4,718
(Increase)/decrease in fair value of investment property		(601)	49
Amortisation of deferred initial direct costs on leases of investment property		10	10
Gain on disposal of property, plant and equipment		(4,184)	(500)
Increase/(decrease) in provisions		6,464	(2,320)
Operating cash flows before movements in working capital		175,120	75,046
Increase in inventories		(18,101)	(28,065)
Decrease/(increase) in receivables		2,319	(31,993)
Increase in payables		26,237	22,968
Cash generated from operations		185,575	37,956
Income taxes paid		(5,553)	(2,129)
Interest paid		(42,209)	(32,995)
Net cash from operating activities		137,813	2,832

We believe that any of the presentations discussed above is acceptable. Another method that has been suggested is that the "operating cash flows from discontinued operations" be presented as a single line item at the end of the operating cash flows section of the cash flow statement. We do not support this option, as we believe that it does not result in the reporting of totals for individual categories of cash flows required by HKAS 7.

5.2 Entities with interests in jointly controlled entities

If an entity (venturer) has interests in jointly controlled entities and chooses to account for those interests using proportionate consolidation, the venturer must show its proportionate share of each of the jointly controlled entity's cash flows either combined line by line with similar items in the venturer's cash flow statement or reported as separate line items. The following extract illustrates one method of presenting interest received in the cash flow statement showing a separate line item for jointly controlled entities.

Extract from the cash flow statement

		Year ended 31/12/05		Year ended 31/12/04
		HK$'000		HK$'000
Investing activities				
Interest received				
- Group	1,182		368	
- Jointly controlled entities	20		-	
		1,202		368

6. Notes to the financial statements

6.1 General structure and content of the notes to the financial statements

HKAS 1 *Presentation of Financial Statements* contains explicit guidance regarding the general structure of the notes to the financial statements. The requirements are summarised below. Year on year, financial statements tend to be amended on a piecemeal basis, so that the logical sequence of the structure is undermined. We encourage preparers to take advantage of the wholesale redraft that will inevitably be required due to the new and revised Standards effective for 2005, using this as a timely opportunity to think about the general structure of the notes to their financial statements, and to how that structure might be improved.

The requirements of HKAS 1 are that the notes to the financial statements should: [HKAS 1.103]

- present information about the basis of preparation of the financial statements and the specific accounting policies used;
- disclose the information required by HKFRSs that is not presented on the face of the primary statements; and
- provide additional information that is not presented on the face of the primary statements but that is relevant to an understanding of any of those primary statements.

The Standard requires that the notes should, so far as practicable, be presented in a systematic manner and that each item on the face of the primary statements should be cross referenced to any related information in the notes. [HKAS 1.104]

The following order is suggested for the notes to the financial statements (although entities are permitted to vary the order according to their particular circumstances): [HKAS 1.105]

- a statement of compliance with HKFRSs;
- a summary of significant accounting policies applied;
- supporting information for items presented in the primary statements in the order in which each statement and each line item is presented; and
- other disclosures including:
  - contingent liabilities and unrecognised contractual commitments; and
  - non-financial disclosures, for example an entity's financial risk management objectives and policies.

6.2 Impact of implementation of new and revised Standards, and other changes in accounting policies

The revisions to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* have expanded the disclosure requirements regarding changes in accounting policies, whether voluntary or arising on the implementation of a new Standard. Although the thrust of the disclosures is consistent with SSAP 2 (i.e. that the entity should disclose the nature and effect of changes in accounting policies), the requirements have been made more specific so that:

- where applicable, the title of the relevant Standard and details of its transitional provisions should be disclosed;
- for the current and each prior period presented, the effect of the change should be disclosed:
  - for each financial statement line item affected; and
  - if HKAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share (see also section 6.9.2); and
- if retrospective application is impracticable for prior periods, the entity is required to disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Readers will note, therefore, that a one-line statement to the effect that "this change in accounting policy has reduced the profit for the year by HK$X" is unlikely to be acceptable under the new requirements.

In general, we encourage entities to present a list of the new Standards and Interpretations that are effective in the current period and to explain the impact of each of the Standards and Interpretations on the financial statements. This is generally helpful for users of the financial statements, and allows them to compare the impact of the changes on different entities. However, in the current year, when so many Standards have been revised and new Standards issued, we recommend that reporting entities avoid presenting a long list of all of the Standards and Interpretations that have changed and restrict their discussions to the specific changes that have had a material impact on the financial statements. Otherwise, the entity risks presenting the reader with too much information.

Note 2 in the model financial statements illustrates a general description of the adoption of new Standards and Interpretations in 2005 and the specific disclosures required by HKAS 8.

Note that where the entity adopts a new Standard in advance of its effective date, there is generally a specific disclosure requirement to disclose that fact. The following extract illustrates this requirement.

In addition, the Group has elected to adopt the amendments to HKAS 19 *Employee Benefits* issued in February 2005 in advance of their effective date of 1 January 2006. The impact of these amendments has been to expand the disclosures provided in these financial statements in relation to the Group's defined benefit retirement benefit plan (see note 46). Consequential changes to HKAS 1 *Presentation of Financial Statements* have required the title of the Group's statement of changes in equity presented on page 5 of these financial statements to be changed to the statement of recognised income and expense, but have had no impact on the amounts reported in that statement. The Group has not elected to present actuarial gains and losses arising in its defined benefit plan in the statement of recognised income and expense and continues to recognise such gains and losses using the 'corridor' approach (see detailed accounting policy in note 3).

6.3 Potential impact of changes in Standards and Interpretations not yet effective

When a new Standard or Interpretation has been issued and is not yet effective, and the entity has not applied the new Standard or Interpretation, the entity is required to disclose: [HKAS 8.30]

- that fact; and
- known or reasonably estimable information relevant to assessing the possible impact that application of the new Standard or Interpretation will have on the entity's financial statements in the period of initial application.

Disclosure of the effect of Standards and Interpretations not yet effective was a recommendation of SSAP 2, but it is a requirement of HKAS 8, which suggests that the entity should consider disclosing: [HKAS 8.31]

- the title of the new Standard or Interpretation;
- the nature of the impending change or changes in accounting policy;
- the date by which application of the Standard is required;
- the date at which it plans to apply the Standard or Interpretation initially; and
- either a discussion of the impact that initial application of the Standard or Interpretation is expected to have on the entity's financial statements, or if that impact is not known or reasonably estimable, a statement to that effect.

HKAS 8.30 represents quite an onerous requirement for preparers of financial statements. Not only do they have to deal with Standards and Interpretations that are effective in the current year, but they also need to look forward to the impact of more recent developments on the financial statements of future periods. Preparers may have taken the decision not to adopt the new Standard or Interpretation in the first place because the identification of the required information would strain available resources. The disclosure requirements of HKAS 8.30 mean that they are required to make their best efforts to determine the likely impact of the new requirements in any case.

And this obligation refers to all Standards or Interpretations issued before the date the financial statements are authorised for issue – not only to those issued before the balance sheet date. Therefore, the preparers of the financial statements are required to monitor new developments, even in the busy period during which the financial statements are being prepared. Obviously, where a Standard or Interpretation is issued very close to the date that the financial statements are to be authorised for issue, then the amount of information that will be reasonably estimable within the time constraints may be limited.

6.4 Principal accounting policies

The requirements of HKAS 1 as regards the presentation of a summary of significant accounting policies have been revised slightly– but the general requirement has not changed. Entities are required to disclose the accounting policies used that are relevant to an understanding of the financial statements. The Standard emphasises that, apart from the policies that are specifically required to be disclosed by other Standards, the selection of the policies to be disclosed will depend on what is most relevant in the entity's particular circumstances.

HKAS 1 also refers to the appropriate location for the summary of significant accounting policies. Although HKAS 1.103 implies that the summary should be presented as part of the notes, HKAS 1.107 allows that it may be presented as a separate component of the financial statements. That is to say, it is acceptable to present a statement of accounting policies that does not form one of the numbered notes to the financial statements.

The large number of detailed changes to Standards and the significant impact of the new HKFRSs to be adopted in 2005 financial statements require that preparers of financial statements need to devote more time and resources than usual to the wording of their accounting policies in the current period. Not only do they need to draft new accounting policies for new recognition and measurement requirements under the Standards, but they should also work to redraft all of their accounting policies so that the detailed wordings are consistent with the language of the revised Standards.

Again, this is a tremendous opportunity to re-examine the accounting policies as previously drafted to identify opportunities for improving the clarity of the wording used, even where the policy has not been affected by the developments in the period. Preparers should also take the opportunity to review the order in which the accounting policies are presented, to ensure that the structure is logical.

6.5 Critical accounting judgements and key sources of estimation uncertainty

HKAS 1 contains two new disclosure requirements that merit particular attention – critical accounting judgements and key sources of estimation uncertainty. These require preparers to summarise and disclose all of the key judgements and estimates made in drafting the financial statements – something that is likely to require a great deal of thought and consideration. Essentially, preparers will be required to expose the integrity of the judgements and estimates that they have made.

The required disclosures, if properly drafted, should prove invaluable to users of the financial statements in their attempts to come to an informed understanding of the picture that is being presented in the financial statements. Preparers should not underestimate the challenge that they present.

The detailed requirements are described in sections 6.5.1 and 6.5.2 below. One question that also needs to be considered is the location of these disclosures. One method would be to present them in a separate note. However, it may be that management considers it more meaningful to present individual comments in the notes dealing with the relevant components of the financial statements (e.g. a key source of uncertainty regarding the recoverability of an asset would be discussed in the note dealing with that asset). Both approaches are equally acceptable.

6.5.1 Critical judgements in applying the entity's accounting policies

HKAS 1.113 requires that an entity should disclose, in the summary of significant accounting policies or other notes, the judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Examples of judgements to be disclosed under this requirement are:

- whether financial assets are held to maturity investments;
- whether substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;
- whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and
- whether the substance of the relationship between the entity and a special purpose entity indicates that the special purpose entity is controlled by the entity.

Paragraphs 114 and 115 of HKAS 1 provide further detailed guidance relating to this disclosure requirement.

6.5.2 Key sources of estimation uncertainty

HKAS 1.116 requires that an entity should disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- their nature; and
- their carrying amount as at the balance sheet date.

Paragraphs 117 to 124 of HKAS 1 provide further detailed guidance relating to this disclosure requirement.

We are always reluctant to suggest "model" disclosures for items such as those required by HKAS 1.113 and by 1.116, because the disclosures provided by each entity should be dictated by its particular circumstances and by the significance of judgements and estimates made to the entity's results and financial position. Note 4 in the model financial statements is merely an example intended to illustrate the types of disclosures that may be required and, importantly, the distinction between a critical judgement and an estimation uncertainty.

6.6 Segment reporting

There are no substantive changes introduced by HKAS 14 *Segment Reporting* effective in 2005. However, where an entity has a discontinued operation, preparers of financial statements will need to consider how best to reconcile the disclosure requirements of HKAS 14 and HKFRS 5.

The issue arises because, as discussed in section 2, HKFRS 5 splits the income statement between continuing and discontinued operations, so that the amount reported for revenue, expenses etc, will generally only relate continuing operations. On the other hand, HKAS 14 requires that the amounts reported for segments be reconciled to amounts presented on the face of the income statement as follows:

> *"An entity shall present a reconciliation between the information disclosed for reportable segments and the aggregated information in the consolidated or individual financial statements. In presenting the reconciliation, the entity shall reconcile segment revenue to entity revenue from external customers (including disclosure of the amount of entity revenue from external customers not included in any segment); segment result from continuing operations shall be reconciled to a comparable measure of entity operating profit or loss from continuing operations as well as to entity net profit and loss from continuing operations; segment result from discontinued operations shall be reconciled to entity profit or loss from discontinued operations; …." [HKAS 14.67]*

Because the amounts presented for segments include discontinued operations, whereas the amounts on the face of the income statement generally do not, the presentation of these reconciliations can be an issue (particularly for a large conglomerate with a large number of segments, where it is only possible to present a limited number of columns).

Where the discontinued operation is itself a segment, then the issue is easily solved. The note disclosures regarding discontinued operations (as discussed in section 2.2) will ensure compliance with the requirement of HKAS 14. In these circumstances, we recommend a cross reference from the segment reporting note along the following lines:

Segment information about the Group's continuing operations is presented below. Segment information about the Group's discontinued operations is presented in note 10.

Where the discontinued operation is a subset of a reportable segment, the presentation becomes more complicated. The layout of the segment information below could be used to meet the requirements of both Standards.

	Electronic goods	Construction	Discontinued operations	Eliminations	Total for continuing operations
	Year Ended 31/12/05	Year ended 31/12/05	Year ended 31/12/05	Year ended 31/12/05	Year ended 31/12/05
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue					
External sales	778,047	304,073	(17,460)	-	1,064,660
Inter-segment sales	10,020	-	-	(10,020)	-
	788,067	304,073	(17,460)	(10,020)	1,064,660

Inter-segment sales are charged at prevailing market prices.

Result					
Segment result	118,690	34,879	(6,699)	(3,005)	143,865
Unallocated expenses					(17,523)
Operating profit from continuing operations					126,342
Share of profit of associates	10,392	2,371			12,763
Investment revenues					3,501
Other gains and losses					(563)
Finance costs					(36,187)
Profit before tax					105,856
Income tax expense					(16,166)
Profit for the year from continuing operations					89,690

Discontinued operations

Discontinued operations had the following effect on the segment result of the electronic goods segment, analysed into continuing and discontinued components.

	Discontinued operations	Continuing operations	Total for electronic goods segment
	Year ended 31/12/05	Year ended 31/12/05	Year ended 31/12/05
	HK$'000	HK$'000	HK$'000
Revenue			
External sales	17,460	760,587	778,047
Inter-segment sales	-	10,020	10,020
Total revenue	17,460	770,607	788,067
Segment result	6,699	111,991	118,690

The segment result from discontinued operations stated above is equal to the profit before tax from discontinued operations disclosed in note 11 which provides a reconciliation to the net profit from discontinued operations.

The discontinued operation could also comprise more than one segment, or it could include components from a number of segments. Preparers will need to consider what the most appropriate and informative layout is, while ensuring that the requirements of both HKAS 14 and HKFRS 5 are met.

6.7 Analysis and disclosure of components of income and expense

Although this is not a very technical area, it is one that may take up some thinking time in practice. We are not dealing with one specific Standard here, but with the interaction between the presentation requirements of HKFRS 5 and the disclosure requirements of many other Standards.

Items affected include:

- disclosure of revenue under HKAS 1 and HKAS 18;
- disclosure of expense analysis under HKAS 1;
- disclosure of finance costs and finance income under HKAS 32 and HKAS 1; and
- disclosure of the components of income tax under HKAS 12.

The issue in practice is that various Standards (such as those cited above) require disclosure of components of income and expense. The disclosures contemplated by these Standards pre-date HKFRS 5 and clearly contemplate disclosure of the totals of these items for the entity as a whole.

Because, where an entity has a discontinued operation, HKFRS 5 has effectively split the income statement and the detail presented on the face of the income statement generally relates only to continuing operations, totals disclosed for these components which include discontinued operations will be difficult to reconcile to the face of the income statement. There are various means of overcoming this difficulty, which will require some consideration.

We believe that the best means of dealing with this is to present analyses of these items between continuing and discontinued operations in the notes to the income statement, and also to provide a total for the entity as a whole. This approach is illustrated in note 8 in the model financial statements.

The layout in note 8 may be cumbersome, but we believe that it achieves the clearest presentation. We believe that it is preferable to present the totals where practicable, despite the fact that, as discussed in section 2.1.2 above, recent IFRIC discussions have indicated that it is not always necessary to present a single total for a required disclosure item (i.e. in the above scenario, it is acceptable to present separate analyses of the finance charges for the continuing and discontinued operations).

6.8 Non-current assets held for sale

In addition to the requirements of HKFRS 5.38 (see section 3.2), HKFRS 5 requires the following details to be disclosed in the notes to the financial statements:

> *An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:*
>
> *a) a description of the non-current asset (or disposal group);*
>
> *b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;*
>
> *c) the gain or loss recognised in accordance with paragraphs 20–22 and, if not separately presented on the face of the income statement, the caption in the income statement that includes that gain or loss;*
>
> *d) if applicable, the segment in which the non-current asset (or disposal group) is presented in accordance with HKAS 14, Segment Reporting. [HKFRS 5.41]*

These disclosures are illustrated in note 11 in the model financial statements.

Preparers should also be conscious of the need to ensure that HKFRS 5 does not adversely affect the entity's compliance with disclosure requirements in other Standards. Take the case of inventories in the example cited above. HKAS 1 requires that a total for inventories be presented on the face of the balance sheet. [HKAS 1.68(g)]. Where inventories have been reclassified as held for sale, and have been presented with other assets in the disposal group on the face of the balance sheet, then this requirement cannot be met. However, in order to do as much as possible to meet the requirement, and the requirement in HKAS 2.36(b) to disclose the total carrying amount for inventories, this information should be provided in another note. We suggest that an analysis like that provided in note 26 in the model financial statements is given.

6.9 Earnings per share

Although the basic model of SSAP 5 has not been altered, there have been a number of changes in detail. As regards disclosure, changes arise principally as the result of the requirement to provide a more detailed breakdown of earnings per share (EPS) where the reporting entity has both continuing and discontinued operations. However, there are a small number of other detailed requirements of which preparers should be aware.

6.9.1 Presentation on the face of the income statement

HKAS 33 requires the presentation on the face of the income statement of basic and diluted earnings per share for:

- profit or loss for the period from continuing operations attributable to the ordinary equity holders of the parent entity; and for
- profit or loss for the period attributable to the ordinary equity holders of the parent entity.

As also required by SSAP 5, these disclosures are required for each class of ordinary shares that has a different right to share in profit for the period, and the entity is required to present basic and diluted earnings per share with equal prominence for all periods presented.

Therefore, assuming that the entity has both continuing and discontinued operations, four measures of EPS will be presented on the face of the income statement, together with their comparative amounts. Separate information in respect of discontinued operations can also be presented on the face of the income statement – although, because of the potential for information overload on the face of the income statement, we expect that this disclosure will generally be presented in the notes to the financial statements.

The following illustrates one way of laying out the disclosures on the face of the income statement.

Earnings per share
From continuing and discontinued operations:

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Interest received		
Basic	66.1 cents	13.0 cents
Diluted	51.4 cents	12.9 cents
From continuing operations:		
Basic	59.0 cents	10.2 cents
Diluted	46.0 cents	10.1 cents

Note that EPS is presented for every period for which an income statement is presented. If diluted earnings per share is reported for at least one period, it shall be reported for all periods presented, even if it equals basic earnings per share. If basic and diluted earnings per share are equal for all periods presented, dual presentation can be accomplished in one line on the income statement. [HKAS 33.67]

Therefore, where basic and diluted EPS are equal, the amount could be described in a one-line item on the income statement as "Basic and diluted earnings per share".

6.9.2 Disclosures in the notes to the financial statements

The basis for each of the EPS figures presented on the face of the income statement must be disclosed in the notes to the financial statements. In addition, the basic and diluted amounts per share for any discontinued operation will ordinarily be presented in the notes.

This can lead to quite an extended EPS note in the financial statements, as illustrated in note 15 in the model financial statements.

The disclosure in note 15 regarding the effect on EPS of changes in accounting policy is derived from HKAS 8.28(f)(ii). It could be presented either in the "changes in accounting policies" note or in the EPS note.

6.9.3 Other additional disclosure requirements

HKAS 33 has a number of other additional disclosure requirements, the most important of which are:

- a requirement that the individual effect of each class of instruments that affects EPS be separately disclosed in the reconciliations of earnings and weighted average number of shares figures;

- details of instruments (including contingently issuable shares) that could potentially dilute basic EPS in the future, but were not included in the calculation of diluted EPS because they are antidilutive for the period(s) presented.

6.10 Investments in subsidiaries

HKAS 27 has replaced SSAP 32 – with some amendments to the detailed disclosure requirements regarding investments in subsidiaries.

Most notable of the revisions as regards disclosure, none of which should prove too onerous, are the requirements to disclose:

- where applicable, the reasons why the ownership (directly or indirectly) of more than half of the (potential) voting rights of an investee does not constitute control; and

- the reporting date of the financial statements of a subsidiary when such financial statements are used to prepare consolidated financial statements and are as of a reporting date or for a period that is different from that of the parent, and the reason for using a different reporting date or period.

Note that HKAS 27 also imposes additional disclosure requirements where a reporting entity prepares separate financial statements.

HKAS 27 contains paragraphs to reflect the requirements of the Hong Kong Companies Ordinance, i.e. a company incorporated under the Hong Kong Companies Ordinance does not consolidate a subsidiary failing to meet the definition of a subsidiary as set out in section 2(4) of the Companies Ordinance. HKAS 27.42A requires disclosures to be made in the financial statements of what the effect would have been if these entities were consolidated. As described in HKAS 27.43B, due to an amendment to the Companies Ordinance, these additional paragraphs will cease to apply for accounting periods beginning on or after 1 January 2006.

Interestingly, the requirement under SSAP 32 to provide a listing and details of significant subsidiaries in consolidated financial statements has been removed. However, it seems that a listing of subsidiaries is still required in consolidated financial statements by virtue of the requirements of HKAS 24.12 (see section 6.16.4). There are also similar requirements regarding the disclosure of details of subsidiaries within the Companies Ordinance and the listing rules.

In separate financial statements prepared by a parent, HKAS 27 continues to require a list of significant subsidiaries, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held. [HKAS 27.41 & 42]

6.11 Investments in associates and joint ventures

6.11.1 Investments in associates

The disclosure requirements of SSAP 10 have been expanded considerably by HKAS 28. The new requirements are not expected to be particularly onerous – although preparers will need to ensure that they obtain the required information on a timely basis.

New disclosures required under HKAS 28 include:

- the fair value of investments in associates for which there are published price quotations;
- summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss;
- the reasons why the presumption that an investor does not have significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, less than 20 per cent of the voting or potential voting power of the investee but concludes that it has significant influence;
- the reasons why the presumption that an investor has significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, 20 per cent or more of the voting or potential voting power of the investee but concludes that it does not have significant influence;

- the reason for using a different reporting date or different period for an associate's financial statements used in applying the equity method;
- the unrecognised share of losses of an associate, both for the period and cumulatively, if an investor has discontinued recognition of its share of losses of an associate;
- summarised financial information of associates, either individually or in groups, that are not accounted for using the equity method, including the amounts of total assets, total liabilities, revenues and profit or loss;
- the investor's share of any discontinued operations of associates accounted for under the equity method; and
- in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the investor's share of the contingent liabilities of an associate incurred jointly with other investors, and those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.

The new disclosure requirement to present summarised financial information of associates replaces the previous requirement in SSAP 10 to disclose further information about material associates (e.g. such associates' current assets, long-term assets etc).

Consistent with the changes by HKAS 27, the requirement to provide a listing of associates in consolidated financial statements has been removed from HKAS 28. However, for separate financial statements, details of associates are still required to be disclosed. [HKAS 27.41 & 42]

6.11.2 Interests in joint ventures

The disclosure requirements of SSAP 21 have not been expanded by the requirements of HKAS 31, and in fact have been reduced slightly in some instances (e.g. there is no longer a requirement to disclose the aggregate amount of profits retained by jointly controlled entities and any restrictions on the ability to distribute the retained profits).

There is one new disclosure requirement in HKAS 31, however, and that is to disclose the method a venturer uses to account for its interests in jointly controlled entities. This disclosure is now required, as under HKAS 31, venturers have the additional option of using the proportionate consolidation method to account for interests in jointly controlled entities (SSAP 21 only allowed equity accounting to be used). If an entity chooses to change to this new method, this will have a significant impact on the presentation of the primary statements (as explained in previous chapters).

6.12 Financial instruments

HKAS 32 and HKAS 39 are the first comprehensive financial instrument Standards to be introduced in Hong Kong. SSAP 24 dealt only with debt and equity securities whereas, HKAS 32 and HKAS 39 deal with all financial instruments, so include payables, receivables, derivatives, cash/bank deposits, convertible bonds and preference shares. The disclosure requirements for financial instruments which are mandatory for 2005 are generally derived from HKAS 32 *Financial Instruments: Disclosure and Presentation* released by the HKICPA in May 2004.

Since May 2004, the HKICPA has issued a number of amendments to HKAS 39 *Financial Instruments: Recognition and Measurement*. One of these amendments, issued in July 2005 and dealing with the fair value option, resulted in consequential amendments to HKAS 32. The amendments are effective from 1 January 2006, but preparers wishing to adopt the revised rules as regards the fair value option in advance of that date will also need to provide the additional disclosures.

Finally, in September 2005, HKFRS 7 *Financial Instruments: Disclosures* was released, which will replace the disclosure requirements of HKAS 32. Although HKFRS 7 is not effective until 1 January 2007, entities may choose to adopt it in advance of its effective date, which would have further implications for financial instrument disclosures.

Therefore, preparers are faced with a number of choices as regards the Standards dealing with financial instruments that they wish to apply for 2005 financial statements. The following sections segregate the impacts of each of the developments outlined above, so that preparers can understand the implications of the choices available to them.

6.12.1 Requirements mandatory for 2005 accounting periods

The introduction of HKAS 32 and HKAS 39 will involve significant changes as regards the recognition, measurement and presentation of financial instruments which are beyond the scope of this publication. Readers should refer to international publications available on our IAS Plus website for details of IAS 32 and IAS 39, as amended in December 2003, (the equivalent international standards).

There are significant disclosure requirements within HKAS 32, in particular those dealing with the following:

- terms and conditions of, and accounting policies for, all financial instruments;
- information about compound financial instruments;
- information about exposure to interest rate risk and credit risk;
- fair values for all financial assets and financial liabilities (except those for which a reliable measure of fair value is not available) and the valuation methods and significant assumptions used, including the sensitivities of fair value estimates to significant valuation assumptions;
- risk management and hedging policies;
- hedge accounting policies and practices and gains or losses from hedges;
- information about derecognition, reclassifications, collateral, and impairment; and
- information about any defaults by the entity on loans payable and other breaches of loan agreements.

As these requirements are mandatory for 2005, preparers should ensure that they refer to the comprehensive presentation and disclosure checklist to ensure that they have been complied with in full.

6.12.2 Subsequent amendment to HKAS 32 and HKAS 39

In July 2005, the HKICPA issued the amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – The Fair Value Option*, which limits the ability for an entity to designate any financial asset or financial liability as at "fair value through profit or loss" (FVTPL).

The amendment includes a consequential amendment to HKAS 32 that expands the disclosure requirements for financial assets and financial liabilities classified as at FVTPL.

Additional required disclosures include, for financial assets or financial liabilities designated as at FVTPL, the criteria for such designation and how the entity has satisfied those criteria, the carrying amounts, and gains and losses recognised in profit or loss. There are also a number of additional disclosure requirements primarily related to loans and receivables designated as at FVTPL.

6.12.3 HKFRS 7

6.12.3.1 Overview

HKFRS 7 *Financial Instruments: Disclosures* was issued in September 2005 and is effective for accounting periods beginning on or after 1 January 2007. However, preparers may wish to consider early implementation. The Standard:

- adds new disclosures about financial instruments to those required by HKAS 32;
- replaces the disclosure requirements imposed on financial institutions by HKAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* (see section 6.12.4); and
- puts all of those financial instrument disclosures together in a new combined Standard.

HKFRS 7 deals with the disclosure requirements in relation to all risks arising from financial instruments (with limited exemptions), and applies to any entity that holds financial instruments. The level of disclosure required depends on the extent of the entity's use of financial instruments and its exposure to financial risk.

The Standard retains many of the disclosure requirements within HKAS 32 and HKAS 30. However, there have been some editorial changes to those requirements as well as some additional disclosure requirements added. The overriding objective of the Standard is that preparers should provide disclosures that enhance a user's understanding of the entity's exposures to financial risks and how the entity manages those risks. To this end, the Standard requires an entity to disclose:

- information on the significance of financial instruments to the entity's financial position and performance;
- the nature and extent of risk exposures arising from financial instruments (quantitative disclosures); an
- the approach taken in managing those risks (qualitative disclosures).

An appendix of mandatory application guidance is part of the Standard. There is also an appendix of non-mandatory implementation guidance that describes how an entity might provide the disclosures required by HKFRS 7.

A disclosure checklist setting out all of the requirements of IFRS 7 (the international standard equivalent to HKFRS 7) is available in the checklists section of Deloitte's IAS Plus website.

6.12.3.2 Principal changes

The more significant changes from the disclosure requirements of HKAS 32 and HKAS 30 include:

- a new requirement to disclose the carrying amounts of financial assets and financial liabilities under each of the classifications in HKAS 39 (i.e. financial assets and financial liabilities designated as at FVTPL, held-to-maturity investments, loans and receivables, available-for-sale financial assets, and financial liabilities measured at amortised cost);
- new disclosure requirements regarding loans and receivables designated as at FVTPL;
- the requirement to disclose the fair value movement on financial liabilities designated as at FVTPL due to changes in credit risk has also been extended to include loans and receivables designated as at FVTPL. In addition, entities are required to disclose the method used to determine the amount of the change;
- new disclosure requirements where there is a difference between the fair value of a financial instrument at initial recognition and the amount that would be determined at that date using a valuation technique (known as "day one P&L"). HKFRS 7 requires disclosure of the entity's accounting policy for recognising that difference in profit or loss, and the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference;
- new disclosure requirements for financial assets that are either past due or impaired. HKFRS 7 requires an analysis of the age of financial assets that are past due and, unless impracticable, an estimate of the fair value of collaterals held by the entity;
- where an entity records an impairment on a financial asset or a group of financial assets through an allowance account (e.g. for bad debts), as opposed to a direct reduction to the carrying amount of the financial asset, it shall disclose, for each class of financial asset, a reconciliation of changes in carrying amounts in that allowance account during the period;
- separate disclosure of the amount of ineffectiveness recognised in profit or loss on cash flow hedges and hedges of net investments in foreign operations;
- separate disclosure of the gains or losses in fair value hedges arising from remeasuring the hedging instrument and on the hedged item attributable to the hedged risk;
- disclosure of the net gain or loss on 'held-to-maturity investments', 'loans and receivables' and 'financial liabilities measured at amortised cost'; and
- additional requirements on providing sensitivity analysis of market risks and how changes in these risks would have impacted profit or loss and equity in the period.

6.12.3.3 Exemption from presentation of certain comparative information for early adopters

To encourage early adoption of HKFRS 7, entities that already apply HKFRSs and that elect to adopt HKFRS 7 for a period beginning before 1 January 2006 are exempted from presenting comparative information for the disclosures required by paragraphs 31 to 42 of the Standard about the nature and extent of risks arising from financial instruments. Note that:

- this exemption is not available to entities adopting HKFRS 7 in advance of its effective date (1 January 2007) but on or after 1 January 2006. The HKICPA concluded that such entities do not need such relief, since they have a full calendar year after publication of the Standard to accumulate the necessary information; and
- the exemption does not extend to the accounting disclosures (in paragraphs 7 to 30 of the Standard) that are based on requirements previously in HKAS 32.

6.12.3.4 First-time adopters

Entities that adopt HKFRSs for the first time before 1 January 2006, and that elect to adopt HKFRS 7 in their first HKFRS financial statements, are not required to present comparative information for any of the disclosures required by HKFRS 7 in those first financial statements. This exemption is intended to facilitate first-time adopters (e.g. with 31 December 2005 year ends) who wish to adopt HKFRS 7 immediately, without having to adopt HKAS 30 and HKAS 32 for only one period.

Note that this relief is not available for entities adopting HKFRSs for the first time in periods beginning on or after 1 January 2006 (but before 1 January 2007). Such entities can choose whether to apply HKAS 30 and HKAS 32, or HKFRS 7, in their first financial statements but, if they elect to adopt HKFRS 7, they are required to present comparative information.

6.12.3.5 Concurrent revisions to HKAS 1

Concurrent revisions to HKAS 1 *Presentation of Financial Statements* must be adopted at the same time. These amendments add requirements for disclosure of:

- the entity's objectives, policies and processes for managing capital;
- quantitative data about what the entity regards as capital;
- whether the entity has complied with any capital requirements; and
- if it has not complied, the consequences of such non-compliance.

6.12.4 HKAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions

HKAS 30 is the first Hong Kong Standard on disclosures for banks and other financial institutions. It will introduce more comprehensive disclosures for such entities which have previously followed disclosure requirements established by the Hong Kong Monetary Authority and other regulatory bodies. However, HKFRS 7, which is effective for accounting periods beginning on or after 1 January 2007 (with early implementation encouraged) will replace HKAS 30. Disclosures required by HKAS 30 are regarding:

- specific contingencies and commitments (including off balance sheet items);
- the maturities of assets and liabilities;
- concentrations of assets, liabilities and off balance sheet items;
- losses on loans and advances;
- general banking risks; and
- assets pledged as security.

Preparers should ensure they refer to the comprehensive presentation and disclosure checklist to ensure all of the requirements are complied with in full.

6.13 Business combinations and goodwill

HKFRS 3 *Business Combinations* replaces SSAP 30 of the same title with effect for all business combinations for which the agreement date is on or after 1 January 2005. In respect of previously recognised goodwill and negative goodwill, the requirements of HKFRS 3 apply from the beginning of the first annual period beginning on or after 1 January 2005. Therefore, for many entities, their December 2005 year end financial statements will be the first affected by the new Standard. The revised disclosure requirements can be considered under the following headings:

- business combinations effected during the period, and those effected after the balance date but before the financial statements are authorised for issue;
- gains, losses, error corrections and other adjustments recognised in the current period that relate to business combinations that were effected in the current or prior period;
- goodwill; and
- previously recognised negative goodwill.

The general thrust of the disclosures under HKFRS 3 is consistent with those required under SSAP 30– but some of the detailed requirements may prove quite onerous. The following is not a comprehensive list of disclosure requirements under the new Standard – but rather is intended to highlight those requirements that are likely to require special attention in 2005. As always, preparers should refer to a comprehensive presentation and disclosure checklist.

6.13.1 Business combinations effected during the period and after the balance sheet date

The requirements discussed in this section apply equally to combinations effected during the period and to those effected after the balance sheet date and before the financial statements are authorised for issue. The disclosure requirements need not be complied with for combinations after the balance sheet date where compliance would be impracticable, provided that that fact is disclosed, together with an explanation of why this is the case. [HKFRS 3.71]
The following disclosures are new:

- where equity instruments are issued or issuable as part of the cost of combination, disclosure of the number of equity instruments issued and issuable, the fair value of those instruments and the basis for determining that fair value. If a published price does not exist for the instruments at the date of exchange, the significant assumptions used to determine fair value should be disclosed. If a published price exists at the date of exchange but was not used as the basis for determining the cost of the combination, that fact should be disclosed together with: the reasons the published price was not used; the method and significant assumptions used to attribute a value to the equity instruments; and the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments;
- the amount recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, and the carrying amount of each of these classes (determined in accordance with HKFRSs) prior to the combination. Although SSAP 15 *Cash Flow Statements* has always required disclosure of an analysis of the assets and liabilities acquired in a business combination, this is the first such requirement in a business combinations Standard. The more explicit wording of the requirements in HKFRS 3, including the requirement to disclose the pre-acquisition carrying amount of those assets and liabilities, is likely to focus attention on adjustments made at the date of combination;
- a description of the factors that contributed to a cost that results in the recognition of goodwill, including a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably;
- a description of the nature of any excess of the interest acquired in the identifiable asset, liabilities and contingent liabilities of the acquiree over the cost of acquisition (previously referred to as negative goodwill) recognised in profit or loss;
- the amount of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period; and
- the revenue and profit or loss of the combined entity for the period as though the acquisition date had been the beginning of the period.

Separate disclosures are required for each business combination that is individually material. Details of business combinations that are not individually material should be aggregated.

Note 42 in the model financial statements gives an illustration of a note on business combinations.

6.13.2 Gains, losses and error corrections arising from business combinations

The objective of the new disclosure requirements under this heading is to enable users to evaluate the financial effects of gains, losses, error corrections and other adjustments recognised in the current period that relate to business combinations that were effected in the current or in previous periods. The following disclosures are required:

- the amount and an explanation of any gain or loss recognised in the current period that:
  - relates to the identifiable assets acquired or liabilities or contingent liabilities assumed in a business combination that was affected in the current or a previous period; and
  - is of such size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance.
- if the initial accounting for a business combination that was effected in the immediately preceding period was determined only provisionally at the end of that period, the amounts and explanations of the adjustments to the provisional values recognised during the current period; and
- the information about error corrections required to be disclosed under HKAS 8 for any of the acquiree's identifiable assets, liabilities or contingent liabilities, or changes in the values assigned to those items, that the acquirer recognises after the initial accounting for a business combination is complete.

6.13.3 Goodwill

While the disclosure requirements as regards goodwill under the new Standard are more detailed than under SSAP 30, they are generally consistent.

Preparers should be aware, however, of two issues that they may need to consider:

- regarding goodwill previously accounted for under SSAP 30 and, therefore, amortised, from 1 January 2005 the amortisation of such goodwill should be discontinued. At 1 January 2005, the entity is required to eliminate the carrying amount of the related accumulated amortisation with a corresponding decrease in goodwill. This elimination is illustrated in note 19 in the model financial statements ; and

- HKAS 36 imposes additional disclosure requirements regarding potential impairments of goodwill. These requirements are very detailed and they are likely to prove challenging for preparers of financial statements. A full listing of the requirements is beyond the scope of this publication (readers are referred to the HKAS 36 section of the presentation and disclosure checklist). The disclosures in note 19 provide a very simple illustration of the type of narrative that may be required.

6.13.4 Amounts previously recognised as negative goodwill

Under SSAP 30, according to its nature, negative goodwill was either released to income over time or was recognised immediately in profit or loss. Any unamortised balance at the reporting date was reported as a deduction from assets in the balance sheet. Under HKFRS 3, the acquirer is required to reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination if, at the acquisition date, the acquirer's interest in the net fair value of those items exceeds the cost of the combination. Any excess remaining after that reassessment must be recognised by the acquirer immediately in profit or loss.

As regards negative goodwill carried at the beginning of the year, the carrying amount of negative goodwill at 1 January 2005 arising from business combinations for which the agreement date was before 1 January 2005 is derecognised at 1 January 2005, with a corresponding adjustment to the opening balance of retained earnings. Note that the comparative balance sheet is not adjusted – therefore, negative goodwill may continue to appear in comparative balance sheets in the 2005 reporting period.

6.14 Share-based payments

HKFRS 2 *Share-based Payment* is a very significant Standard, both in terms of the recognition and measurement principles introduced, and the disclosure requirements imposed. For previous accounting periods, disclosure requirements regarding equity compensation plans had been included in SSAP 34 *Employee Benefits.* The disclosure requirements of HKFRS 2 (which are listed in the presentation and disclosure checklist) are so much more comprehensive than those earlier requirements that to present a comparison would be largely meaningless. Preparers will more or less need to start with a blank page when drafting the disclosures for 2005.

The information required to be disclosed will be generated as preparers work to comply with the recognition and measurement requirements of HKFRS 2. Note 47 in the model financial statements illustrates an appropriate layout for the disclosures. Remember that the illustration does not cover all possible scenarios – reference to a checklist is essential in order to ensure that all relevant disclosure requirements are being complied with.

One presentation issue that does merit special consideration is the most appropriate way to present amounts that have been transferred to equity in respect of share based payment – see section 4.5 for further discussion.

6.15 Post-employment benefit plans

The presentation and disclosure requirements regarding post-employment benefits are set out in HKAS 19 *Employee Benefits* and are the same as the requirements of SSAP 34. Therefore, the requirements effective for December 2005 year ends are unchanged.

However, in February 2005, the HKICPA issued amendments to HKAS 19 dealing with a range of issues (see section 4.2). Those amendments included the introduction of additional disclosure requirements that

- provide information about trends in the assets and liabilities in a defined benefit plan and the assumptions underlying the components of the defined benefit cost; and

- brings the disclosures in HKAS 19 closer to those required by the US standard SFAS 132 *Employers' Disclosures about Pensions and Other Postretirement Benefits* which was revised in December 2003.

The amendments to HKAS 19's disclosure requirements are effective from 1 January 2006, but earlier application is encouraged. Where the amendments are adopted before 1 January 2006, that fact must be disclosed in the financial statements. Entities may wish to adopt these revisions in advance of their effective date – particularly if they wish to avail of the new option to recognise actuarial gains and losses in the statement of recognised income and expense (SORIE), rather than the income statement, as is permitted under the amendments (see section 4.2).

Effectively, the new requirements result in a breakdown of information that has always been disclosed. Where previously, details of movements were provided for the net liability or asset recognised in the balance sheet, the amendments require the analyses of movements on the defined benefit obligation and the plan assets to be presented separately. These analyses and the other new disclosures introduced by the amendments to HKAS 19 are shown below. The requirements are unlikely to prove onerous, as the preparer will always have had the information available, but our experience is that the physical layout of the disclosures can take some consideration.

Changes in the present value of the defined benefit obligation are as follows:

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Opening defined benefit obligation	177,395	169,541
Service cost	17,561	12,297
Interest cost	9,021	7,057
Actuarial losses	2,238	2,512
Obligation transferred on disposal of subsidiary	(4,932)	-
Obligation acquired on acquisition of a subsidiary	2,436	-
Exchange differences	138	(721)
Benefits paid	(23,345)	(13,291)
Closing defined benefit obligation	180,512	177,395

Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets	118,828	108,095
Expected return	10,443	9,503
Actuarial gains	300	995
Contributions by employer	18,429	14,440
Exchange difference	438	(914)
Benefits paid	(23,345)	(13,291)
Closing fair value of plan assets	125,093	118,828

The fair value of plan assets at the balance sheet date is analysed as follows:

	31/12/05	31/12/04
	HK$'000	HK$'000
Equity instruments	3,182	4,629
Debt instruments	34,096	38,735
Property	29,717	18,226
Other assets	58,098	57,238
	125,093	118,828

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the Hong Kong Stock Exchange. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio. The history of the plan for the current and prior period is as follows:

	31/12/05	31/12/04
	HK$'000	HK$'000
Present value of defined benefit obligation	180,512	177,395
Fair value of plan assets	(125,093)	(118,828)
Deficit	55,419	58,567
Experience adjustments on plan liabilities	1,862	784
Experience adjustments on plan assets	300	684

In accordance with the transitional provisions for the amendments to HKAS 19 *Employee Benefits* issued in February 2005, the disclosures above are determined prospectively from the 2004 reporting period.

The Group expects to contribute approximately HK$16 million to its defined benefit plan in 2006.

6.16 Related party transactions

HKAS 24 *Related Party Disclosures* makes a number of changes to the existing Standard, SSAP 20. Although the underlying objective of SSAP 20 has not been altered, a number of matters of detail have been changed. Given the sensitivity often associated with the disclosure of related party transactions and balances, this is an area that requires consideration early in the timetable for drafting the financial statements.

Changes made that may require consideration are:

- the removal of the exemptions covering parent-only financial statements and those of wholly-owned subsidiaries;
- the removal of the exemption from disclosing transactions where specific exemptions are granted by statute
- the expanded definition of related party – which may result in additional balances and transactions being disclosed;
- more specific disclosure requirements regarding the disclosure of the entity's parent and the entity's ultimate parent;
- new specific disclosure requirements covering the compensation of key management personnel; and
- some amendments to the detailed disclosure requirements regarding transactions and balances identified as related party transactions and balances.

Note that the revisions apply to both current year and comparative disclosure requirements. Therefore, comparative period disclosures should also be re-examined to ensure that they comply with HKAS 24.

6.16.1 Financial statements of the parent and of wholly-owned subsidiaries

SSAP 20 effectively excluded from its scope a parent's separate financial statements published with its consolidated statements, and financial statements of wholly-owned subsidiaries provided that certain criteria were met. The objective was to ensure that entities required by law to produce financial statements for public use in accordance with HKFRSs, in addition to the group's consolidated financial statements, would not be unduly burdened. However, with effect from 1 January 2005, individual financial statements of group entities are dealt with on a stand-alone basis, and they are required to comply with all of the requirements of HKAS 24.

This may significantly increase the burden on groups with large numbers of subsidiaries where each of the subsidiaries is required to prepare financial statements in accordance with HKFRSs. For the first time, all wholly-owned subsidiaries will be required to disclose details of transactions and balances with other group entities under HKAS 24.

6.16.2 Expanded definition of related party

The definition of related party has been expanded by adding post-employment benefit plans for the benefit of employees of an entity, or of any entity that is a related party of that entity.

A further clarification on the status of post-employment benefit funds has been added to HKAS 24 as a result of the February 2005 amendments to HKAS 19 (see section 6.15). Following the adoption of those amendments, participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties, details of which are disclosable under HKAS 24. This requirement applies from the date of implementation of the revised version of HKAS 19 – and at the latest for accounting periods beginning on or after 1 January 2006.

Entities will need to ensure that their systems have identified all transactions and balances with such post-employment benefit plans, and that appropriate disclosures are incorporated into the financial statements,

6.16.3 Disclosure of relationships involving control

Under HKAS 24, regardless of whether or not there have been transactions with those related parties, an entity is required to disclose: [HKAS 24.12]

- relationships between the parent and its subsidiaries;
- the name of its parent and, if different, the ultimate controlling party; and
- if neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so. The next most senior parent is the first parent in the group above the immediate parent that produces consolidated financial statements available for public use.

HKAS 24 requires that relationships where control exists should be disclosed, even where there have been no transactions between the parties, in order to enable users of financial statements to form a view about the effects of related party relationships on the entity. Previously SSAP 20 only required such disclosure if there were transactions between the parties.

The ultimate controlling party may or may not be a corporate entity. The requirement to disclose the entity's ultimate controlling *party* means that, where such control is exercised by an individual, or by a group of individuals acting in concert, their identity must be disclosed. This may be a sensitive disclosure.

6.16.4 Compensation of key management personnel

SSAP 20 did not deal explicitly with disclosure of the compensation of key management personnel. As key management personnel have always fallen within the definition of a related party, and there was no specific exemption, compensation paid to them has always been, prima facie, disclosable. However, this requirement was complied with predominantly through the disclosures required by the Companies Ordinance or listing rules. HKAS 24 contains explicit rules as to the disclosures required regarding compensation paid to key management personnel. These are listed below. It is important to note that these requirements exist independently of any local laws or regulations, and preparers will need to review their existing disclosures in order to ensure that they comply with HKAS 24.

Key management are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The total compensation paid to key management personnel must be disclosed, as well as an analysis of that amount between:

- short-term employee benefits;
- post-employment benefits;
- other long-term benefits;
- termination benefits; and
- share-based payments. [HKAS 24.16]

Compensation includes all employee benefits, as defined in HKAS 19 *Employee Benefits*. It therefore includes all forms of consideration provided in exchange for services rendered to the entity, including those benefits to which HKFRS 2 *Share-based Payment* applies. Compensation includes:

- short-term employee benefits, such as wages, salaries, and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars, and free or subsidised goods or services) for current employees;
- post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
- termination benefits; and
- share-based payments. [HKAS 24.9]

The amount disclosed for compensation of key management personnel should include consideration paid on behalf of a parent of the entity in respect of the entity. [HKAS 24.9]

6.16.5 Other changes in detailed disclosure requirements

There have been a number of amendments to the detailed disclosure requirements – preparers should refer to the presentation and disclosure checklist in order to ensure that the revised requirements are complied with in full. In particular, HKAS 24 clarifies the disclosure requirements regarding:

- outstanding balances with related parties together with their terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement;
- details of any guarantees given or received;
- provisions for doubtful debts; and
- the settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

Other new disclosures required include:

- the amounts of transactions and outstanding balances with respect to related parties. Disclosure of proportions of transactions and outstanding balances is no longer sufficient;
- the expense recognised during the period in respect of bad or doubtful debts due from related parties; and
- classification of amounts payable to, and receivable from, related parties into different categories of related parties.

7. Summary of key changes to the listing rules affecting disclosure and presentation in 2005 annual report

At a glance

- In January 2004, substantive changes were made to the listing rules in Hong Kong. The amendments are far-reaching and impact particularly the corporate governance rules and continuing listing obligations. The amendments also introduce new financial reporting and disclosure obligations. Subject to the transitional arrangements, the rule amendments are effective from 31 March 2004.

- In November 2004, a revised Code on Corporate Governance Practices and rules on the content of a Corporate Governance Report were introduced. The new provisions are effective from 1 January 2005. The major impact on entities is the requirement to include a Corporate Governance Report containing prescribed information on their corporate governance practices in their annual reports and any summary financial reports.

7.1 Financial reporting and disclosure requirements effective for financial periods beginning on or after 1 July 2004

In accordance with the transitional provisions of the amendments to the Listing rules announced on January 2004, the new disclosure requirements for annual reports are effective for financial periods beginning on or after 1 July 2004. Accordingly, the new disclosures should be incorporated into 2005 annual reports. The amendments are applicable to both the Main Board and the GEM Board listed entities unless otherwise stated.

The new disclosure requirements cover two major areas:

- disclosures relating to compliance with the Model Code on directors' dealing (securities transactions by directors) and requirements in respect of independent non-executive directors and the establishment of an audit committee for annual reports and interim reports.

- recommended disclosures on management discussion and analysis for annual and interim reports to enhance transparency.

7.1.1 Disclosures in relation to connected transactions or continuing connected transactions

A new chapter on connected transactions has been introduced and the rules have been changed to make them more accessible and user friendly. One of the main changes to the rules is the introduction of additional disclosure requirements for connected or continuing connected transactions.

7.1.1.1 Non-exempted connected transactions or continuing connected transactions

For connected or continuing connected transactions which are not exempted from the disclosure and independent shareholders' approval requirements as prescribed in the rules, particulars of the transactions should be included in the annual report (for connected transactions) or in the annual report for the financial years during which the transaction is undertaken pursuant to the relevant written agreement (for continuing connected transactions).

The particulars of the connected or continuing connected transactions which are required to be disclosed in the annual report include:

- the transaction date;

- the parties to the transaction and a description of their connected relationship;

- a brief description of the transaction and its purpose;

- the total consideration and terms (including, where relevant, interest rates, length of repayment and security); and

- the nature and extent of the connected person's interest in the transaction.

7.1.1.2 Connected transactions or continuing connected transactions which are disclosed as related party transactions

Where the annual report includes the particulars of a connected transaction or continuing connected transaction in accordance with HKAS 24 *Related Party Disclosures* or IAS 24 *Related Party Disclosures*, the entity is required to:

- specify whether or not the transaction falls under the definition of “connected transaction” or “continuing connected transaction” in the listing rules.
- confirm whether or not it has complied with the disclosure requirements in accordance with the listing rules.

7.1.1.3 Independent non-executive directors’ review of the continuing connected transactions

Each year the independent non-executive directors of an entity must review the continuing connected transactions and confirm in the annual report that the transactions have been entered into:

- in the ordinary and usual course of business of the listed issuer;
- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the listed issuer than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

The board of directors must state in the annual report whether its auditors have confirmed the matters stated above.

7.1.1.4 Connected transactions under wavier

For connected transactions for which waivers from certain requirements of the listing rules have been granted from the Stock Exchange, the entity is generally required to disclose details of the transactions in the annual report.

7.1.2 Disclosures in relation to properties held for development and/or sale or for investment purposes

The threshold of the requirement to disclose information on investment properties and properties held for development and/or sale has been changed from that representing over 15 per cent of the value of net tangible assets or that contributed over 15 per cent of pre-tax operating profit to where any of the percentage ratios, given in LR 14.07 or GR 19.07 (i.e. revenue test, profit test, consideration test, market capitalisation test and total asset test) exceeds 5 per cent.

7.1.3 Disclosures in relation to independent non-executive directors

If any of the independent non-executive directors appointed by an entity during the financial year has failed to meet any of the independence guidelines set out in LR 3.13 or GR 5.09, the entity should disclose in the annual report the reasons why that independent non-executive director was and is considered to be independent.

An entity is required to confirm in the annual report the following information:

- whether it has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to LR 3.13 or GR 5.09; and
- whether it still considers the independent non-executive directors to be independent.

7.1.4 Disclosures in relation to directors’ service contracts

In the past, shareholder approval was required for any directors’ service contract which was for a duration of ten years or longer. The requirement has now been tightened to any directors’ service contracts that may exceed three years or directors’ service contracts that expressly require the issuer to give a period of notice of more than one year or to pay compensation of more than one year’s emoluments.

Service contracts entered into in the past may trigger the amended shareholders approval requirement. Exemption is therefore granted to those contracts entered into on or before 31 January 2004. However, for those exempted service contracts, disclosure of the particulars of such service contracts is required to be included in the annual reports during the term of the service contracts.

7.1.5 Disclosures in relation to emoluments

In order to enhance transparency and improve investor protection, the disclosure requirements for directors' emoluments have been enhanced and new disclosure requirements regarding the group's emolument policy have been introduced.

7.1.5.1 Directors' emoluments

In the past, details of directors' emoluments have been disclosed by bands. This requirement has now been enhanced by requiring the entity to disclose its directors' emoluments on a named basis. It is expected that a detailed breakdown of each of the directors' and past directors' emoluments will be shown in the financial statements.
There are no changes to the disclosure requirements relating to the emoluments of the five highest paid individuals. However, where the individuals are directors of the entity, their identity should be disclosed.

7.1.5.2 Emolument policy

A new provision has been introduced which requires an entity to disclose the group's emolument policy in the annual report. The required information includes:

- a general description of the group's emolument policy and any long-term incentive schemes of the group; and
- the basis of determining the emolument payable to its directors.

7.1.6 Disclosures in relation to the audit committee

A new provision has been set out which requires every listed entity to establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members with a majority of independent non-executive directors at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The new requirement is effective on 31 March 2004 with a transitional period of six months, i.e. 30 September 2004.

Regarding any non-compliance with this new requirement, an entity is required to disclose details of the non-compliance and an explanation of the remedial steps taken by the entity to address the non-compliance relating to the establishment of an audit committee.

7.1.7 Disclosures in relation to the public float

A new provision has been introduced which requires a statement of sufficiency of the public float to be presented in the annual report by entities listed on the Main Board.

7.1.8 Disclosures in relation to management discussion and analysis

The Stock Exchange has introduced the following additional disclosure requirements which it encourages listed issuers to include in the management discussion and analysis in their interim and annual reports:

- efficiency indicators (e.g. return on equity, working capital ratios) for the last five financial years, indicating the bases of computation;
- industry specific ratios, if any, for the last five financial years, indicating the bases of computation;
- a discussion of the entity's purpose, corporate strategy and principal drivers of performance;
- an overview of trends in the entity's industry and business;
- a discussion on business risks (including known events, uncertainties and other factors which may substantially affect future performance) and risks management policy;
- a discussion on the entity's environmental policies and performance, including compliance with the relevant laws and regulations;
- a discussion on the entity's policies and performance on community, social, ethical and reputational issues;
- an account of the entity's key relationships with employees, customers, suppliers and others, on which its success depends; and
- receipts from, and returns to, shareholders.

7.2 Disclosure requirements on corporate governance effective for financial periods beginning on or after 1 January 2005

Both the revised Code on Corporate Governance Practices (the 'Code'), set out in Appendix 14 to the Listing Rules and Appendix 15 to the GEM Rules, and the requirement to prepare a Corporate Governance Report, set out in Appendix 23 to the Listing Rules and Appendix 16 to the GEM rules, are effective for accounting periods beginning on or after 1 January 2005, except that disclosures relating to the entity's internal controls are only required for accounting periods beginning on or after 1 July 2005.

The revised Code has five sections dealing with directors, remuneration of directors and senior management, accountability and audit, delegation by the Board and communication with shareholders. In each section, the Code is structured into two levels of recommendations, namely Code Provisions and Recommended Best Practices. Entities are expected to comply with, but may choose to deviate from, the Code Provisions. Entities are encouraged to comply with the Recommended Best Practices which are provided for guidance only.

7.2.1 Disclosures in relation to the compliance with Code Provisions

Entities are required to state in their annual reports whether they have complied with the code provisions set out in the Code. Entities may devise their own code on corporate governance practices on such terms as they may consider appropriate, provided that these are no less rigorous than those include in the Code Provisions. However, for any deviations, the entity should provide considered reasons in the Corporate Governance Report contained in the annual reports.
Entities are encouraged to comply with the Recommended Best Practices but there are no disclosure requirements in this regard. However, entities are encouraged, but are not required, to state whether they have complied with them and give considered reasons for any deviation.

7.2.2 Disclosures in relation to securities transactions by directors

A Model Code of conduct regarding securities transactions by directors set out in Appendix 10 to the Listing Rules or Rules 5.48 to 5.67 of the GEM Rules requires an entity to disclose in the Corporate Governance Report contained in its annual reports:

- whether a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code has been adopted;
- having made specific enquiries of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard set out in the Model Code and its code of conduct regarding securities transactions by directors; and
- in the event of any non-compliance with the required standard set out in the Model Code, details of such non-compliance and an explanation of the remedial steps taken by the listed issuer to address such non-compliance.

7.2.3 Corporate Governance Reports

A new requirement to include a Corporate Governance Report in the annual reports and any summary financial reports is introduced. Any failure to do so is regarded as a breach of the listing rules. To the extent that it is reasonable and appropriate, the entity's Corporate Governance Report included in its summary financial report may take the form of a summary of the Corporate Governance Report in the annual report and may also incorporate by reference to its annual report. Any such references must be clear and unambiguous and the summary must not only contain a cross-reference without any discussion of the matter.

7.2.3.1 Mandatory disclosure requirements

The Corporate Governance Report should include specified information in the following categories for the accounting period (and information detailing any significant subsequent events up to the date of publication of the annual report):

- corporate governance practices
- directors' securities transactions
- details of the board of directors
- chairman and chief executive officer
- non-executive directors
- remuneration of directors

- nomination of directors
- auditors' remuneration (including analysis of non-audit services)
- audit committee

Details of the required disclosures in each of the above categories are set out in Appendix 23 to the Listing Rules and Appendix 16 to the GEM Rules.

In addition to the disclosure obligations described above, the Code Provisions in the Code expect entities to make certain specified disclosures in the Corporate Governance Report. Where entities choose not to make the expected disclosure, they must give considered reasons for the deviation. The specific disclosure expectations of the Code Provisions are set out below:

- an acknowledgement from the directors of their responsibility for preparing the accounts and a statement by the auditors about their reporting responsibilities (C.1.2 of the Code);
- report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the listed issuer's ability to continue as a going concern (C.1.2 of the Code);
- a statement that the board has conducted a review of the effectiveness of the system of internal control of the issuer and its subsidiaries (C.2.1 of the Code); and
- a statement from the audit committee explaining its recommendation and the reason(s) why the board has taken a different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of the external auditors (C.3.5 of the Code).

7.2.3.2 Recommended disclosures

In addition specified "recommended disclosures" in the following areas are encouraged to be given by entities in the Corporate Governance Report:

- share interests of senior management
- shareholders' rights
- investor relations
- internal controls
- management functions

Appendices

Appendix I

HKICPA Standards in issue at 30 November 2005

Standard	**Title**	**Effective for annual periods beginning on or after**
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards *(A number of amendments with later effective dates have been made, consequent to amendments made to other Standards. See HKFRS 1 for details.)*	An entity's first HKFRS financial statements for a period beginning on or after 1 January 2004
HKFRS 2	Share-based Payment	1 January 2005*
HKFRS 3	Business Combinations	1 January 2005*
HKFRS 4	Insurance Contracts	1 January 2005*
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2005*
HKFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2006*
HKFRS 7	Financial Instruments: Disclosures	1 January 2007**
HKAS 1	Presentation of Financial Statements	1 January 2005**
HKAS 2	Inventories	1 January 2005
HKAS 7	Cash Flow Statements	1 January 2005
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2005
HKAS 10	Events After the Balance Sheet Date	1 January 2005
HKAS 11	Construction Contracts	1 January 2005
HKAS 12	Income Taxes	1 January 2005
HKAS 14	Segment Reporting	1 January 2005
HKAS 16	Property, Plant and Equipment	1 January 2005*
HKAS 17	Leases	1 January 2005
HKAS 18	Revenue	1 January 2005
HKAS 19	Employee Benefits *(Subsequent amendments to HKAS 19 (dealing with actuarial gains and losses, group plans and disclosures) are effective from 1 January 2006, with early adoption encouraged.)*	1 January 2005
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2005
HKAS 21	The Effects of Changes in Foreign Exchange Rates	1 January 2005*
HKAS 23	Borrowing Costs	1 January 2005*
HKAS 24	Related Party Disclosures	1 January 2005

Standard	**Title**	**Effective for annual periods beginning on or after**
HKAS 26	Accounting and Reporting by Retirement Benefit Plans	1 January 2005
HKAS 27	Consolidated and Separate Financial Statements *(An amendment to HKAS 27 (due to an amendment to the Companies Ordinance regarding consolidation of subsidiaries by Hong Kong incorporated entities) is effective from 1 January 2006.)*	1 January 2005
HKAS 28	Investments in Associates	1 January 2005
HKAS 29	Financial Reporting in Hyperinflationary Economies	1 January 2005
HKAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	1 January 2005**
HKAS 31	Interests in Joint Ventures	1 January 2005
HKAS 32	Financial Instruments: Disclosure and Presentation	1 January 2005**
HKAS 33	Earnings Per Share	1 January 2005
HKAS 34	Interim Financial Reporting	1 January 2005
HKAS 36	Impairment of Assets	1 January 2005*
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2005
HKAS 38	Intangible Assets	1 January 2005
HKAS 39	Financial Instruments: Recognition and Measurement *(A number of subsequent amendments have been made (concerning transition and initial recognition of financial assets and financial liabilities, cash flow hedge accounting, financial guarantee contracts and the fair value option). The effective dates and transitional arrangements for these amendments are varied and complex – please refer to HKAS 39.)*	1 January 2005*
HKAS 40	Investment Property	1 January 2005*
HKAS 41	Agriculture	1 January 2005

* The requirements of these Standards as regards effective dates and transitional provisions will require some consideration and in some cases are complex. Refer to the text of the Standard for details.

** HKFRS 7 is effective from 1 January 2007. Earlier adoption is encouraged. At the date of adoption of HKFRS 7:

- HKAS 30 and the disclosure requirements of HKAS 32 are withdrawn; and
- supplementary disclosures regarding capital are added to HKAS 1.

HKICPA Interpretations in issue at 30 November 2005

Interpretation	Title	Effective Date
HK(IFRIC)-Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Annual periods beginning on or after 1 September 2004
HK(IFRIC)-Int 2	Members' Shares in Co-operative Entities and Similar Instruments	Annual periods beginning on or after 1 January 2005
HK(IFRIC)-Int 3	[Withdrawn]	N/a
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease	Annual periods beginning on or after 1 January 2006
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Annual periods beginning on or after 1 January 2006
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	Annual periods beginning on or after 1 December 2005
HK(SIC)-Int 10	Government Assistance – No Specific Relation to Operating Activities	Annual periods beginning on or after 1 January 2005
HK(SIC)-Int 12	Consolidation – Special Purpose Entities	Annual periods beginning on or after 1 January 2005
HK(SIC)-Int 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	Annual periods beginning on or after 1 January 2005
HK(SIC)-Int 15	Operating Leases – Incentives	Lease terms beginning on or after 1 January 2005
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	Annual periods beginning or after 1 January 2005
HK(SIC)-Int 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	Annual periods beginning or after 1 January 2005
HK(SIC)-Int 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Annual periods beginning or after 1 January 2005
HK(SIC)-Int 29	Disclosure - Service Concession Arrangements	Annual periods beginning or after 1 January 2005
HK(SIC)-Int 31	Revenue – Barter Transactions Involving Advertising Services	Annual periods beginning or after 1 January 2005
HK(SIC)-Int 32	Intangible Assets – Web Site Costs	Annual periods beginning or after 1 January 2005
HK-Int 1	The Appropriate Accounting Policies for Infrastructure Facilities	1 October 2004
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties	Annual periods beginning or after 1 January 2005
HK-Int 3	Revenue – Pre-completion Contracts for the Sale of Development Properties	Contracts entered into on or after 1 January 2005
HK-Int 4	Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases	24 May 2005

Appendix II

HKFRS Model Financial Statement 2005

The model financial statements of Hong Kong GAAP Limited are intended to illustrate the presentation and disclosure requirements of Hong Kong Financial Reporting Standards (HKFRSs) and Interpretations, the Companies Ordinance and the Listing Rules. They also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided with a specific Standard.

Hong Kong GAAP Limited is assumed to be listed on the Main Board of the SEHK. For those entities listed on the Growth Enterprise Market, specific disclosure requirements are set out in the GEM Rules. These are largely consistent with the requirements of the Listing Rules and, for readers' convenience, cross-references to the GEM Rules have also been included in the Model Financial Statements and the Presentation and Disclosure Checklist.

Hong Kong GAAP Limited is assumed to have presented financial statements in accordance with HKFRSs for a number of years. Therefore, it is not a first-time adopter of HKFRSs. Readers should refer to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* for specific requirements regarding an entity's first HKFRS financial statements, and to the HKFRS 1 section of the presentation and disclosure checklist included in this publication for details of the particular disclosure requirements applicable for first-time adopters.

The model financial statements do not include separate financial statements for the parent. Where an entity prepares separate financial statements that comply with HKFRSs, the requirements of HKAS 27 *Consolidated and Separate Financial Statements* will apply. A separate income statement, balance sheet, statement of changes in equity and cash flow statement for the parent will be required.

Suggested disclosures are cross-referenced to the underlying requirements in the texts of the relevant Standards and Interpretations, which are set out in the presentation and disclosure checklist.

For the purposes of presenting the income statement, statement of changes in equity and cash flow statement - the various alternatives allowed under HKFRSs for those statements have been illustrated. Preparers should select the alternatives most appropriate to their circumstances.

Contents

Index to the notes to the consolidated financial statements

Source

Corporate Information

Board of directors

Gary D.K. Wong, Chairman
Daniel D.D. Lee
Derek S.Y. Wong
Tiara Cheung
Florence K.Y. Tang
John Banks

Registered office

14th Floor, Sheung Wan Tower
Central
Hong Kong

Company secretary

William Y.S. Lee

Registrars

Hong Kong Registrars Limited
Central
Hong Kong

Principal Bankers

Wan Chai Banking Corporation
Kowloon Bank Limited

Auditors

Deloitte Touche Tohmatsu

Solicitors

Kwan, Lee & Wong

Source

Directors' business review

App 16.32
GR 18.41

Listed entities, whether listed on the Main Board or GEM, are required to present in their annual reports a separate statement containing a discussion and analysis of the entity's performance during the year and the material factors underlying its results and financial position.

Both the Listing Rules and the GEM Rules set out a number of matters on which, as a minimum, the directors should comment in their review, including:

- the entity's liquidity and financial resources;
- the capital structure of the entity;
- the state of the entity's order book;
- significant investments held and their performance;
- details of material acquisitions and disposals during the year;
- comments on segment information;
- the number and remuneration of employees;
- details of charges on group assets;
- details of future plans for investments and sources of funding;
- gearing ratio;
- foreign exchange exposure; and
- details of contingent liabilities.

There is no 'model' for such a review. The analysis should focus on the key issues for the particular reporting entity.

Source

Corporate governance report

App 16.34
App 23.1
App 23.2
GR18.44(2)
GR App 16.1
GR App 16.2

On 19 November 2004, the SEHK announced amendments to the Listing Rules / GEM Rules to introduce the Code on Corporate Practices (the Code) and the Rules on the Corporate Governance Report. The amendments are effective for accounting periods beginning on or after 1 January 2005, except that disclosures relating to an entity's internal controls will be effective for accounting periods beginning on or after 1 July 2005. As a result of the amendments, listed entities regardless of whether listed on the Main Board or GEM are required to include a report on corporate governance practices in their annual reports.

The report should contain at a minimum information of the following matters:

- corporate governance practices;
- directors' securities transactions;
- the board of directors;
- chairman and chief executive officer;
- non-executive directors;
- remuneration of directors;
- nomination of directors;
- auditors' remuneration; and
- audit committee.

In addition, the report encourages disclosures regarding details of the following matters:

- share interests of senior management;
- shareholders' rights;
- investor relations;
- internal controls; and
- management functions.

There is no 'model' for a corporate governance report. The content of this report should reflect the corporate governance practices of the particular reporting entity.

The HKICPA published a guideline on internal controls entitled "Internal Control and Risk Management – A Basic Framework" in order to provide guidance to entities on how to perform the review in relation to internal controls.

Source

App 16.12
GR 18.39

Profiles of directors and senior management

Executive directors

Gary D.K. Wong, Chairman and Managing Director

Mr. Gary D.K. Wong, 53, is a design engineer. He has been with the Group since its formation, holding a number of Board positions before becoming Managing Director in 1991.

Daniel D.D. Lee, Finance Director

Mr. Daniel D.D. Lee, 49, is a chartered accountant and holds a business degree from the University of Ontario. He joined the Board as Finance Director in 1993, having previously held senior positions in a number of manufacturing entities.

Derek S.Y. Wong

Mr. Derek S.Y. Wong, 44, is an executive director with special responsibility for product development. He is an electronic engineer with previous experience with multi-national conglomerates in the electronics industry. He joined the Board in 1996. Derek S.Y. Wong is a brother of Gary D.K. Wong.

Independent non-executive directors

Tiara Cheung

Ms. Tiara Cheung, 41, was appointed as a non-executive director in March 1998 and serves on the Audit Committee of the Company. She worked for a number of years in marketing and public relations positions with Secor Electronics Limited before establishing a consultancy practice in 1993.

Florence K.Y. Tang

Ms. Florence K.Y. Tang, 54, is one of Hong Kong's leading residents with a distinguished record in the business community. She joined the Board as non-executive director in 2000 and serves on the Audit Committee of the Company. She is a member of the Hong Kong Development Corporation and of the Community Development Project.

John Banks

Mr. John Banks, 45, was appointed as a non-executive director in April 2003 and serves on the Audit Committee of the Company. He is a chartered accountant and has many years of experience in corporate finance. Mr. Banks holds directorships in a number of public companies in Hong Kong.

Senior management

GR 18.44

Mr. Bruno Gimeli

Mr. Bruno Gimeli, 46, is the chief executive. He is primarily responsible for sales and marketing. He held senior marketing positions with a number of Hong Kong companies before joining the Company in 1999.

William Y.S. Lee

William Y.S. Lee, 42, is the chief financial controller and the qualified accountant responsible for the financial reporting procedures and internal controls. He also acts as the company secretary, and as the compliance officer responsible for liaison with the Stock Exchange. He joined the Company in 2000. He is an associate of the Association of Chartered Certified Accountants and the Hong Kong Institute of Company Secretaries.

Source

Report of the directors

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2005.

s129D(3)(a)

Principal activities

The Company acts as an investment holding company.

The principal activities of its subsidiaries are the manufacture and distribution of electronic consumer goods, the leasing of electronic equipment and property construction. The Group was also previously involved in the manufacture and sale of toys (see note 10 to the financial statements), which operations were discontinued during the period.

s129D(3)(b)
s129D(3)(c)

Results and appropriations

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page [XX].

An interim dividend of 4.2 cents per share, amounting to HK$5.04 million, was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 9.8 cents per share to the shareholders on the register of members on 21 April 2006, estimated to be HK$14.7 million, and the retention of the remaining profit in reserves.

s129D(3)(f)

Fixed assets

During the year, the Group spent approximately HK$44.359 million on fixtures and equipment and HK$17.26 million on properties under construction to expand and upgrade its production capacity. The Group revalued its self-occupied buildings at 31 December 2005, resulting in a revaluation surplus of HK$64.709 million. The investment property held by the Company was revalued at 31 December 2005, resulting in a net increase in fair value of HK$0.601 million which has been credited directly to profit or loss.

Details of these and other movements during the year in the fixed assets of the Group are set out in notes 16 and 18 to the financial statements.

s129D(3)(g)
App 16.10
GR 18

Share capital

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

On 14 February 2006, a capitalisation issue of 1 bonus share for every four shares in issue resulted in an increase in the Company's issued share capital of HK$30 million, and an equivalent reduction in the share premium account.

App 16.29
GR 18.37
GR 24.21
GR 25.33

Distributable reserves of the Company

The Company’s reserves available for distribution to shareholders at 31 December 2005, amounted to HK$116 million (2004: HK$ 101.04 million).

Source	
	Report of the directors - continued
s129D(3)(i)	The directors of the Company during the year and up to the date of this report were:
	Executive Directors
	Gary D.K. Wong Daniel D.D. Lee Derek S.Y. Wong
	Independent non-executive directors
	Tiara Cheung Florence K.Y. Tang John Banks
	In accordance with Article 131 of the Company's Articles of Association, Messrs. Derek S.Y. Wong retires by rotation and, being eligible, offer himself for re-election.
App 16.14 GR 18.24(1)	No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).
App 16.13(1), (2)	**Directors' and chief executive's interests in shares and share options**
PN 5(3.2), (3.3) GR 18.15 (1), (2) GR 18.17 GR 18.17A	At 31 December 2005, the interests of the directors and Mr. Bruno Gimeli, the chief executive of the Company, in the shares and share options of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:
	Long positions
	(a) Ordinary shares of HK$1 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Directors			
Mr. Gary D.K. Wong	Beneficial owner	3,000,000	2.5%
	Held by spouse (note 1)	250,000	0.2%
	Held by controlled corporations (note 2)	72,100,000	59.3%
		75,350,000	62.0%
Mr. Daniel D.D. Lee	Beneficial owner	800,000	0.7%
	Held by spouse (note 3)	30,000	0.02%
	Held by controlled corporations (note 4)	1,700,000	1.4%
		2,530,000	2.12%

Source

Report of the directors – continued

(b) Share options

Name	Capacity	Number of options held	Number of underlying shares
Directors			
Mr. Gary D.K. Wong	Beneficial owner	2,150,000	2,150,000
Mr. Daniel D.D. Lee	Held by spouse (note 3)	500,000	500,000
	Held by controlled corporations (note 4)	600,000	600,000
Mr. Derek S.Y. Wong	Beneficial owner	500,000	500,000
		3,750,000	3,750,000
Chief executive			
Mr. Bruno Gimeli	Beneficial owner	500,000	500,000

Notes:

1. Mr. Gary D.K. Wong is deemed to be interested in 250,000 ordinary shares of the Company, being the interest held beneficially by his spouse.

2. Mr. Gary D.K. Wong is deemed to be interested in 72,100,000 ordinary shares of the Company through the beneficial interests of the following corporations:

	Percentage of the issue share capital of the corporation	Number of shares held
ABC Inc.	0.3%	400,000
XYE Company Limited	0.6%	700,000
Group Holdings Limited	58.4%	71,000,000
		72,100,000

3. Mr. Daniel D.D. Lee is deemed to be interested in 30,000 ordinary shares of the Company and 500,000 options to acquire the shares of the Company, being the interests held beneficially by his spouse.

4. Mr. Daniel D.D. Lee beneficially owns 10,000 shares of HK$1 each in AAA Co. Ltd., representing approximately 40% of the issued share capital of that company. AAA Co. Ltd. beneficially owns 1,700,000 ordinary shares of the Company and 600,000 options to acquire shares of the Company.

App 16.13(2)
GR 18.15(2)

Other than the holdings disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the directors, chief executive and their associates, had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations at 31 December 2005.

Source	

Report of the directors – continued

Share options

LR 17/09
GR 23.09

Particulars of the Company's share option scheme are set out in note 47 to the financial statements.

LR 17.07
GR 23.07

The following table discloses details of share options outstanding under the Company's share option scheme and movements during the year.

	Option type	Outstanding at beginning of year	Granted during year	Exercised/ expired during the year	Outstanding at end of year
Directors and chief executive					
Mr. Gary D.K. Wong	2001A	800,000	-	(350,000)	450,000
	2004A	500,000	-	-	500,000
	2005A	-	600,000	-	600,000
	2005C	-	600,000		600,000
Mr. Daniel D.D. Lee	2001B	800,000	-	(300,000)	500,000
	2004B	500,000	-	-	500,000
	2005B	-	100,000	-	100,000
Mr. Derek S.Y. Wong	2004B	500,000	-	-	500,000
Mr. Bruno Gimeli	2004B	500,000	-	-	500,000
		3,600,000	1,300,000	(650,000)	4,250,000
Substantial shareholder					
Mr. Francis F.G. Chan	2001B	400,000	-	-	400,000
Employees					
	2001B	250,000	-	(61,000)	189,000
	2004B	250,000	-	-	250,000
	2005C	-	400,000	-	400,000
		500,000	400,000	(61,000)	839,000
Total		4,500,000	1,700,000	711,000	5,489,000

PN 5(3.4)(1)Note 4
GR 18.17B(1)Note 3

The terms applicable to specific categories of options are set out in note 47 to the financial statements.

LR 17.07(2)
GR 23.07(2)

The closing prices of the Company's shares on 31 March 2005, 30 June 2005 and 31 October 2005, the day before the date of grant of the 2005 options, were HK$6.15, HK$6.45 and HK$6.70 respectively.

Source

Report of the directors – continued

Arrangements to purchase shares or debentures

S129D(3)(k)

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

s129D(3)(j)
App 16.15
GR 18.25

Directors' interests in contracts

No contract of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

App 16.13(3)
PN 5(3.2), (3.4)
GR 18.16
GR 18.17
GR 18.17B

Substantial shareholders

As at 31 December 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

(a) Ordinary shares of HK$1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Francis F.G. Chan	Held by controlled corporation (note)	15,500,000	12.7%

(b) Share options

	Capacity	Number of share options	Number of underlying shares
Mr. Francis F.G. Chan	Held by controlled corporation (note)	400,000	400,000

Note: Mr. Francis F.G. Chan beneficially owns 100 shares of HK$1 each in YZ Limited, representing approximately 60% of the issued share capital of that company. YZ Limited beneficially owns 15,500,000 ordinary shares of the Company and 400,000 options to acquire shares of the Company.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31 December 2005.

Source	
	Report of the directors - continued
App 16.12B GR 18.39B	**Appointment of independent non-executive directors** The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.
S129D(3)(e)	**Donations** During the year the Group made charitable and other donations amounting to HK$100,000.
App 16.24B GR 18.29A	**Emolument policy** The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 47 to the financial statements.
App 16.20 GR 17.39 GR 17.27(2)	**Pre-emptive rights** There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.
App 16.34A LR 13.35	**Sufficiency of public float** The Company has maintained a sufficient public float throughout the year ended 31 December 2005.
App 16.31 GR 18.40	**Major customers and suppliers** The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 15 per cent and 43 per cent respectively of the Group's total turnover for the year. None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5 per cent of the Company's share capital) has any interest in the Group's five largest customers. The aggregate purchases attributable to the Group's five largest suppliers taken together were less than 30 per cent of the Group's total purchases for the year.
s129D(3)(l)	**Events after the balance sheet date** Details of significant events occuring after the balance sheet date are set out in note 49 to the financial statements.

Source	
	Report of the directors - continued
	Auditors
	A resolution to reappoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.
S129D(2)	On behalf of the Board
	<u>**Gary D.K. Wong**</u> CHAIRMAN
	15 March 2006

Source	
	## Report of the auditors
	Deloitte. 德勤
SAS 600(9)(a) SAS 600(9)(b)	To the members of Hong Kong GAAP Limited (incorporated in Bermuda)
SAS 600(9)(c)	We have audited the financial statements on pages X to X which have been prepared in accordance with accounting principles generally accepted in Hong Kong.
SAS 600(9)(d)	**Respective responsibilities of directors and auditors**
SAS 600(18)	The directors are responsible for the preparation of the financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.
Professional Risk Management Bulletin No. 2	It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.
SAS 600(9)(d)	**Basis of opinion**
SAS 600(23)	We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.
	We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.
SAS 600(9)(d)	**Opinion**
	In our opinion, the financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Companies Ordinance.
SAS 600(9)(e)	<u>Deloitte Touche Tohmatsu</u> Certified Public Accountants Hong Kong
SAS 600(9)(f)	15 March 2006

Source				
HKAS 1.8(b) HKAS 1.46(b),(c)	**Consolidated income statement** **For the year ended 31 December 2005**			**[Alt 1]**
HKAS 1.104 HKAS 1.46(d),(e)		Notes	Year ended 31/12/05	Year ended 31/12/04
			HK$'000	HK$'000 (restated)
	Continuing operations			
HKAS 1.81(a)	Revenue	6	1,064,660	728,250
HKAS 1.29 & 88	Other income		13,393	7,462
HKAS 1.88	Changes in inventories of finished goods and work in progress		4,026	4,432
HKAS 1.88	Raw materials and consumables used		(667,794)	(460,961)
HKAS 1.88	Employee benefits expense		(220,299)	(188,809)
HKAS 1.88	Depreciation and amortisation expense		(35,304)	(17,238)
HKAS 1.88	Other expenses		(28,839)	(22,645)
HKAS 1.83	Operating profit		129,843	50,491
HKAS 1.81(c)	Share of profit of associates		12,763	983
HKAS 1.83	Other gains and losses		(563)	(44)
HKAS 1.81(b)	Finance costs	8	(36,187)	(32,165)
HKAS 1.83	Profit before tax		105,856	19,265
HKAS 1.81(d)	Income tax expense	9	(16,166)	(3,810)
HKAS 1.83	Profit for the year from continuing operations		89,690	15,455
	Discontinued operation			
HKAS 1.81(e) HKFRS 5.33(a)	Profit for the year from discontinued operation	10	10,676	4,171
HKAS 1.81(f)	**Profit for the year**	12	100,366	19,626
	Attributable to:			
HKAS 1.82(b)	Equity holders of the parent		99,757	19,529
HKAS 1.82(a)	Minority interest		609	97
HKAS 27.33			100,366	19,626
HKAS 33.66&67	Earnings per share	15		
App 16.4(1)(g) GR 18.50B(1)(m)	From continuing and discontinued operations:			
	Basic		66.1 cents	13.0 cents
	Diluted		51.4 cents	12.9 cents
	From continuing operations:			
	Basic		59.0 cents	10.2 cents
	Diluted		46.0 cents	10.1 cents

Note: The format outlined above aggregates expenses according to their nature, with minimal disclosures of discontinued operations on the face of the consolidated income statement.

Source				
HKAS 1.8(b) HKAS 1.46(b),(c)	**Consolidated income statement** **For the year ended 31 December 2005**			**[Alt 2]**
HKAS 1.104 HKAS 1.46(d),(e)		Notes	Year ended 31/12/05 HK$'000	Year ended 31/12/04 HK$'000 (restated)
	Continuing operations			
HKAS 1.84(a)	Revenue	6	1,064,660	728,250
HKAS 1.88	Cost of sales		(697,027)	(552,343)
HKAS 1.83	Gross profit		367,633	175,907
HKAS 1.29&88	Other income		13,393	7,462
HKAS 1.88	Distribution costs		(96,298)	(45,609)
HKAS 1.88	Administrative expenses		(131,485)	(69,545)
HKAS 1.88	Other expenses		(23,400)	(17,724)
HKAS 1.83	Operating profit		129,843	50,491
HKAS 1.81(c)	Share of profit of associates		12,763	983
HKAS 1.83	Other gains and losses		(563)	(44)
HKAS 1.81(b)	Finance costs	8	(36,187)	(32,165)
HKAS 1.83	Profit before tax		105,856	19,265
HKAS 1.81(d)	Income tax expense	9	(16,166)	(3,810)
HKAS 1.83	Profit for the year from continuing operations		89,690	15,455
	Discontinued operation			
HKAS 1.81(e)	Profit for the year from discontinued operation	10	10,676	4,171
HKFRS 5.33(a) HKAS 1.81(f)	**Profit for the year**	12	100,366	19,626
	Attributable to:			
HKAS 1.82(b)	Equity holders of the parent		99,757	19,529
HKAS 1.82(a)	Minority interest		609	97
HKAS 27.33			100,366	19,626
HKAS 33.66&67 App 16.4(1)(g) GR 18.50B(1)(m)	Earnings per share	15		
	From continuing and discontinued operations:			
	Basic		66.1 cents	13.0 cents
	Diluted		51.4 cents	12.9 cents
	From continuing operations:			
	Basic		59.0 cents	10.2 cents
	Diluted		46.0 cents	10.1 cents

Note: The format outlined above aggregates expenses according to their function, with minimal disclosures of discontinued operations on the face of the consolidated income statement.

Source		Notes	31/12/05	31/12/04
HKAS 1.8(a) HKAS 1.46(b),(c)	**Consolidated balance sheet** **At 31 December 2005**			
HKAS 1.104 HKAS 1.46(d),(e)			HK$'000	HK$'000 (restated)
HKAS 1.51	**Non-current assets**			
HKAS 1.68(a)	Property, plant and equipment	16	517,738	426,675
HKAS 1.69	Prepaid lease payments	17	131,125	140,167
HKAS 1.68(b)	Investment property	18	12,000	11,409
HKAS 1.69	Goodwill	19	2,423	2,538
HKAS 1.68(c)	Other intangible assets	20	26,985	21,294
HKAS 1.69	Negative goodwill		-	(2,465)
HKAS 1.68(e)	Investments in associates	22	45,060	12,274
HKAS 1.68(d), 69	Non-trading securities	24	-	25,602
HKAS 1.68(d), 69	Available-for-sale investments	24	23,543	-
HKAS 1.69	Finance lease receivables	25	114,937	104,489
HKAS 1.68(n), 70	Deferred tax assets	37	2,679	3,400
HKAS 1.69	Derivative financial instruments	36	2,602	-
			879,092	745,383
HKAS 1.51	**Current assets**			
HKAS 1.68(g)	Inventories	26	117,693	108,698
HKAS 1.69	Finance lease receivables	25	54,713	49,674
HKAS 1.68(h)	Trade and other current assets	27	136,958	127,901
HKAS 1.68(d), 69	Trading securities	24	-	29,730
HKAS 1.68(d), 69	Investments held for trading	24	37,243	-
HKAS 1.68(d), 69	Derivative financial instruments	36	2,436	-
HKAS 1.68(i)	Cash and cash equivalents		11,609	1,175
			360,652	317,178
HKAS 1.68A(a) HKFRS 5.38	Assets classified as held for sale	11	1,922	-
			362,574	317,178
HKAS 1.51	**Current liabilities**			
HKAS 1.68(j)	Trade and other payables	39	141,429	84,412
HKAS 1.68(m)	Current tax liabilities		8,229	1,986
HKAS 1.69	Obligations under finance leases	38	1,470	1,483
HKAS 1.69	Bank overdrafts and loans (secured)	34	144,307	128,686
HKAS 1.68(k)	Provisions	40	6,432	2,065
HKAS 1.68(l),1.69	Derivative financial instruments	36	273	-
			302,140	218,632
HKAS 1.68A(b) HKFRS 5.38	Liabilities directly associated with assets classified as held for sale	11	247	-
			302,387	218,632
	Net current assets		60,187	98,546
			939,279	843,929

Source

Consolidated balance sheet
At 31 December 2005 - continued

Source		Notes	31/12/05	31/12/04
			HK$'000	HK$'000 (restated)
	Capital and reserves			
HKAS 1.69	Share capital	29	121,650	120,000
HKAS 1.69	Goodwill and capital reserves	30	41,331	32,500
HKAS 1.69	Revaluation reserves	31	95,248	34,591
HKAS 1.69	Hedging and translation reserves	32	(11,700)	508
HKAS 1.69	Retained earnings	33	252,268	155,886
HKAS 1.68(p)	Equity attributable to equity holders of the parent		498,797	343,485
HKAS 1.68(o)	Minority interest		3,185	2,576
	Total equity		501,982	346,061
HKAS 1.51	**Non-current liabilities**			
HKAS 1.69	Bank loans (secured)	34	356,353	448,753
HKAS 1.68(l), 69	Convertible loan notes	35	24,327	-
HKAS 1.69	Retirement benefit obligation	48	33,928	38,474
HKAS 1.68(n), 70	Deferred tax liabilities	37	13,120	5,881
HKAS 1.69	Obligations under finance leases	38	923	1,244
HKAS 1.69	Liability for share-based payments	47	6,528	3,516
HKAS 1.68(k)	Provisions	40	2,118	-
			437,297	497,868
			939,279	843,929

HKAS 10.17 — The consolidated financial statements on pages [X] to [X] were approved and authorised for issue by the Board of Directors on 15 March 2006.

s129B(1)

Gary D.K.Wong	**Daniel D.D.Lee**
Chairman and Managing Director	Finance director

Source			
HKAS 1.8(c)(ii) HKAS.46(b),(c) HKAS 1.46(d),(e)	**Consolidated statement of recognised income and expense** **For the year ended 31 December 2005**		**[Alt 1]**
		Year Ended 31/12/05	Year ended 31/12/04
		HK$'000	HK$'000 (restated)
HKAS 1.96(b)	Gain(loss) on revaluation of buildings	64,709	(4,369)
HKAS 1.96(b)	(Deferred tax liability arising) reversal of deferred tax liability on revaluation of buildings	(3,692)	320
HKAS 1.96(b)	Gains on cash flow hedges taken to equity	1,723	-
HKAS 1.96(b)	Gains on non-trading securities to equity	-	201
HKAS 1.96(b)	Gains on available-for-sale investments taken to equity	251	-
HKAS 1.96(b)	Exchange differences on translation of foreign operations	(12,718)	2,361
HKAS 1.96(b)	Net income (expense) recognised directly in equity	50,273	(1,487)
	Transfers:		
HKAS 32.59(b)	Transfer to profit or loss from equity on cash flow hedges	(995)	-
HKAS 32.59(c)	Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	(218)	-
HKAS 32.94(h)	Transfer to profit or loss from equity on sale of available-for-sale investments	(611)	-
HKAS 1.96(a)	Profit for the year	100,366	19,626
HKAS 1.96(c)	Total recognised income and expense for the year	148,815	18,139
HKAS 1.96(c)	Attributable to:		
	Equity holders of the parent	148,206	18,042
	Minority interest	609	97
		148,815	18,139
HKAS 1.96(d)	Effects of changes in accounting policies (note 2):		
	Attributable to equity holders of the parent		
	- increase (decrease) in retained earnings at the beginning of the year	1,665	(9,933)
	- decrease in revaluation reserves at the beginning of the year	-	(15,200)
	- decrease in goodwill reserve at the beginning of the year	800	-
		2,465	(25,133)
	Attributable to minority interest	-	-
		2,465	(25,133)

Note: HKAS 1 requires that the financial statements should include a statement showing either all changes in equity, or changes in equity other than those arising from capital transactions with owners and distributions to owners. The above illustrates an approach which presents those changes in equity that represent income and expense in a separate component of the financial statements. If this method of presentation is adopted, a reconciliation of the opening and closing balances of share capital, reserves and retained earnings is required to be provided in the explanatory notes (see notes 29 to 33). An alternative method of presenting changes in equity is illustrated on the next page.

Source

HKAS 1.8(c)(i)
HKAS 1.46(b),(c)

Consolidated statement of changes in equity
For the year ended 31 December 2005 [Alt 2]

Source		Share capital	Goodwill and capital reserves	Revaluation reserves	Hedging and translation reserves	Retained earnings	Attributable to equity holders of the parent	Minority Interest	Total
HKAS 1.97(b),(c) HKAS 1.46(d),(e)		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Balance at 1 January 2004	120,000	31,298	53,639	(1,853)	154,330	357,414	2,479	359,893
HKAS 1.96(d)	Effect of changes in accounting policies (note 2)	-	-	(15,200)	-	(9,933)	(25,133)	-	(25,133)
	As restated	120,000	31,298	38,439	(1,853)	144,397	332,281	2,479	334,760
HKAS 1.96(b)	Loss on revaluation of buildings	-	-	(4,369)	-	-	(4,369)	-	(4,369)
HKAS 1.96(b)	Reversal of deferred tax liability on revaluation of buildings	-	-	320	-	-	320	-	320
	Gains on non-trading securities	-	-	201	-	-	201	-	201
HKAS 1.96(b), HKAS 21.52(b)	Exchange differences arising on translation of foreign operations	-	-	-	2,361	-	2,361	-	2,361
HKAS 1.96(b)	Net income recognised directly in equity	-	-	(3,848)	2,361	-	(1,487)	-	(1,487)
HKAS 1.96(a)	Profit for the year	-	-	-	-	19,529	19,529	97	19,626
HKAS 1.96(c)	Total recognised income and expense for the year	-	-	(3,848)	2,361	19,529	18,042	97	18,139
HKAS 1.97(a)	Recognition of share-based payments	-	1,202	-	-	-	1,202	-	1,202
HKAS 1.97(a)	Dividends	-	-	-	-	(8,040)	(8,040)	-	(8,040)
	Balance at 1 January 2005	120,000	32,500	34,591	508	155,886	343,485	2,576	346,061
HKAS 1.96(d)	Effect of changes in accounting policies (note 2)	-	800	-	-	1,665	2,465	-	2,465
	As restated	120,000	33,300	34,591	508	157,551	345,950	2,576	348,526
HKAS 1.96(b)	Gain on revaluation of buildings	-	-	64,709	-	-	64,709	-	64,709
HKAS 1.96(b)	Deferred tax liability arising on revaluation of buildings	-	-	(3,692)	-	-	(3,692)	-	(3,692)
HKAS 1.96(b)	Gains on cash flow hedges	-	-	-	1,723	-	1,723	-	1,723
HKAS 1.96(b)	Gains on available-for-sale investments	-	-	251	-	-	251	-	251
HKAS 1.96(b), HKAS 21.52(b)	Exchange differences arising on translation of foreign operations	-	-	-	(12,718)	-	(12,718)	-	(12,718)
HKAS 1.96(b)	Net income recognised directly in equity	-	-	61,268	(10,995)	-	50,273	-	50,273
	Transfers:								
HKAS 32.59(b)	Transfer to profit or loss from equity on cash flow hedges	-	-	-	(995)	-	(995)	-	(995)
HKAS 32.59(c)	Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	-	-	-	(218)	-	(218)	-	(218)
HKAS 32.94(h)	Transfer to profit or loss on sale of available-for-sale investments	-	-	(611)	-	-	(611)	-	(611)
HKAS 1.96(a)	Profit for the year	-	-	-	-	99,757	99,757	609	100,366
HKAS 1.96(c)	Total recognised income and expense for the year	-	-	60,657	(12,208)	99,757	148,206	609	148,815
HKAS 1.97(a)	Recognition of equity component of convertible loan notes	-	995	-	-	-	995	-	995
HKAS 1.97(a)	Deferred tax liability on recognition of equity component of convertible loan notes	-	(174)	-	-	-	(174)	-	(174)
HKAS 1.97(a)	Recognition of share-based payments	-	2,860	-	-	-	2,860	-	2,860
HKAS 1.97(a)	Dividends	-	-	-	-	(5,040)	(5,040)	-	(5,040)
HKAS 1.97(a)	Issue of share capital	1,650	4,350	-	-	-	6,000	-	6,000
	Balance at 31 December 2005	121,650	41,331	95,248	(11,700)	252,268	498,797	3,185	501,982

Note: See previous page for alternative method of presenting changes in equity. The above layout combines reserves of a similar nature for ease of presentation. However, HKAS 1 requires a reconciliation of the opening and closing position on each reserve separately. Therefore, if such a combined presentation is adopted for the purposes of the statement of changes in equity, further details should be presented in the notes to the financial statements (see notes 29 to 33).

Source				
HKAS 1.8(d) HKAS 1.46(b),(c)	**Consolidated cash flow statement** **for the year ended 31 December 2005**			**[Alt 1]**
HKAS 1.104		Notes	Year ended 31/12/05	Year ended 31/12/04
HKAS 1.46(d),(e)			HK$'000	HK$'000
HKAS 7.10 HKAS 7.18(a)	**Operating activities**			
	Cash receipts from customers		1,227,651	854,919
	Cash paid to suppliers and employees		(1,042,076)	(816,963)
	Cash generated from operations		185,575	37,956
HKAS 7.35	Income taxes paid		(5,553)	(2,129)
HKAS 7.31	Interest paid		(42,209)	(32,995)
	Net cash from operating activities		137,813	2,832
HKAS 7.10	**Investing activities**			
HKAS 7.31	Interest received		1,202	368
HKAS 7.31	Dividends received from associates		11,777	4,925
HKAS 7.31	Dividends received from other equity investments		2,299	349
	Proceeds on disposal of investments held for trading		25,230	-
	Proceeds on disposal of available-for-sale investments		2,416	-
HKAS 7.39	Disposal of a subsidiary	41	6,517	-
	Proceeds on disposal of property, plant and equipment		4,983	4,500
	Purchases of property, plant and equipment		(58,675)	(30,398)
	Acquisition of investment in an associate		(31,800)	-
	Purchases of investments held for trading		(34,023)	(15,328)
	Purchases of patents and trademarks		(3,835)	(18,617)
	Expenditure on product development		(3,600)	-
HKAS 7.39	Acquisition of a subsidiary	42	(3,670)	-
	Net cash used in investing activities		(81,179)	(54,201)

Source

Consolidated cash flow statement
for the year ended 31 December 2005 - continued **[Alt 1]**

Source		Notes	Year ended 31/12/05 HK$'000	Year ended 31/12/04 HK$'000
HKAS 7.10	**Financing activities**			
HKAS 7.31	Dividends paid		(5,040)	(8,040)
	Repayments of borrowings		(86,777)	-
	Repayments of obligations under finance leases		(1,897)	(1,932)
	Proceeds on issue of convertible loan notes		25,000	-
	Proceeds on issue of shares		6,000	-
	New bank loans raised		-	72,265
	Increase (decrease) in bank overdrafts		16,396	(16,349)
	Net cash (used in) from financing activities		(46,318)	45,944
	Net increase (decrease) in cash and cash equivalents		10,316	(5,425)
	Cash and cash equivalents at the beginning of the year		1,175	5,938
HKAS 7.28	Effect of foreign exchange rate changes		118	662
	Cash and cash equivalents at the end of the year			
HKAS 7.45	Bank balances and cash		11,609	1,175

Note: The above illustrates the direct method of reporting cash flows from operating activities.

Source				
HKAS 1.8(d) HKAS 1.46(b),(c)	**Consolidated cash flow statement** **for the year ended 31 December 2005**			**[Alt 2]**
HKAS 1.104		Notes	Year ended 31/12/05	Year ended 31/12/04
			HK$'000	HK$'000
HKAS 1.46(d),(e)	**Operating activities**			
HKAS 7.10 HKAS 7.18(b)	Profit for the year		100,366	19,626
	Adjustments for:			
	Share of profit of associates		(12,763)	(983)
	Interests on bank deposits		(1,202)	(368)
	Dividends on equity investments		(2,299)	(349)
	Other gains and losses		563	44
	Finance costs	8	36,680	32,995
	Income tax expense	9	17,983	4,199
	Gain on disposal of discontinued operation	10	(8,493)	-
	Depreciation of property, plant and equipment		29,517	19,042
	Impairment loss on fixtures and equipment		4,130	-
	Amortisation of goodwill		-	247
	Amortisation of other intangible assets		2,614	846
	Impairment of goodwill		463	-
	Negative goodwill released to income		-	(2,210)
	Share-based payment expense		5,872	4,718
	(Increase)/decrease in fair value of investment property		(601)	49
	Amortisation of deferred initial direct costs on leases of investment property		10	10
	Gain on disposal of property, plant and equipment		(4,184)	(500)
	Increase/(decrease) in provisions		6,464	(2,320)
	Operating cash flows before movements in working capital		175,120	75,046
	Increase in inventories		(18,101)	(28,065)
	Decrease/(increase) in receivables		2,319	(31,993)
	Increase in payables		26,237	22,968
	Cash generated from operations		185,575	37,956
HKAS 7.35	Income taxes paid		(5,553)	(2,129)
HKAS 7.31	Interest paid		(42,209)	(32,995)
	Net cash from operating activities		137,813	2,832

Source				
	Consolidated cash flow statement **for the year ended 31 December 2005 - continued**			**[Alt 2]**
		Notes	Year ended 31/12/05	Year ended 31/12/04
			HK$'000	HK$'000
HKAS 7.10	**Investing activities**			
HKAS 7.31	Interest received		1,202	368
HKAS 7.31	Dividends received from associates		11,777	4,925
HKAS 7.31	Dividends received from other equity investments		2,299	349
	Proceeds on disposal of investments held for trading		25,230	-
	Proceeds on disposal of available-for-sale investments		2,416	-
HKAS 7.39	Disposal of a subsidiary	41	6,517	-
	Proceeds on disposal of property, plant and equipment		4,983	4,500
	Purchases of property, plant and equipment		(58,675)	(30,398)
	Acquisition of investment in an associate		(31,800)	-
	Purchases of investments held for trading		(34,023)	(15,328)
	Purchases of patents and trademarks		(3,835)	(18,617)
	Expenditure on product development		(3,600)	-
HKAS 7.39	Acquisition of a subsidiary	42	(3,670)	-
	Net cash used in investing activities		(81,179)	(54,201)
HKAS 7.10	**Financing activities**			
HKAS 7.31	Dividends paid		(5,040)	(8,040)
	Repayments of borrowings		(86,777)	-
	Repayments of obligations under finance leases		(1,897)	(1,932)
	Proceeds on issue of convertible loan notes		25,000	-
	Proceeds on issue of shares		6,000	-
	New bank loans raised		-	72,265
	Increase (decrease) in bank overdrafts		16,396	(16,349)
	Net cash (used in) from financing activities		(46,318)	45,944
	Net increase (decrease) in cash and cash equivalents		10,316	(5,425)
	Cash and cash equivalents at the beginning of the year		1,175	5,938
HKAS 7.28	Effect of foreign exchange rate changes		118	662
	Cash and cash equivalents at the end of the year			
HKAS 7.45	Bank balances and cash		11,609	1,175

Note: The above illustrates the indirect method of reporting cash flows from operating activities.

Source	
HKAS 1.8(e) HKAS 1.46(b),(c) HKAS 1.104	**Notes to the consolidated financial statements** **For the year ended 31 December 2005**
	1. General information
s129A(1) HKAS 1.126(a),(c) HKAS 24.12 HKAS 1.126(b)	The Company is a public listed company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited. Its parent is Group Holdings Limited (incorporated in the British Virgin Islands). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 7.
HKAS 1.38 HKAS 8.28	**2. Adoption of new and revised Hong Kong Financial Reporting Standards**
App 16 Note 2.2 GR 18.04 Note	In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years: ● share-based payments (HKFRS 2); ● business combinations (HKFRS 3); ● investment properties (HKAS 40); ● deferred tax related to investment properties (HK(SIC)-Int 21); ● financial instruments (HKAS 32 and HKAS 39); ● leases (HKAS 17); and ● jointly controlled entities (HKAS 31). The impact of these changes in accounting policies is discussed below. The impact on basic and diluted earnings per share is discussed in note 15.
HKAS 8.28(a)	***HKFRS 2 Share-based Payment***
HKAS 8.28(c)	HKFRS 2 *Share-based Payment* requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of HKFRS 2, the Group did not recognise the financial effect of share-based payments until such payments were settled.
HKAS 8.28(b),(c)	In accordance with the transitional provisions of HKFRS 2, HKFRS 2 has been applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005, and to liabilities for share-based transactions existing at 1 January 2005. HKFRS 2 therefore applies to share options granted in 2004 and 2005.
HKAS 8.28(f)(i)	For 2004, the change in accounting policy has resulted in a decrease in profit for the year of HK$4.718 million. The consolidated balance sheet at 31 December 2004 has been restated to reflect the recognition of a liability for share-based payments of HK$3.516 million and a share options reserve of HK$1.202 million.
HKAS 8.28(f)(i)	For 2005, the impact of share-based payments is a charge to income of HK$ 5.872 million. At 31 December 2005, the share options reserve amounted to HK$4.062 million and the liability recognised for share-based payments amounted to HK$6.528 million.
HKAS 8.28(f)(i)	The share-based payments expense has been included in the following lines of the income statement: [employee benefits expense HK$5.872 million (2004: HK$4.718 million)/cost of sales HK$4.942 million (2004: HK$4.127 million) and administrative expenses HK$0.93 million (2004: HK$0.591 million)].

Source	
	Notes to the consolidated financial statements **For the year ended 31 December 2005 – continued**
HKAS 8.28(a)	***HKFRS 3 Business Combinations***
	Goodwill
HKAS 8.28(b),(c),(d)	HKFRS 3 *Business Combinations* is effective for business combinations for which the agreement date is on or after 1 January 2005. The option of limited retrospective application of HKFRS 3 has not been taken up, thus avoiding the need to restate past business combinations. The first transaction to which HKFRS 3 has been applied is the acquisition of Subfive Limited on 1 August 2005 (see note 42). The principal impact of HKFRS 3 on the accounting for that transaction has been the recognition of contingent liabilities (fair value HK$0.021 million) that would not have been recognised in previous years. The recognition of these contingent liabilities has had no material impact on the results for the period.
	After initial recognition, HKFRS 3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under HKAS 36 *Impairment of Assets*, impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. HKFRS 3 prohibits the amortisation of goodwill.
	In previous years, in accordance with the predecessor standard, Statement of Standard Accounting Practice 30 *Business Combinations* (SSAP 30), goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional rules in HKFRS 3. Goodwill previously recognised in reserves of approximately HK$800,000 has been transferred to the Group's retained earnings on 1 January 2005. With respect to goodwill previously capitalised on the consolidated balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment in accordance with HKAS 36. At 1 January 2005, the carrying amount of amortisation accumulated before that date of HK$6.086 million has been eliminated, with a corresponding decrease in the cost of goodwill (see note 19).
HKAS 8.28(f)(i),(g)	Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2004 or prior periods.
	No amortisation has been charged in 2005. The charge in 2004 was HK$ 0.247 million.
HKAS 8.28(f)(i)	An impairment loss of HK$0.463 million has been recognised in the current year in accordance with HKAS 36. Had the Group's previous accounting policy been applied in the current year, this amount would have been split between an amortisation charge of HK$0.23 million and an impairment loss of HK$0.233 million. The change in accounting policy has had no impact on the profit for the year – although it has resulted in a re-analysis between amortisation charge and impairment losses recognised.
	Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)
HKAS 8.28(c)	HKFRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in profit or loss. HKFRS 3 prohibits the recognition of negative goodwill in the balance sheet.
	Previously, under SSAP 30 (superceded by HKFRS 3), the Group released negative goodwill to income over a number of accounting periods, based on an analysis of the circumstances from which the balance resulted. Negative goodwill was reported as a deduction from assets in the consolidated balance sheet.

Source	
	Notes to the consolidated financial statements For the year ended 31 December 2005 – continued
HKAS 8.28(b),(d) HKAS 8.28(g)	In accordance with the transitional rules of HKFRS 3, the Group has applied the revised accounting policy prospectively from 1 January 2005. Therefore, the change has had no impact on amounts reported for 2004 or prior periods.
HKAS 8.28(f)(i)	The carrying amount of negative goodwill at 1 January 2005 has been derecognised at the transition date. Therefore, an adjustment of HK$2.465 million is made to opening retained earnings and negative goodwill at 1 January 2005.
	Under the previous accounting policy, HK$1.682 million of negative goodwill would have been released to income during 2005, leaving a balance of negative goodwill of HK$0.783 million at 31 December 2005. Therefore, the impact of the change in accounting policy in 2005 is a reduction in other income of HK$1.682 million and an increase in net assets at 31 December 2005 of HK$0.783 million.
HKAS 8.28(a)	***HKAS 40 Investment Property***
HKAS 8.28(b),(c),(d) HKAS 8.28(f)(i)	HKAS 40 *Investment Property* requires an investment property to be accounted for using the cost model or the fair value model. The Group elected to use the fair value model to account for its investment properties, which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor standard, Statement of Standard Accounting Practice 13, were measured at open market values, with revaluation surpluses or deficits credited or charged to the investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation deficit, in which case the excess of the revaluation deficit over the balance on the investment property revaluation reserve was charged to profit or loss. Where a deficit had previously been charged to profit or loss and a revaluation surplus subsequently arose, that increase was credited to profit or loss to the extent of the deficit previously charged. The Group has applied the relevant transitional rules in HKAS 40 and elected to apply HKAS 40 retrospectively.
	As a result of the change in accounting policy, the investment properties revaluation reserve of HK$1.6 million at 1 January 2004 has been transferred to the Group's retained earnings. Other expenses for 2004 and other income for 2005 have been increased by HK$0.049 million and HK$0.601 million respectively.
HKAS 8.28(a)	***HK(SIC)-Int 21 Deferred taxes related to investment properties***
HKAS 8.28(b)	In previous years, the deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. HK(SIC) Interpretation 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK (SIC)-Int 21, the change in accounting policy has been applied retrospectively.
HKAS8.28(f)(i)	As a result, at January 2004, a deferred tax liability relating to investment properties, of HK$0.913 millions has been recognised, with a corresponding adjustment being recognised in the Group's retained earnings. For 2004, the deferred tax expense has been decreased by HK$0.004 million. As at 31 December 2004, there was a deferred tax liability in respect of investment properties of HK$0.909 million. For 2005, the deferred tax expense has been increased by HK$0.048 million. As at 31 December 2005, there was a deferred tax liability in respect of investment properties of HK$0.957 million.

Source	
	Notes to the consolidated financial statements **For the year ended 31 December 2005 – continued**
HKAS 8.28(a)	***HKAS 32 Financial Instruments: Disclosure and Presentation &*** ***HKAS 39 Financial Instruments: Recognition and Measurement***
	HKAS 32 *Financial Instruments: Disclosure and Presentation* requires retrospective application and primarily addresses the classification of a financial instrument issued by an entity and prescribes disclosure requirements of financial instruments. HKAS 39 *Financial Instruments: Recognition and Measurement* deals with recognition, measurement, derecognition of financial instruments and also prescribes requirements for hedge accounting. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects of the adoption of the requirements of HKAS 32 and HKAS 39 are summarised below:
	Convertible loan notes
HKAS 8.28(f)(i)	The principal impact of HKAS 32 on the Group is in relation to convertible loan notes issued by the Company in the current year (see note 35). HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The adoption of the requirements of HKAS 32 has resulted in a net charge to income of HK$1.203 million for the current year (interest charge of HK$1.26 million net of deferred tax credit of HK$0.057 million). At 31 December 2005, the equity reserve in relation to the equity component of the convertible loan notes amounted to HK$0.821 million, the liability component recognised amounted to HK$24.327 million, the related deferred tax liability amounted to HK$0.117 million.
	Investment securities
HKAS 8.28(b) HKAS 8.28(f)(i)	By 31 December 2004, the Group classified its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 *Accounting for Investments in Securities* (SSAP 24). Under SSAP 24, investments in equity securities are classified as “trading securities” or as “non-trading securities”. Both “trading securities” and “non-trading securities” are measured at fair value. Unrealised gains or losses of “trading securities” are reported in profit or loss for the period in which gains or losses arise while unrealised gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for that period. In accordance with HKAS 39, investments in equity securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Changes in fair values of investments held for trading are recognised in profit or loss as they arise while changes in fair values of available-for-sale investments are generally recognised in equity. The Group has applied the transitional rules in HKAS 39. At 1 January 2005, the Group reclassified its trading securities with a carrying amount of HK$29.730 million to investments held for trading and reclassified its non-trading securities with a carrying amount of HK$25.602 million to available-for-sale investments. The adoption of the requirements of HKAS 39 in respect of equity investments has had no impact to the Group at 1 January 2005 nor has it had an impact on the current period.
	Derivatives and hedging
	HKAS 39 requires derivative financial instruments that are within the scope of HKAS 39 to be carried at fair value at each balance sheet date, regardless of whether they are designated as effective hedging instruments. Derivatives (including embedded derivatives separately accounted for from non-derivative host contracts) are deemed as held for trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments for changes in fair values would depend on whether the derivative financial instruments are designated as effective hedging instruments, and if so, the nature of the item being hedged. Derivative financial instruments that do not qualify for hedge accounting are deemed as investments held for trading. Changes in fair value of such derivative financial instruments are recognised in profit or loss as they arise.

Source	
	Notes to the consolidated financial statements **For the year ended 31 December 2005 – continued**
	At 1 January 2005, the Group had no derivative financial instruments and so no adjustment to the opening balances at 1 January 2005 is required.
HKAS 8.28(b) HKAS 8.28(f)(i)	In the current year, the Group has been using derivative financial instruments (primarily foreign currency forward contracts and interest rate swaps) to hedge its foreign currency risks associated with certain firm commitments and forecasted transactions, and cash flow interest rate risk associated with variable-rate bank loans. The Group designates these hedging relationships as cash flow hedges. Under HKAS 39, in respect of cash flow hedges, changes in the effective portion of the fair value of derivative financial instruments are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss. For the cash flow hedge of a firm commitment or forecasted transaction that results in the recognition of a non-financial asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative financial instrument that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss.
	As a result of the above, a credit to equity of HK$1.723 million has been recognised in the current year, of which HK$0.995 million and HK$0.218 million have been transferred to profit or loss and to inventories respectively. In addition, a net credit to finance costs of HK$0.280 million has been recognised for the current year, comprising losses arising on derivatives not in a designated hedge accounting relationship of HK$0.1 million and fair value gains on interest rate swaps designated as cash flow hedges transferred from equity of HK$0.38 million. At 31 December 2005, derivative financial assets of HK$5.038 million and derivative financial liabilities of HK$0.273 million have been recognised in the consolidated balance sheet.
HKAS 8.28(a)	***HKAS 17 Leases***
	<u>Owner-occupied leasehold land</u>
HKAS 8.28(c)	The Group has leasehold land interests in Hong Kong and land use rights in the People's Republic of China other than Hong Kong (the PRC), with self-constructed buildings erected on them for manufacturing purposes. In previous years, these property interests were included in property, plant and equipment accounted for using the revaluation model. In accordance with HKAS 17 these leasehold interests are classified as prepaid lease payments under operating leases, and are carried at cost and amortised over the lease term on a straight-line basis. In the absence of any transitional rules in HKAS 17, the change in accounting policy has been applied retrospectively.
	Therefore, at 1 January 2004, the carrying amounts of these leasehold interests and the related deferred tax liabilities have been reduced by HK$ 24.789 million and HK$0.479 million respectively. Corresponding adjustments, being a decrease in retained earnings of HK$10.71 million and a decrease in the properties revaluation reserve of HK$13.6 million, have been made at 1 January 2004.
HKAS 8.28(f)(i)	For 2004, the amortisation charge of these leasehold interests amounted to HK$4.102 million (included in cost of sales/other expenses). At 31 December 2004, these property interests amounted to HK$144.209 million (of which HK$140.167 million is presented separately in the consolidated balance sheet as prepaid lease payments and of which HK$4.042 million is included in trade and other receivables).
	For 2005, the amortisation charge of these leasehold interests amounted to HK$4.042 million (included in cost of sales/other expenses). At 31 December 2005, these property interests amounted to HK$135.167 million (of which HK$131.125 million is presented separately in the consolidated balance sheet as prepaid lease payments and of which HK$4.042 million is included in trade and other receivables).

Source	
	Notes to the consolidated financial statements **For the year ended 31 December 2005 – continued**
	<u>Initial direct costs incurred in relation to operating lease receivables</u>
HKAS 8.28(c)	HKAS 17 requires initial direct costs incurred by a lessor in negotiating and arranging an operating lease to be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Prior to the adoption of HKAS 17, the Group recognised such costs as an expense in the income statement in the period in which they were incurred. This change in accounting policy has been applied retrospectively.
	In general, the Group does not incur significant initial direct costs on negotiating and arranging leases. However, in January 2003, as reported in the 2003 financial statements, exceptional legal costs of HK$0.1 million were incurred in relation to lease negotiations for a substantial proportion of the Group's investment property portfolio. In accordance with the previous accounting policy, these costs were expensed in full in 2003.
HKAS 8.28(f)(i)	Under the revised accounting policy, the legal fees should have been deferred over the lease term of the properties, which is ten years, resulting in an annual charge of HK$0.01 million. The adjustment required at 1 January 2004, therefore, is an increase in retained earnings of HK$0.09 million and an equivalent adjustment to the carrying amount of investment properties. This change in accounting policy has reduced profit for the year in both 2004 and 2005 by HK$0.01 million, the expense being charged to other expenses.
HKAS 8.28(a)	***HKAS 31 Interests in joint ventures***
HKAS 8.28(c)	HKAS 31 *Interests in joint ventures* allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Previously, interests in jointly controlled entities were accounted for using the equity method. Upon the adoption of HKAS 31, the Group elected to account for its interests in jointly controlled entities using proportionate consolidation. This change has been applied retrospectively. As a result, the consolidated income statement, consolidated balance sheet and consolidated cash flow statement (including the comparative figures) have been re-presented so as to reflect the proportionate share of the jointly controlled entities' assets and liabilities, income and expenses, and cash flows. Details of the re-presentation are set out below:

HKAS 8.28(f)

	31/12/05	31/12/04
	HK$'000	HK$'000
Decrease in interests in jointly controlled entities	47,578	44,951
Increase in current assets	53,129	46,382
Increase in non-current assets	41,302	38,577
Increase in current liabilities	17,639	15,278
Increase in non-current liabilities	29,214	24,730

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Decrease in share of profits of jointly controlled entities	2,627	1,545
Increase in income	8,329	47,923
Increase in expenses	5,702	46,378

Source	
	Notes to the consolidated financial statements **For the year ended 31 December 2005 – continued**
HKAS 8.30(a)	At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

HKAS 1(Amendment)	Capital Disclosures
HKAS 19(Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39(Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39(Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

HKAS 8.30(b) — The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Note: This listing is complete at 30 October 2005. The potential impact of any new or revised Standards and Interpretations released by the HKICPA after that date, but before the issue of the financial statements, should also be considered and disclosed.

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 1.103(a)
HKAS 1.108
HKAS 1.14
App 16.5
GR 18.19

3. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the principal accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

HKAS 31.57

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below).

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Goodwill

As mentioned in note 2, goodwill previously recognised in reserves has been transferred to the Group's retained earnings at 1 January 2005.

<u>Capitalised goodwill arising on acquisitions prior to 1 January 2005</u>

For previously capitalised goodwill arising on acquisitions after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

Capitalised goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Impairment testing on capitalised goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates' above.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

HKAS 18.35(a)
Sch 10:16(4)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 11.39(b),(c)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Sch 10:12(14)

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

HKAS 23.29(a)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

HKAS 20.39(a)

Government grants

Government grants towards staff re-training costs are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

HKAS 19.120(a)

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

Sch 10:12(15)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

HKAS 16.73(a),(b)

Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Properties in the course of construction for production, rental or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method.

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

HKAS 40.75(a)

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's e-business development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

HKAS 38.118(b)

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Patents and trademarks

HKAS 38.118(b)

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 2.36(a)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

HKAS 32.60(b)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

HKAS 7.46

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Convertible loan notes

Convertible loan notes that consist of a liability and an equity components are regarded as compound instruments. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loan note into equity of the Group, is included in equity (capital reserves).

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Trade payables

Trade payables are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. Any ineffective portion is recognised immediately in profit or loss. The Group's policy with respect to hedging the foreign currency risk of a firm commitment is to designate the hedging relationship as a cash flow hedge. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or the hedge no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payments

LR 17.08
GR 23.08

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

The Group also provides employees with the ability to purchase the Group's ordinary shares at a discount to the current market value. The Group records an expense, based on its estimate of the discount related to shares expected to vest, on a straight-line basis over the vesting period.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

4. Critical accounting judgements and key sources of estimation uncertainty

Note: The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the results and financial position.

HKAS 1.113

Critical judgements in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in note 3, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Revenue recognition

Note 12 describes the expenditure required in the year for rectification work to be carried out on goods supplied to one of the Group's major customers. These goods were delivered to the customer in the months of January to July 2005, and shortly thereafter the defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the Group until 2007. In the light of the problems identified, management was required to consider whether it was appropriate to recognise the revenue from these transactions of HK$102 million in the current period, in line with the Group's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to defer recognition until the rectification work was complete.

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods, set out in HKAS 18 Revenue and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Group's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

Capitalisation of borrowing costs

As described in note 3, it is the Group's policy to capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Capitalisation of the borrowing costs relating to construction of the Group's premises in Malaysia was suspended in 2004, while the development was delayed as management reconsidered its detailed plans. Capitalisation of borrowing costs recommenced in 2005 – following the finalisation of revised plans, and resumption of the activities necessary to prepare the asset for its intended use. Although construction of the premises was not restarted until May 2005, borrowing costs have been capitalised from February 2005, at which time the technical and administrative work associated with the project recommenced.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 1.116
HKAS 1.120

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of internally-generated intangible asset

During the year, management reconsidered the recoverability of its internally-generated intangible asset arising from the Group's e-business development, which is included in its consolidated balance sheet at 31 December 2005 at HK$3.24 million. The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project. However, increased competitor activity has caused management to reconsider its assumptions regarding future market shares and anticipated margins on these products. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was HK$2.423 million after an impairment loss of HK$0.463 million was recognised during 2005. Details of the impairment loss calculation are provided in note 19.

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 32.52
HKAS 32.56
HKAS 32.71

5. Financial risk management objectives and policies

Note: In practice, an extensive description of the group's financial risk management objectives and policies, dealing with the group's particular circumstances, would be given. This would include detailed information with respect to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group's major financial instruments include equity investments, borrowings, trade receivables, finance lease receivables, trade payables and convertible loan notes. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions (see note 36). The use of financial derivatives is governed by the Group's policies approved by the board of directors of the Company, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Certain bank loans of the Group are denominated in foreign currencies (see note 34). The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

HKAS 32.76

Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2005 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade receivables and finance lease receivables. In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank loans (see note 34). It is the Group's policy to convert a proportion of its variable-rate debt to fixed-rate debt. In the current year, the Group has been using interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows. The critical terms of these interest rate swaps are similar to those of hedged loans. These interest rate swaps are designated as effective cash flow hedges of interest rate risk (see note 36).

Source

For the year ended 31 December 2005 – continued

6. Revenue

HKAS 18.35(b)
Sch 10:16(4)

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

Source		Year ended 31/12/05 HK$'000	Year ended 31/12/04 HK$'000
	Continuing operations		
HKAS 18.35(b)	Sales of electronic goods	743,127	504,633
HKAS 11.39(a)	Revenue from construction contracts	304,073	209,562
	Equipment leasing income	16,858	13,492
HKAS 40.75(f)	Property rental income	602	563
		1,064,660	728,250
	Discontinued operation		
HKAS 18.35(b)	Sales of toys	159,438	141,203
Sch 10:16(2)		1,224,098	869,453

7. Business and geographical segments

App 16.7
GR 18.08

Note: The following analysis by business and geographical segment is required by HKAS 14, Segment Reporting, to be presented by entities whose equity or debt securities are publicly traded or that are in the process of issuing equity or debt securities in public securities markets. If an entity whose securities are not publicly traded chooses to disclose segment information voluntarily in financial statements that comply with HKFRSs, that entity should comply fully with the requirements of HKAS 14.

Business segments

HKAS 14.81
HKAS 1.126(b)

For management purposes, the Group is currently organised into three operating divisions – electronic goods, construction and leasing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Electronic goods – manufacture and distribution of electronic consumer goods.

Construction – construction of properties on a contract basis.

Leasing – leasing of electronic equipment and property rental.

In prior years, the Group was also involved in the manufacture and sale of toys. That operation was discontinued with effect from 30 November 2005 (see note 10).

Segment information about the Group's continuing operations is presented below. Segment information about the Group's discontinued operation is presented in note 10.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

2005

Income statement

Source		Electronic goods	Construction	Leasing	Eliminations	Total for continuing operations
		Year ended 31/12/05	Year ended 31/12/05	Year ended 31/12/05	Year ended 31/12/05	Year ended 31/12/05
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Revenue					
HKAS 14.51	External sales	743,127	304,073	17,460	-	1,064,660
	Inter-segment sales	10,020	-	-	(10,020)	-
HKAS 14.67	Total revenue from continuing operations	753,147	304,073	17,460	(10,020)	1,064,660

HKAS 14.75 — Inter-segment sales are charged at prevailing market prices.

Result

Source		Electronic goods	Construction	Leasing	Eliminations	Total for continuing operations
HKAS 14.52	Segment result from continuing operations	95,292	34,879	16,699	(3,005)	143,865
	Unallocated expenses					(14,022)
HKAS 14.67	Operating profit from continuing operations					129,843
HKAS 14.64	Share of profit of associates	10,392	2,371			12,763
	Other gains and losses					(563)
	Finance costs					(36,187)
	Profit before tax					105,856
	Income tax expense					(16,166)
HKAS 14.67	Profit for the year from continuing operations					89,690

Other information

Source		Electronic goods	Construction	Leasing	Other	Total for continuing operations
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
HKAS 14.57	Capital additions	64,748	11,820	1,525	2,781	80,874
HKAS 14.58	Depreciation and amortisation	21,140	6,120	192	3,259	30,711
HKAS 36.129(a)	Impairment losses recognised in profit or loss	-	463	-	4,130	4,593
HKAS14.58	Allowance for trade receivables	3,240	-	-	-	3,240

Balance sheet

Source		31/12/05	31/12/05	31/12/05	31/12/05
		HK$'000	HK$'000	HK$'000	HK$'000
	Assets				
HKAS 14.55	Segment assets	673,160	149,890	208,798	1,031,848
HKAS 14.66	Interests in associates	37,999	7,061	-	45,060
	Unallocated assets				164,758
HKAS 14.67	Consolidated total assets				1,241,666
	Liabilities				
HKAS 14.56	Segment liabilities	108,657	44,457	20,156	173,270
	Unallocated liabilities				566,414
HKAS 14.67	Consolidated total liabilities				739,684

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

2004

Income statement

Source		Electronic goods	Construction	Leasing	Eliminations	Total for continuing operations
		Year ended 31/12/04	Year ended 31/12/04	Year ended 31/12/04	Year ended 31/12/04	Year ended 31/12/04
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
HKAS 14.51	**Revenue**					
	External sales	504,633	209,562	14,055	-	728,250
	Inter-segment sales	9,370	-	-	(9,370)	-
HKAS 14.67	Total revenue from continuing operations	514,003	209,562	14,055	(9,370)	728,250

HKAS 14.75 Inter-segment sales are charged at prevailing market prices.

Result

Source		Electronic goods	Construction	Leasing	Eliminations	Total for continuing operations
HKAS 14.52	Segment result from continuing operations	33,993	15,930	9,929	(1,902)	57,950
	Unallocated expenses					(7,459)
HKAS 14.67	Operating profit from continuing operations					50,491
HKAS 14.64	Share of profit of associates		983			983
	Other gains and losses					(44)
	Finance costs					(32,165)
	Profit before tax					19,265
	Income tax expense					(3,810)
HKAS 14.67	Profit for the year from continuing operations					15,455

Other information

Source		Electronic goods	Construction	Leasing	Other	Total for continuing operations
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
HKAS 14.57	Capital additions	47,046	-	2,277	4,682	54,005
HKAS 14.58	Depreciation and amortisation	10,122	4,944	158	2,014	17,238
HKAS 14.58	Allowance for trade receivables	4,390	-	-	-	4,390

Balance sheet

Source					
		31/12/04	31/12/04	31/12/04	31/12/04
		HK$'000	HK$'000	HK$'000	HK$'000
	Assets				
HKAS 14.55	Segment assets:				
	continuing operations	572,546	105,002	189,021	866,569
	discontinued operation (note 41)				36,844
HKAS 14.66	Interests in associates	-	12,274	-	12,274
	Unallocated assets				146,874
HKAS 14.67	Consolidated total assets				1,062,561
	Liabilities				
HKAS 14.56	Segment liabilities:				
	continuing operations	76,625	31,217	14,190	122,032
	discontinued operation (note 41)				13,082
	Unallocated liabilities				581,386
HKAS 14.67	Consolidated total liabilities				716,500

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

Geographical segments

HKAS 14.81

The Group's operations are located in Hong Kong, the PRC (other than Hong Kong) and Malaysia. The Group's construction and leasing divisions are located in Hong Kong. Manufacturing of electronic goods is carried out in the PRC and Malaysia.

HKAS 14.69(a)

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services.

	Sales revenue by geographical market					
	Continuing operations		Discontinued operation		Total	
	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	741,242	481,027	81,457	103,320	822,699	584,347
PRC	95,992	86,171	75,494	35,632	171,486	121,803
Malaysia	137,892	97,942	-	-	137,892	97,942
United States	52,701	37,432	-	-	52,701	37,432
Other	36,833	25,678	2,487	2,251	39,320	27,929
	1,064,660	728,250	159,438	141,203	1,224,098	869,453

HKAS 14.69(b),(c)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	31/12/05	31/12/04	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	521,709	401,930	38,261	25,787
PRC	363,310	325,654	18,551	18,446
Malaysia	356,647	334,977	24,062	9,772
	1,241,666	1,062,561	80,874	54,005

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

8. Finance costs

Source		Continuing Operations		Discontinued operation		Total	
		Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/21/05	Year ended 31/12/04
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Sch 10:13(1)(b)	Interest on bank overdrafts and loans wholly repayable within five years	40,430	31,932	493	830	40,923	32,762
	Interest on convertible loan notes (note 35)	1,260	-	-	-	1,260	-
	Interest on obligations under finance leases	348	233	-	-	348	233
HKAS 32.94(h)	Total borrowing costs	42,038	32,165	493	830	42,531	32,995
HKAS 23.29(b) App 16.22(2) GR 18.22	Less: amounts included in the cost of qualifying assets	(5,571)	-	-	-	(5,571)	-
		36,467	32,165	493	830	36,960	32,995
HKAS 32.94(h)	Loss arising on derivatives not in a designated hedge accounting relationship	100	-	-	-	100	-
	Fair value gains on interest rate swaps designated as cash flow hedges transferred from equity	(380)	-	-	-	(380)	-
		36,187	32,165	493	830	36,680	32,995

HKAS 23.29(c) Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7 per cent to expenditure on such assets.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

9. Income tax expense

Source		Continuing Operations		Discontinued operation		Total	
		Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/21/05	Year ended 31/12/04
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
HKAS 12.79	Current tax:						
Sch 10:13(1)(c)	Hong Kong	11,041	2,772	1,739	287	12,780	3,059
	Other jurisdictions	870	473	-	-	870	473
		11,911	3,245	1,739	287	13,650	3,532
	Deferred tax (note 37):	4,255	565	78	102	4,333	667
	Income tax expense for the year	16,166	3,810	1,817	389	17,983	4,199

HKAS 12.81(c)
Sch 10:17(3)

Hong Kong Profits Tax is calculated at 17.5 per cent (2004: 17.5 per cent) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

HKAS 12.81(c)

The total charge for the year can be reconciled to the accounting profit as follows:

	Year ended 31/12/05		Year ended 31/12/04	
	HK$'000	%	HK$'000	%
Profit before tax:				
continuing operations	105,856		19,265	
discontinued operation	4,000		4,560	
	109,856		23,825	
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	19,225	17.5	4,169	17.5
Tax effect of share of profit of associates	(2,234)	(2.0)	(172)	(0.7)
Tax effect of expenses that are not deductible in determining taxable profit	1,210	1.1	355	1.5
Tax effect of utilisation of tax losses not previously recognised	(290)	(0.3)	(235)	(1.0)
Effect of different tax rates of subsidiaries operating in other jurisdictions	72	0.1	82	0.3
Tax expense and effective tax rate for the year	17,983	16.4	4,199	17.6

HKAS 12.81(a)

In addition to the income tax expense charged to profit or loss, a deferred tax charge of HK$3.866 million (2004: credit of HK$0.32 million) has been recognised in equity in the year (see note 37).

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

10. Discontinued operation

HKFRS 5.30
HKFRS 5.41

On 14 May 2005, the Group entered into a sale agreement to dispose of Subsix Limited, which carried out all of the Group's toy manufacturing activities. The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses. The disposal was completed on 30 November 2005, on which date control of Subsix Limited passed to the acquirer.

The profit for the year from the discontinued operation is analysed as follows:

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Profit of toy manufacturing operation for the year	2,183	4,171
Gain on disposal of toy manufacturing operation (see note 41)	8,493	-
	10,676	4,171

HKFRS 5.33(b)
HKFRS 5.34

The results of the toy manufacturing operation for the period from 1 January 2005 to 30 November 2005 are as follows:

	Period ended 30/11/05	Year ended 31/12/04
	HK$'000	HK$'000
Revenue	159,438	141,203
Cost of sales	(97,431)	(79,923)
Distribution costs	(19,447)	(16,458)
Administrative expenses	(38,067)	(39,432)
Finance costs	(493)	(830)
Profit before tax	4,000	4,560
Income tax expense	(1,817)	(389)
Profit for the year	2,183	4,171

HKFRS 5.33(c)
HKFRS 5.34

During the year, Subsix Limited contributed HK$4.8 million (2004: HK$4.25 million) to the Group's net operating cash flows, paid HK$1.37 million (2004: HK$2.89 million) in respect of investing activities and paid HK$0.9 million (2004: HK$3.71 million) in respect of financing activities.

HKAS 12.81(h)

No tax charge or credit arose on gain on disposal of toy manufacturing operation.

The carrying amounts of the assets and liabilities of Subsix Limited at the date of disposal are disclosed in note 41.

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

11. Non-current assets held for sale

HKFRS 5.41

On 20 December 2005, the directors resolved to dispose of one of the Group's production lines for electronic goods. Negotiations with several interested parties have subsequently taken place. The assets and liabilities attributable to the production line, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the balance sheet. The operations are included in the Group's electronic goods activities for segment reporting purposes (see note 7).

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

HKFRS 5.38

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	Year ended 31/12/05
	HK$'000
Goodwill	22
Property, plant and equipment	1,698
Inventories	202
Total assets classified as held for sale	1,922
Trade and other payables, and total for liabilities associated with assets classified as held for sale	(247)
Net assets of disposal group	1,675

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

12. Profit for the year

Profit for the year has been arrived at after charging (crediting):

Source		Continuing operations		Discontinued operation		Total	
		Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/21/05	Year ended 31/12/04
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
HKAS 21.52(a)	Net foreign exchange losses/(gains)	960	(840)	318	109	1,278	(731)
HKAS 38.126	Research and development costs	4,800	6,560	-	-	4,800	6,560
HKAS 20.39(b)	Government grants towards training costs	(398)	(473)	-	-	(398)	(473)
	Depreciation of property, plant and equipment	28,097	16,145	1,420	2,897	29,517	19,042
	Impairment of property, plant and equipment	4,130	-	-	-	4,130	-
HKAS 38.118(d)	Amortisation of intangible assets/goodwill (included in [depreciation and amortisation expense/ administration expenses])	2,614	1,093	-	-	2,614	1,093
HKAS 36.126(a)	Impairment of goodwill (included in [depreciation and amortisation expense/ administration expenses])	463	-	-	-	463	-
HKAS 1.93	Total depreciation and amortisation	35,304	17,238	1,420	2,897	36,724	20,135
	Release of negative goodwill to income (included in other income)	-	(2,210)	-	-	-	(2,210)
HKAS 40.67(d)	(Increase)/decrease in fair value of value of investment property	(601)	49	-	-	(601)	49
Sch 10:15	Auditors' remuneration	1,933	1,856	105	102	2,038	1,958
HKAS 2.36(d)	Cost of inventories recognised as expense	697,027	552,343	97,431	79,923	794,458	632,266
HKAS 1.93	Employee benefits expense	220,299	188,809	30,169	26,906	250,468	215,715
App 16.4(1)(c) GR 18.50B(1)(h)	Share of tax of associates (included in share of profit of associates)	2,234	172	-	-	2,234	172
App 16.4(1)(c) GR 18.50B(1)(h)	Share of tax of jointly controlled entities (included in income tax expense)	459	270	-	-	459	270
HKAS 18.35(b)	Interests on bank deposits	(1,202)	(368)	-	-	(1,202)	(368)
HKAS 18.35(b)	Dividends from equity investments	(2,299)	(349)	-	-	(2,299)	(349)

Note: Separate disclosure of employee benefit expense and depreciation is required where the expenses presented in the income statement are analysed by function (see Income Statement - Alt 2)

HKAS 1.86

Costs of HK$14.17 million have been recognised during the year in respect of rectification work to be carried out on goods supplied to one of the Group's major customers, which have been included in [cost of sales/ cost of inventories and employee benefits expense].The amount represents the estimated cost of work to be carried out in accordance with an agreed schedule up to 2007. HK$8.112 million has been expended in the current period, with a provision of HK$6.058 million carried forward to meet anticipated expenditure in 2006 and 2007 (see note 40).

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

13. Directors' and employees' emoluments

s161
s161A
App 16.24
GR 18.28

Directors' emoluments

The emoluments paid or payable to each of the six (2004: six) directors were as follows:

	Gary D.K.Wong	Daniel D.D.Lee	Derek S.Y. Wong	Tiara Cheung	Florence K.Y.Tang	John Banks	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2005							
Fees	-	-	-	1,000	1,000	1,000	3,000
Other emoluments							
Salaries and other benefits	6,300	3,000	2,800	-	-	-	12,100
Retirements benefits scheme contribution	315	150	140	50	50	50	755
Total emoluments	6,615	3,150	2,940	1,050	1,050	1,050	15,855
2004							
Fees	-	-	-	1,000	1,000	1,000	3,000
Other emoluments							
Salaries and other benefits	5,700	2,900	2,500	-	-	-	11,100
Retirements benefits scheme contribution	285	145	125	50	50	50	705
Total emoluments	5,985	3,045	2,625	1,050	1,050	1,050	14,805

Employees' emoluments

App 16.25
GR 18.30

During the year, the five highest paid individuals included four directors (2004: four directors), details of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Salaries and other benefits	1,500	1,500
Retirement benefits scheme contributions	75	75
	1,575	1,575

14. Dividends

HKAS 1.95
Sch 10:13(1)(j)

On 23 May 2005, a final dividend of 4.2 cents per share (total dividend HK$5.04 million) was paid to shareholders. In May 2004, the final dividend paid was 6.7 cents per share (total dividend HK$8.04 million).

HKAS 1.125(a)
HKAS 10.13

In respect of the current year, the directors propose that a dividend of 9.8 cents per share will be paid to shareholders on 25 May 2006. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 21 April 2006. The total estimated dividend to be paid is HK$14.7 million.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

15. Earnings per share

Note: HKAS 33 Earnings Per Share requires that earnings per share (EPS) information be presented by entities whose ordinary shares or potential ordinary shares are publicly traded and by entities that are in the process of issuing ordinary shares or potential ordinary shares in public securities markets. If other entities choose to disclose EPS information in financial statements that comply with HKFRSs, such disclosures should comply fully with the requirements of HKAS 33.

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

HKAS 33.70(a) Earnings

	Year ended 31/12/05 HK$'000	Year ended 31/12/04 HK$'000
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the parent)	99,757	19,529
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	1,040	-
Earnings for the purposes of diluted earnings per share	100,797	19,529

HKAS 33.70(b) Number of shares

	Year ended 31/12/05 '000	Year ended 31/12/04 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	151,031	150,000
Effect of dilutive potential ordinary shares:		
Share options	2,860	1,872
Convertible loan notes	42,188	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	196,079	151,872

HKAS 33.64 The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the capitalisation issue in February 2006 (see note 29).

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the parent entity is based on the following data.

HKAS 33.70(a)

Earnings figures are calculated as follows:

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Profit for the year attributable to equity holders of the parent	99,757	19,529
Less:		
Profit for the year from discontinued operation	(10,676)	(4,171)
Earnings for the purposes of basic earnings per share from continuing operations	89,081	15,358
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	1,040	-
Earnings for the purposes of diluted earnings per share from continuing operations	90,121	15,358

HKAS 33.70(b)

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

HKAS 33.68

From discontinued operation

Basic earnings per share for the discontinued operation is 7.1 cents per share (2004: 2.8 cents per share) and diluted earnings per share for the discontinued operation is 5.4 cents per share (2004: 2.8 cents per share), based on the profit for the year from the discontinued operation of HK$10.7 million (2004: HK$4.2 million) and the denominators detailed above for both basic and diluted earnings per share.

HKAS 8.28(f)

Impact of changes in accounting policies

Changes in the Group's accounting policies during the year are described in detail in note 2. To the extent that those changes have had an impact on results reported for 2005 and 2004, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04
	cents	cents	cents	cents
Figures before adjustments	73.4	18.9	57.0	18.7
Adjustments arising from changes in accounting policies	(7.3)	(5.9)	(5.6)	(5.8)
As reported / restated	66.1	13.0	51.4	12.9

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

16. Property, plant and equipment

Source		Buildings	Properties under construction	Fixtures and equipment	Total
		HK$'000	HK$'000	HK$'000	HK$'000
HKAS 16.73(d),(e) HKAS 16.74(b) Sch 10:12(8)	***Cost or valuation***				
	At 1 January 2004	307,870	74,002	77,322	459,194
	Additions	-	3,698	31,690	35,388
	Exchange differences	(1,569)	-	(142)	(1,711)
	Disposals	-	-	(5,000)	(5,000)
	Revaluation decrease	(14,269)	-	-	(14,269)
	At 1 January 2005	292,032	77,700	103,870	473,602
	Additions	-	17,260	44,359	61,619
	Acquired on acquisition of a subsidiary	8,907	-	-	8,907
	Exchange differences	2,238	-	837	3,075
	Disposal of a subsidiary	-	-	(22,402)	(22,402)
	Disposals	-	-	(6,413)	(6,413)
	Reclassified as held for sale	-	-	(3,400)	(3,400)
	Revaluation increase	51,486	-	-	51,486
	At 31 December 2005	354,663	94,960	116,851	566,474
HKAS 16.73(a)	Comprising:				
	At cost	-	94,960	116,851	211,811
	At valuation 2005	354,663	-	-	354,663
		354,663	94,960	116,851	566,474
	Accumulated depreciation and impairment				
	At 1 January 2004	-	-	39,681	39,681
	Charge for the year	10,694	-	8,348	19,042
	Exchange differences	(794)	-	(102)	(896)
	Eliminated on disposal	-	-	(1,000)	(1,000)
	Eliminated on revaluation	(9,900)	-	-	(9,900)
	At 1 January 2005	-	-	46,927	46,927
	Charge for the year	13,172	-	16,345	29,517
HKAS 36.126(a)	Impairment loss recognised in profit or loss	-	-	4,130	4,130
	Exchange differences	51	-	927	978
	Eliminated on disposal of a subsidiary	-	-	(12,277)	(12,277)
	Eliminated on disposals	-	-	(5,614)	(5,614)
	On assets reclassified as held for sale	-	-	(1,702)	(1,702)
	Eliminated on revaluation	(13,223)	-	-	(13,223)
	At 31 December 2005	-	-	48,736	48,736
	Carrying amount				
	At 31 December 2005	354,663	94,960	68,115	517,738
	At 31 December 2004	292,032	77,700	56,943	426,675

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 16.73(c)

The following rates are used for the depreciation of property, plant and equipment:

Buildings	2 to 4%
Fixtures and equipment	10% to 30%

HKAS 36.130 (a) to (g)

During the period, the Group carried out a review of the recoverable amount of its manufacturing plant and equipment, having regard to its ongoing programme of modernisation and the introduction of new product lines. These assets are used in the Group's electronic goods segment. The review led to the recognition of an impairment loss of HK$4.13 million, that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 9 per cent. The discount rate used when the recoverable amount of these assets was previously estimated in 2003 was 8 per cent.

In addition, following the adoption of HKAS 16 *Property, Plant and Equipment*, which is effective for the current accounting period, the Group has reviewed the residual values used for the purposes of depreciation calculations in the light of the amended definition of residual value in the Standard. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. In line with the new requirements, these residual values will be reviewed and updated annually in the future.

HKAS 17.31(a)

The carrying amount of the Group's fixtures and equipment includes an amount of HK$2.55 million (2004: HK$1.40 million) in respect of assets held under finance leases.

HKAS 16.74(a)
Sch 10:12(4)

The Group has pledged buildings having a carrying amount of approximately HK$325 million (2004: HK$281 million) to secure banking facilities granted to the Group.

HKAS 16.77 (a) to (d)
Sch 10: 12(7)

Buildings were revalued at 31 December 2005 by Messrs. Lo & Ko, independent valuers not connected with the Group, by reference to market evidence of recent transactions for similar properties. The valuation conforms to International Valuation Standards.

HKAS 16.77(e)

At 31 December 2005, had the buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately HK$290 million (2004: HK$240 million).

17. Prepaid lease payments

Sch 10:12(9)

The Group's prepaid lease payments comprise:

	31/12/05	31/12/04
	HK$'000	HK$'000
Leasehold land in Hong Kong:		
Medium-term lease	62,137	64,117
Leasehold land outside Hong Kong:		
Long lease	34,053	35,178
Medium-term lease	38,977	44,914
	135,167	144,209
Analysed for reporting purposes as:		
Current portion (included in trade and other current assets)	4,042	4,042
Non-current portion	131,125	140,167
	135,167	144,209

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

18. Investment property

	31/12/05	31/12/04
	HK$'000	HK$'000
Fair value of investment property	11,920	11,319
Deferred initial direct costs	80	90
	12,000	11,409

Source	*Fair value of investment property*	HK$'000
HKAS 40.76	At 1 January 2004	11,368
	Decrease in fair value during the year	(49)
	At 1 January 2005	11,319
	Increase in fair value during the year	601
	At 31 December 2005	11,920

HKAS 40.75(b)

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. At 31 December 2005, the carrying amount of such property interests amounted to HK$11.92 million (31 December 2004: HK$11.319 million).

Sch 10:12(9)

The carrying amount of investment properties shown above comprises of leasehold land in Hong Kong held under medium-term lease.

HKAS 40.75(d),(e)

The fair value of the Group's investment property at 31 December 2005 has been arrived at on the basis of a valuation carried out at that date by Messrs Lo & Ko, independent valuers not connected with the Group. Messrs Lo & Ko are members of the Institute of Valuers, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

HKAS 40.75(g)
Sch 10: 12(4)

The Group has pledged all of its investment property to secure general banking facilities granted to the Group.

HKAS 40.75(f)
Sch 10: 13(l)(h)

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to HK$0.602 million (2004: HK$0.563 million). Direct operating expenses arising on the investment property in the period amounted to HK$0.16 million (2004: HK$0.23 million).

Deferred initial direct costs

The amount represents costs incurred in 2003 which arose in connection with the negotiation of operating leases for a substantial proportion of the Group's investment property portfolio, and which are being amortised over the term of those leases, which is 10 years.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

19. Goodwill

HKFRS 3.74
HKFRS 3.75

	HK$'000
Cost	
At 1 January 2004 and 1 January 2005	8,624
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 (see note 2)	(6,086)
Arising on acquisition of a subsidiary (see note 42)	2,043
Eliminated on disposal of a subsidiary (see note 41)	(1,673)
Reclassified as held for sale (see note 11)	(22)
At 31 December 2005	2,886
Amortisation	
At 1 January 2004	5,839
Amortisation for the year	247
At 1 January 2005	6,086
Elimination of amortisation accumulated prior to the adoption of HKFRS 3 (see note 2)	(6,086)
At 31 December 2005	-
Impairment	
Impairment loss recognised in the year ended 31 December 2005 and balance at 31 December 2005	463
Carrying amount	
At 31 December 2005	2,423
At 31 December 2004	2,538

HKAS 36.134(a)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	31/12/05	31/12/04
	HK$'000	HK$'000
Electronic goods:		
Subfive Limited (single CGU)	2,043	-
Subthree Limited (single CGU)	-	22
Construction (comprised of several CGUs):		
residential property construction activities	843	843
Toy operations		
Subsix Limited (single CGU)	-	1,673
	2,886	2,538

Source	
	Notes to the consolidated financial statements **For the year ended 31 December 2005 – continued**
	The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.
HKAS 36.134 (b) to(d)	The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.
	The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.
HKAS 36.130(g)	The rate used to discount the forecast cash flows from Subfive Limited is 8.9 per cent, and from the Group's residential property construction activities is 11.2 per cent.
HKAS 36.130(a),(b) HKAS 36.130(d)	At 31 December 2005, before impairment testing, goodwill of HK$0.843 million was allocated to the residential property construction CGU within the construction business segment. Due to increased competition in the market, the Group has revised its cash flow forecasts for this CGU. The residential property CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of HK$0.463 million.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

20. Other intangible assets

HKAS 38.118(c),(e)

	Development costs	Patents and trademarks	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 January 2004	-	13,000	13,000
Additions	-	18,617	18,617
At 1 January 2005	-	31,617	31,617
Additions	3,600	3,835	7,435
Acquired on acquisition of a subsidiary	-	870	870
At 31 December 2005	3,600	36,322	39,922
Amortisation			
At 1 January 2004	-	9,477	9,477
Charge for the year	-	846	846
At 1 January 2005	-	10,323	10,323
Charge for the year	360	2,254	2,614
At 31 December 2005	360	12,577	12,937
Carrying amount			
At 31 December 2005	3,240	23,745	26,985
At 31 December 2004	-	21,294	21,294

HKAS 38.118(a)

The intangible assets included above have finite useful lives, over which the assets are amortised. The amortisation period for development costs incurred on the Group's e-business development is three years. Patents and trademarks are amortised over their estimated useful lives, which is on average ten years.

HKAS 38.122(b)

The Group's patents protect the design and specification of its electronic goods produced in Hong Kong and the PRC. The carrying amount of patents at 31 December 2005 is HK$20.2 million (2004: HK$18.4 million). The average remaining amortisation period for these patents is 7 years.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

s128(1)&(2)
App 16.9(1)
GR 18.10(1)

21. Subsidiaries

Details of the Company's subsidiaries at 31 December 2005 are as follows:

Name of Subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
		%	%	
Subone Limited	Hong Kong	100	100	Property investment and construction
Subtwo Limited	Hong Kong	70	55	Equipment leasing
Subthree Limited	PRC	100	100	Manufacture of electronic equipment
Subfour Limited	Hong Kong	70	70	Manufacture of electronic equipment
Subfive Limited	Malaysia	100	100	Manufacture of electronic equipment

App 16.9(1)
GR 18.10(1)

Subthree Limited is a co-operative joint venture established in the PRC.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

22. Investments in associates

	31/12/05	31/12/04
	HK$'000	HK$'000
Cost of unlisted investment in associates	32,920	1,120
Share of post-acquisition profit, net of dividend received	12,140	11,154
	45,060	12,274

s129(1)&(2)
s129(4)&(5)

Details of the Group's associates at 31 December 2005 are as follows:

Name of Associate	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Aplus Limited	Hong Kong	30%	17%	Manufacture of electronic equipment
Bplus Limited	Malaysia	45%	40%	Construction

HKAS 28.37(c)

Although the Group holds less than 20 per cent of the voting power in Aplus Limited, the Group exercises significant influence by virtue of its contractual right to appoint two directors to the board of that company.

HKAS 28.37(e)

The financial statements of Bplus Limited are made up to 31 October each year. This was the financial reporting date established when the company was incorporated, and a change of reporting date is not permitted in C Land. For the purpose of applying the equity method of accounting, the financial statements of Bplus Limited for the year ended 31 October 2005 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2005.

HKAS 28.37(b)

Summarised financial information in respect of the Group's associates is set out below:

	31/12/05	31/12/04
	HK$'000	HK$'000
Total assets	171,340	86,261
Total liabilities	(51,180)	(58,986)
Net assets	120,160	27,275
Group's share of associates' net assets	45,060	12,274

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Revenue	158,900	94,780
Profit for the period	34,034	2,184
Group's share of associates' profit for the period	12,763	983

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

23. Joint ventures

HKAS 31.56 / s129(1)&(2) / s129(4)&(5) — The Group has the following significant interests in joint ventures:

(a) a 25 per cent share in the ownership of a property located in Sheung Wan. The Group is entitled to a proportionate share of the rental income received and bears a proportionate share of the outgoings.

(b) a 33.5 per cent equity shareholding (ordinary shares) with equivalent voting power, in JV Electronics Limited, an incorporated co-operative joint venture established in Shanghai, the PRC.

HKAS 31.56 — The following amounts are included in the Group's financial statements as a result of the proportionate consolidation of JV Electronics Limited:

	31/12/05	31/12/04
	HK$'000	HK$'000
Current assets	53,129	46,382
Non-current assets	41,302	38,577
Current liabilities	17,639	15,278
Non-current liabilities	29,214	24,730

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Income	8,329	47,923
Expenses	5,702	46,378

24. Investments

	31/12/05
	HK$'000
Available-for-sale investments	
Fair value	23,543
Investments held for trading	
Fair value	37,243

As mentioned in note 2, from 1 January 2005 onwards, non-trading securities and trading securities have been reclassified to available-for-sale investments and investments held for trading respectively, in accordance with the requirements of HKAS 39. At 31 December 2004, non-trading securities and trading securities amounted to HK$25.602 million and HK$29.73 million respectively.

The Group has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit and loss.

HKAS 32.60(a) / Sch 10:9(1)(a) / Sch 10:9(3) — The investments included above represent investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on quoted market prices.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

25. Finance lease receivables

Source		Minimum lease payments		Present value of minimum lease payments	
		31/12/05	31/12/04	31/12/05	31/12/04
		HK$'000	HK$'000	HK$'000	HK$'000
HKAS 17.47(a)	Amounts receivable under finance leases:				
	Within one year	72,526	65,948	54,713	49,674
	In the second to fifth years inclusive	120,875	109,913	114,937	104,489
		193,401	175,861	169,650	154,163
	Less: unearned finance income	(23,751)	(21,698)	N/A	N/A
HKAS 17.47(b)	Present value of minimum lease payments receivable	169,650	154,163	169,650	154,163
	Analysed as:				
HKAS 1.52	Non-current finance lease receivables (recoverable after 12 months)			114,937	104,489
	Current finance lease receivables (recoverable within 12 months)			54,713	49,674
				169,650	154,163

HKAS 17.47(f)
HKAS 32.60(a)

The Group enters into finance leasing arrangements for certain of its electronic equipment. All leases are denominated in Hong Kong dollars. The average term of finance leases entered into is 4 years.

HKAS 17.47(c)

Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at HK$0.37 million (2004: HK$0.25 million).

HKAS 32.67

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 11.5 per cent (2004: 12 per cent) per annum.

HKAS 32.86
HKAS 32.92

The fair value of the Group's finance lease receivables at 31 December 2005 is estimated at HK$182 million (2004: HK$163 million), based on discounting the estimated cash flows at the market rate.

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 2.36(b)

26. Inventories

	31/12/05	31/12/04
	HK$'000	HK$'000
Raw materials	84,255	80,504
Work-in-progress	2,578	1,893
Finished goods	30,860	26,301
	117,693	108,698
Classified as part a disposal group held for sale (see note 11)	202	-
	117,895	108,698

HKAS 2.36(h) — Inventories with a carrying amount of HK$26 million (2004: HK$19.3 million) have been pledged as security for certain of the Group's bank overdrafts.

27. Other financial assets

HKAS 32.60(a) — ***Trade and other current assets***

	31/12/05	31/12/04
	HK$'000	HK$'000
Amounts receivable from the sale of goods	84,447	106,557
Amounts due from construction contract customers (note 28)	24,930	17,302
Current portion of prepaid lease payments (note 17)	4,042	4,042
Deferred consideration for the disposal of Subsix Limited (note 41)	23,539	-
	136,958	127,901

App 16.4(2)(b)(ii) GR 18.50B(2)(b)(ii) — The Group's policy is to allow an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	31/12/05	31/12/04
	HK$'000	HK$'000
0-60 days	81,078	103,228
61-90 days	1,937	2,302
>90 days	1,432	1,027
	84,447	106,557

\- — An allowance has been made for estimated irrecoverable amounts from the sale of goods of HK$3.24 million (2004: HK$4.39 million). This allowance has been determined by reference to past default experience.

HKAS 32.86 HKAS 32.92 — The directors consider that the carrying amount of trade and other receivables approximates their fair value.

No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at 2 per cent per month on the outstanding balance.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 32.60(a)
HKAS 32.86
HKAS 32.92

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

28. Construction contracts

Source		31/12/05	31/12/04
		HK$'000	HK$'000
	Contracts in progress at balance sheet date:		
HKAS 11.42(a)	Amounts due from contract customers included in trade and other receivables	24,930	17,302
HKAS 11.42(b)	Amounts due to contract customers included in trade and other payables (note 39)	(3,587)	(3,904)
		21,343	13,398
HKAS 11.40(a)	Contract costs incurred plus recognised profits less recognised losses to date	59,039	33,829
	Less: progress billings	(37,696)	(20,431)
		21,343	13,398

HKAS 11.40(b),(c) At 31 December 2005, retentions held by customers for contract work amounted to HK$2.3 million (2004: HK$1.8 million). Advances received from customers for contract work amounted to HK$0.85 million (2004: Nil).

HKAS 1.52 At 31 December 2005, amounts of HK$4.3 million (2004: HK$2.1 million) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 1.76(a)
Sch 10:2

29. Share capital

	31/12/05	31/12/04
	HK$'000	HK$'000
Authorised:		
200 million ordinary shares of par value HK$1 each	200,000	200,000
Issued and fully paid:		
At the beginning of the year	120,000	120,000
Exercise of share options	650	-
Issued for cash	1,000	-
At the end of the year	121,650	120,000

The Company has one class of ordinary shares which carry no right to fixed income.

On 14 February 2006, a capitalisation issue of 1 bonus share for every four shares in issue resulted in an increase in issued share capital of HK$30 million, and an equivalent reduction in the share premium account.

HKAS 1.76(b)
HKAS 1.96, 97

30. Goodwill and capital reserves

	Goodwill reserve	Share premium	Equity reserve	Share options reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004	(800)	32,098	-	-	31,298
Recognition of share-based payments	-	-	-	1,202	1,202
Balance at 1 January 2005	(800)	32,098	-	1,202	32,500
Effect of changes in accounting policies	800	-	-	-	800
Balance at 1 January 2005 (as restated)	-	32,098	-	1,202	33,300
Recognition of share-based payments	-	-	-	2,860	2,860
Shares issued at premium	-	4,350	-	-	4,350
Recognition of equity component of convertible loan notes (note 35)	-	-	995	-	995
HKAS 12.81(a) Deferred tax liability arising on recognition of equity component of convertible loan notes	-	-	(174)	-	(174)
Balance at 31 December 2005	-	36,448	821	4,062	41,331

The equity reserve represents the equity component of convertible debt instruments.

Details of the changes in accounting policies are set out in note 2.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 1.76(b)
HKAS 1.96,97

31. Revaluation reserves

Source		Investment properties revaluation reserve	Properties revaluation reserve	Investments revaluation reserve	Total
		HK$'000	HK$'000	HK$'000	HK$'000
	Balance at 1 January 2004	1,600	46,808	5,231	53,639
HKAS 1.96(d)	Effects of changes in accounting policies	(1,600)	(13,600)	-	(15,200)
	Balance at 1 January 2004 (as restated)	-	33,208	5,231	38,439
HKAS 16.77(f)	Revaluation decrease on buildings	-	(4,369)	-	(4,369)
HKAS 12.81(a)	Reversal of deferred tax liability on revaluation of building	-	320	-	320
	Increase in fair value of non-trading securities	-	-	201	201
	Balance at 1 January 2005	-	29,159	5,432	34,591
HKAS 16.77(f)	Revaluation increase on buildings	-	64,709	-	64,709
HKAS 12.81(a)	Deferred tax liability arising on revaluation of buildings	-	(3,692)	-	(3,692)
HKAS 32.94(h)	Released on disposal of available-for-sale investments	-	-	(611)	(611)
HKAS 32.94(h)	Increase in fair value of available-for-sale investments	-	-	251	251
	Balance at 31 December 2005	-	90,176	5,072	95,248

Details of the changes in accounting policies are set out in note 2.

HKAS 16.77(f) The revaluation reserves are not available for distribution to the Company's shareholders.

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 1.76(b)
HKAS 1.96 & 97
HKAS 21.52(b)

32. Hedging and translation reserves

Source		Hedging reserve	Translation reserve	Total
		HK$'000	HK$'000	HK$'000
	Balance at 1 January 2004	-	(1,853)	(1,853)
	Exchange differences on translation of foreign operations	-	2,361	2,361
	Balance at 1 January 2005	-	508	508
	Exchange differences on translation of foreign operations	-	(12,718)	(12,718)
HKAS 32.59(a)	Increase in fair value of cash flow hedging derivatives	1,723	-	1,723
HKAS 32.59(b)	Transfer to profit or loss	(995)	-	(995)
HKAS 32.59(c)	Transfer to inventories	(218)	-	(218)
	Balance at 31 December 2005	510	(12,210)	(11,700)

HKAS 1.76(b)
HKAS 1.96, 97

33. Retained earnings

	HK$'000
Balance at 1 January 2004	154,330
Effect of changes in accounting policies	(9,933)
Balance at 1 January 2004 (as restated)	144,397
Dividends paid	(8,040)
Profit for the year attributable to equity holders of the parent	19,529
Balance at 1 January 2005	155,886
Effect of changes in accounting policies	1,665
Balance at 1 January 2005 (as restated)	157,551
Dividends paid	(5,040)
Profit for the year attributable to equity holders of the parent	99,757
Balance at 31 December 2005	252,268

Details of the changes in accounting policies are set out in note 2.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 32.60(a)
HKAS 32.67
Sch 10:10

34. Bank overdrafts and loans (secured)

	31/12/05	31/12/04
	HK$'000	HK$'000
Bank overdrafts	51,907	41,909
Bank loans	448,753	535,530
	500,660	577,439

HKAS 32.74(a)
App 16.22(1)
GR 18.21

The borrowings are repayable as follows:

	31/12/05	31/12/04
On demand or within one year	144,307	128,686
In the second year	92,400	92,400
In the third year	164,665	92,400
In the fourth year	99,288	164,665
In the fifth year	-	99,288
	500,660	577,439
Less: Amount due for settlement within 12 months (shown under current liabilities)	(144,307)	(128,686)
Amount due for settlement after 12 months	356,353	448,753

HKAS 32.63(h)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

31/12/2005	Hong Kong dollars	US dollars	Euro dollars	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Bank overdrafts	15,182	29,818	6,907	51,907
Bank loans	448,753	-	-	448,753
	463,965	29,818	6,907	500,660
31/12/2004				
Bank overdrafts	3,434	29,124	9,351	41,909
Bank loans	535,530	-	-	535,530
	538,964	29,124	9,351	577,439

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

The average interest rates paid were as follows:

	Year ended 31/12/05	Year ended 31/12/04
Bank overdrafts	8.7%	9.2%
Bank loans	7.8%	8.1%

HKAS 32.71 Bank loans of HK$72.265 million (2004: HK$72.265 million) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

HKAS 32.86
HKAS 32.92 The directors estimate the fair value of the Group's borrowings, by discounting their future cash flows at the market rate, to be as follows:

	31/12/05	31/12/04
	HK$'000	HK$'000
Bank overdrafts	51,907	41,909
Bank loans	463,000	540,000

Bank overdrafts are repayable on demand. Overdrafts of HK$15.6 million (2004: HK$11.6 million) have been secured by a charge over the Group's inventories. The average effective interest rate on bank overdrafts approximate 8.7 per cent (2004: 9.2 per cent) in the year and is determined based on 2 per cent plus prime rate.

The Group has two principal bank loans:

a) a loan of HK$376.488 million (2004: HK$463.265 million). The loan was raised on 1 February 2003. Repayments commenced on 31 January 2005 and will continue until 2 January 2010. The loan is secured by a charge over certain of the Group's properties dated 1 February 2003. The loan carries interest at 1 per cent plus prime rate.

b) a loan of HK$72.265 million (2004: HK$72.265 million) secured on certain current and non-current assets of the Group. This loan was advanced on 1 July 2004 and is due for repayment on 3 January 2008. The bank loan carries fixed interest rate at 8 per cent (2004: 8 per cent) per annum.

HKAS 7.50 At 31 December 2005, the Group had available HK$200 million (2004: HK$200 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

35. Convertible loan notes

HKAS 32.60(a)
HKAS 32.67

The convertible loan notes were issued on 1 April 2005. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. On issue, the loan notes were convertible at 18 shares per HK$10 loan note. The conversion rate has been adjusted to 22.5 shares per HK$10 loan note following the capitalisation issue of shares on 14 February 2006.

If the notes have not been converted, they will be redeemed at par on 1 April 2007. Interest of 5 per cent will be paid annually up until that settlement date.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	HK$'000
Nominal value of convertible loan notes issued	25,000
Equity component	(995)
Liability component at date of issue	24,005
Interest charged	1,260
Interest paid	(938)
Liability component at 31 December 2005	24,327

HKAS 32.94(d)

The interest charged for the year is calculated by applying an effective interest rate of 7 per cent to the liability component for the nine month period since the loan notes were issued.

HKAS 32.86
HKAS 32.92

The directors estimate the fair value of the liability component of the convertible loan notes at 31 December 2005 to be approximately HK$23.7 million. This fair value has been calculated by discounting the future cash flows at the market rate.

HKAS 32.58
HKAS 32.60(a)
HKAS 32.67
HKAS 32.86
HKAS 32.92

36. Derivative financial instruments

	31/12/05	
	Assets	Liabilities
	HK$'000	HK$'000
Forward foreign exchange contracts	1,124	(273)
Interest rate swaps	3,914	-
	5,038	(273)
Analysed as:		
Non-current	2,602	-
Current	2,436	(273)
	5,038	(273)

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

Currency derivatives

In the current year, the Group has used currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At 31 December 2005, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed amounted to HK$ 547.04 million.

In addition, the Group had options to purchase currency of C Land equivalent to an amount of approximately HK$50 million as a hedge against exchange losses on future purchases of goods.

These arrangements are designed to address significant exchange exposures for the first half of 2006, and are renewed on a revolving basis as required.

HKAS 32.58

At 31 December 2005, the fair value of the Group's currency derivatives is estimated to be approximately HK$0.851 million. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date, comprising HK$1.124 million assets and HK$0.273 million liabilities. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to HK$1.01 million has been deferred in equity.

Amounts of HK$0.995 million and HK$0.218 million respectively have been transferred to the income statement and inventories in respect of contracts matured during the period.

Changes in the fair value of non-hedging currency derivatives amounting to HK$0.1 million have been charged to income in the year.

The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Interest rate swaps

In the current year, the Group has used interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with nominal values of HK$200 million have fixed interest payments at an average rate of 7 per cent for periods up until 2008 and have floating interest receipts at 2 per cent plus LIBOR.

The fair value of swaps entered into at 31 December 2005 is estimated at HK$3.914 million. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. An amount of HK$0.38 million has been offset against hedged interest payments made in the year.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

37. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation	Deferred development costs	Revaluation of building	Investment properties	Convertible bond-equity component	Retirement benefit obligations	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	3,175	-	2,193	-	-	(2,710)	(920)	1,738
Effect of changes in accounting policies (note 2)	-	-	(479)	913	-	-	-	434
At 1 January 2004 (as restated)	3,175	-	1,714	913	-	(2,710)	(920)	2,172
Credit to equity for the year	-	-	(320)	-	-	-	-	(320)
Charge (credit) to profit or loss for the year	412	-	-	(4)	-	180	79	667
Exchange differences	29	-	(38)	-	-	(31)	2	(38)
At 1 January 2005	3,616	-	1,356	909	-	(2,561)	(839)	2,481
Charge to equity for the year	-	-	3,692	-	174	-	-	3,866
Charge (credit) to profit or loss for the year	3,016	552	-	48	(57)	181	593	4,333
Acquisition of a subsidiary	150	-	-	-	-	-	(351)	(201)
Disposal of a subsidiary	(403)	-	(66)	-	-	280	-	(189)
Exchange differences	133	-	-	-	-	38	(20)	151
As 31 December 2005	6,512	552	4,982	957	117	(2,062)	(617)	10,441

The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	31/12/05	31/12/04
	HK$'000	HK$'000
Deferred tax liabilities	13,120	5,881
Deferred tax assets	(2,679)	(3,400)
	10,441	2,481

HKAS 12.81(e)

At the balance sheet date, the Group has unused tax losses of HK$11.23 million (2004: HK$16.53 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$3.52 million (2004: HK$5.24 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$7.71 million (2004: HK$11.29 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$2.38 million (2004: HK$3.29 million) that will expire in 2007. Other losses may be carried forward indefinitely.

HKAS 12.81(f)

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK$7.9 million (2004: HK$6.3 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

HKAS 12.81(f)

Temporary differences arising in connection with interests in associates and jointly controlled entities are insignificant.

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

38. Obligations under finance leases

Source		Minimum lease payments		Present value of minimum lease payments	
		31/12/05	31/12/04	31/12/05	31/12/04
		HK$'000	HK$'000	HK$'000	HK$'000
HKAS 17.31(b) HKAS 32.67(a)	Amounts payable under finance leases:				
	Within one year	1,655	2,245	1,470	1,483
	In the second to fifth years inclusive	1,014	1,365	923	1,244
		2,669	3,610	2,393	2,727
	Less: future finance charges	(276)	(883)	N/A	N/A
	Present value of lease obligations	2,393	2,727	2,393	2,727
	Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,470)	(1,483)
HKAS 1.52	Amount due for settlement after 12 months			923	1,244

HKAS 17.31(e)
HKAS 32.60(a)
HKAS 32.67
HKAS 32.71

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 4 years. For the year ended 31 December 2005, the average effective borrowing rate was 8.5 per cent (2004: 8.8 per cent). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Hong Kong dollars.

HKAS 32.86

The fair value of the Group's lease obligations approximates their carrying amount.

Sch 10:10

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

39. Trade and other payables

HKAS 32.60(a)

	31/12/05	31/12/04
	HK$'000	HK$'000
Trade creditors	136,564	78,996
Amounts due to construction contract customers (note 28)	3,587	3,904
Accruals and other payables	1,278	1,512
	141,429	84,412

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

App 16.4(2)(c)(ii)
GR 18.50B(2)(c)(ii)

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	31/12/05	31/12/04
	HK$'000	HK$'000
0-60 days	119,238	69,234
61-90 days	12,803	6,233
>90 days	4,523	3,529
	136,564	78,996

HKAS 32.86
HKAS 32.92

The directors consider that the carrying amount of trade payables approximates their fair value.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 37.84
Sch 10:7

40. Provisions

	Warranty provision	Provision for rectification work	Other	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005	1,572	-	493	2,065
Contingent liability recognised on the acquisition of Subfive Limited (note 42)	-	-	21	21
Additional provision in the year	946	14,170	58	15,174
Utilisation of provision	(298)	(8,112)	(300)	(8,710)
Sch 10:6 At 31 December 2005	2,220	6,058	272	8,550

	31/12/05	31/12/04
	HK$'000	HK$'000
Analysed as:		
Current liabilities	6,432	2,065
Non-current liabilities	2,118	-
	8,550	2,065

HKAS 37.85

The warranty provision represents management's best estimate of the Group's liability under 12 month warranties granted on electrical products, based on past experience and industry averages for defective products.

HKAS 37.85

The provision for rectification work relates to the estimated cost of work agreed to be carried out for the rectification of goods supplied to one of the Group's major customers (see note 12). Anticipated expenditure for 2006 is HK$3.94 million, and for 2007 is HK$2.118 million. These amounts have not been discounted for the purpose of measuring the provision for rectification work, because the effect is not material.

HKAS 37.86
HKFRS 3.50

On the acquisition of Subfive Limited (see note 42), the Group recognised an additional contingent liability in respect of employees' compensation claims outstanding against that entity. The amount was settled prior to the balance sheet date.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

41. Disposal of a subsidiary

As referred to in note 10, on 30 November 2005 the Group discontinued its toy operations at the time of the disposal of its subsidiary, Subsix Limited.

HKAS 7.40(d) The net assets of Subsix Limited at the date of disposal and at 31 December 2004 were as follows:

Source		30/11/05	31/12/04
		HK$'000	HK$'000
	Property, plant and equipment	10,125	7,293
	Inventories	11,976	14,202
	Trade receivables	13,549	11,730
	Bank balances and cash	4,382	1,946
HKAS 7.40(c)	Retirement benefit obligation	(4,932)	(5,107)
	Deferred tax liability	(189)	-
	Current tax liability	(1,854)	(37)
	Trade payables	(2,387)	(2,104)
	Bank overdraft	(6,398)	(5,834)
	Attributable goodwill	1,673	1,673
		25,945	23,762
	Gain on disposal	8,493	
	Total consideration	34,438	
HKAS 7.40(a)	Satisfied by:		
	Cash	10,899	
HKAS 7.40(b)	Deferred consideration	23,539	
		34,438	
	Net cash inflow arising on disposal:		
	Cash consideration received	10,899	
	Cash and cash equivalents disposed of	(4,382)	
		6,517	

The deferred consideration will be settled in cash by the purchaser on or before 30 May 2006.

The impact of Subsix Limited on the Group's results and cash flows in the current and prior periods is disclosed in note 10.

Source	

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKFRS 3.66
HKFRS 3.67
(a) to (d)

42. Acquisition of a subsidiary

On 1 August 2005, the Group acquired 100 per cent of the issued share capital of Subfive Limited for cash consideration of HK$7.9 million. This transaction has been accounted for by the purchase method of accounting.

HKFRS 3.67(f)

The net assets acquired in the transaction, and the goodwill arising, are as follows:

HKAS 7.40(d)

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	HK$'000	HK$'000
Net assets acquired:			
Property, plant and equipment	8,140	767	8,907
Trademarks	-	870	870
Deferred tax asset	-	351	351
Inventories	2,393	461	2,854
Trade receivables	12,520	-	12,520
Bank and cash balances (HKAS 7.40(c))	4,272	-	4,272
Retirement benefit obligation	(2,436)	-	(2,436)
Trade payables	(21,220)	(48)	(21,268)
Deferred tax liability	(150)	-	(150)
Contingent liability	-	(21)	(21)
	3,519	2,380	5,899
Goodwill			2,043
Total consideration, satisfied by cash (HKAS 7.40(a))			7,942
Net cash outflow arising on acquisition:			
Cash consideration paid			(7,942)
Cash and cash equivalents acquired (HKAS 7.40(b))			4,272
			(3,670)

HKFRS 3.67(h)

The goodwill arising on the acquisition of Subfive Limited is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

HKFRS 3.67(i)

Subfive Limited contributed HK$15.3 million to the Group's revenue and HK$1.2 million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

HKFRS 3.70

If the acquisition had been completed on 1 January 2005, total group revenue for the period would have been HK$1,249 million, and profit for the year would have been HK$102.5 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is intended to be a projection of future results.

Source	
	Notes to the consolidated financial statements **For the year ended 31 December 2005 – continued**
	43. Non-cash transactions
HKAS 7.43	Additions to fixtures and equipment during the year amounting to HK$1.563 million (2004: HK$0.8 million) were financed by new finance leases. Additions of HK$4.19 million in 2004 were acquired on deferred payment terms, and were settled in the current period.
HKAS 37.86 Sch 10:12(5)	**44. Contingent liabilities**
	During the reporting period, a customer of the Group instigated proceedings against it for alleged defects in an electronic product which, it is claimed, were the cause of a major fire in the customer's premises in February 2005. Total losses to the customer have been estimated at HK$29.8 million and this amount is being claimed from the Group.
	The Group's lawyers have advised that they do not consider that the claim has merit, and they have recommended that it be contested. No provision has been recognised in these financial statements as the Group's management do not consider that there is any probable loss.
	The Group acquired HK$0.021 million of contingent liabilities at the date of acquisition of Subfive Limited. These were recognised as provisions, and were settled prior to the balance sheet date (see note 42).
	45. Commitments

Source		31/12/05	31/12/04
		HK$'000	HK$'000
HKAS 16.74(c) Sch 10:12(6)	Commitments for the acquisition of property, plant and equipment	9,965	20,066

Source	
HKAS 40.75(h)	In addition, the Group has entered into a contract for the management and maintenance of its investment property for the next 5 years, which will give rise to an annual charge of HK$0.12 million.
HKAS 31.55	The Group's share of the capital commitments of its jointly controlled entity, JV Electronics Limited, is as follows:

	31/12/05	31/12/04
	HK$'000	HK$'000
Commitments for the acquisition of property, plant and equipment	928	379

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

46. Operating lease arrangements

The Group as lessee

Source		31/12/05	31/12/04
		HK$'000	HK$'000
HKAS 17.35(c)	Minimum lease payments under operating leases recognised as an expense in the year	6,297	6,283

HKAS 17.35(a) At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	31/12/05	31/12/04
	HK$'000	HK$'000
Within one year	309	297
In the second to fifth years inclusive	1,420	1,439
After five years	692	930
	2,421	2,666

HKAS 17.35(d) Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

HKAS 17.56(c) ***The Group as lessor***

The Group rents outs its investment properties in A Land under operating leases. Property rental income earned during the year was HK$0.602 million (2004: HK$0.563 million). The properties are managed and maintained by independent property managers at an annual cost of HK$0.12 million per year. In addition, legal fees of HK$0.01 million (2004: HK$0.01 million) which arose in negotiating operating leases for a substantial proportion of the Group's investment property portfolio in 2003 are being expensed over the lease terms of the relevant properties.

Certain of the Group's investment properties, with a carrying amount of HK$3.89 million, have been disposed of since the balance sheet date. The remaining properties are expected to generate rental yields of 10 per cent on an ongoing basis. All of the properties held have committed tenants for the next seven years.

HKAS 17.56(a) At the balance sheet date, the Group has contracted with tenants for the following future minimum lease payments:

	31/12/05	31/12/04
	HK$'000	HK$'000
Within one year	810	602
In the second to fifth years inclusive	3,179	3,240
After five years	1,539	2,288
	5,528	6,130

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

47. Share-based payments

Equity-settled share option scheme

HKFRS 2.45(a)
LR 17.09
GR 23.09

The Company's share option scheme was adopted pursuant to a resolution passed on 28 November 2000 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 27 November 2010. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares of the Company.

At December 2005, the number of shares in respect of which options had been granted under the scheme was 5.489 million (2004: 4.5 million), representing 4.512 per cent (2004: 3.75 per cent) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the scheme is not permitted to exceed 10 per cent of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1 per cent of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1 per cent of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

No consideration is payable on the grant of an option. Options are exercisable at a price that is determinable by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price
2001A	21/02/01	21/02/01-20/02/04	21/02/04-20/02/06	1.00
2001B	18/09/01	18/09/01-17/09/04	18/09/04-17/09/06	1.51
2004A	30/06/04	30/06/04-29/06/07	30/06/07-29/06/09	4.32
2004B	01/12/04	01/12/04-30/11/07	01/12/07-30/11/09	5.00
2005A	31/03/05	31/03/05-30/03/08	31/03/08-30/03/10	6.12
2005B	30/06/05	30/06/05-29/06/08	30/06/08-29/06/10	6.46
2005C	31/10/05	31/10/05-30/10/08	31/10/08-30/10/10	6.73

If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

HKFRS 2.45(b)
LR 17.07
GR 23.07

	2005		2004	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		HK$		HK$
Outstanding at the beginning of the year	4,500,000	3.03	2,210,000	1.62
Granted during the year	1,700,000	6.49	2,290,000	4.37
Exercised during the year	(650,000)	1.38	-	
Expired during the year	(61,000)	1.00	-	
Outstanding at the end of the year	5,489,000	4.14	4,500,000	3.03
Exercisable at the end of the year	1,489,000		1,000,000	

Source	
	Notes to the consolidated financial statements **For the year ended 31 December 2005 – continued**
HKFRS 2.45(c),(d) HKFRS 2.47(a) LR 17.07 GR 23.07	The weighted average share price at the date of exercise for share options exercised during the year was HK$7.1. The options outstanding at the end of the year have a weighted average remaining contractual life of 3.4 years (2004: 3.6 years). In 2005, options were granted on 31 March, 30 June and 31 October. The estimated fair values of the options granted on those dates are HK$1.84, HK$2.35 and HK$2.84 respectively. In 2004, options were granted on 30 June and 1 December. The estimated fair values of the options granted on those dates are HK$1.22 and HK$2.22 respectively.
HKFRS 2.47(a) LR 17.08 Note 1 GR 23.08 Note 1	These fair values were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	2005	2004
Weighted average share price	HK$5.45	HK$4.37
Weighted average exercise price	HK$5.39	HK$4.25
Expected volatility	40%	35%
Expected life	4	4
Risk free rate	3.5%	3.0%
Expected dividend yield	2%	Nil

HKFRS 2.47(a) HKFRS 2.50	Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 4 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferrability, exercise restrictions and behavioural considerations.
HKFRS 2.47(c)	During 2005, the Company repriced certain of its outstanding options. The exercise price was reduced from HK$6.2 to the then current market price of HK$5.0. The incremental fair value of HK$0.256 million will be expensed over the remaining vesting period of 2 years. The Company used the inputs noted above to measure the fair value of the old and new options.
HKFRS 2.51(a)	The Group recognised total expenses of HK$2.86 million (2004: HK$1.202 million) related to equity-settled share-based payment transactions during the year.
	Cash-settled share-based payments
HKFRS 2.45(a)	The Group issued to certain employees share appreciation rights (SARs) that require the Group to pay the intrinsic value of the SAR to the employee at the date of exercise. At 31 December 2005, the Group has recorded liabilities of HK$6.528 million (2004: HK$3.516 million). The fair value of the SARs is determined using the Black-Scholes pricing model using the assumptions noted above. The Group recorded total expenses of HK$3.012 million (2004: HK$3.516 million) during the year in respect of SARs. At 31 December 2005, the total intrinsic value of the vested SARs was Nil (2004:Nil).

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

48. Retirement benefit plans

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

HKAS 19.46

The total expense recognised in the income statement of HK$9.8 million (2004: HK$7.3 million) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2005, contributions of HK$0.7 million (2004: HK$0.8 million) due in respect of the 2005 reporting period had not been paid over to the plans. The amounts were paid over subsequent to the balance sheet date.

Defined benefit plan

HKAS 19.120(b)

The Group operates a funded defined benefit plan for qualifying employees of its subsidiaries in Malaysia, and previously for the employees of Subsix Limited. Under the plan, the employees are entitled to retirement benefits varying between 40 and 65 per cent of final salary on attainment of a retirement age of 60. No other post-retirement benefits are provided.

App 16.26(5)
GR 18.34(5)

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2005 by Mr. F.G. Ho, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

HKAS 19.120(h)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	31/12/05	31/12/04
Discount rate	7%	7%
Expected return on plan assets	9%	8%
Expected rate of salary increases	5%	5%
Future pension increases	4%	4%

App 16.26(5)
GR 18.34(5)

The actuarial valuation showed the market value of plan asset was HK$105.3 million (2004: HK$134.2 million) and that the actuarial value of these assets represented 66% (2004: 76%) of the benefits that had accrued to members. The shortfall of HK$55 million (2004: HK$43 million) is to be cleared over the estimated remaining service period of the current membership of 15 years.

HKAS 19.120(c)

The amount recognised in the consolidated balance sheet in respect of the Group's defined benefit retirement benefit plan is as follows:

	31/12/05	31/12/04
	HK$'000	HK$'000
Present value of funded obligations	180,512	177,395
Fair value of plan assets	(125,093)	(118,828)
Unrecognised actuarial losses	(17,310)	(15,372)
Unrecognised past service cost	(4,181)	(4,721)
Net liability recognised in the balance sheet	33,928	38,474

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

HKAS 19.120(f)

Amounts recognised in profit or loss in respect of the defined benefit plan are as follows:

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Current service cost	17,561	12,297
Interest on obligation	9,021	7,057
Expected return on plan assets	(10,443)	(9,503)
Actuarial losses recognised in the year	-	1,309
Past service cost	540	1,888
	16,679	13,048

HKAS 19.120(f)

The charge for the year is included in the employee benefits expense in the income statement. *[Where analysis of expenditure in the income statement is by nature]*

OR

Of the charge for the year, HK$12.832 million (2004: HK$10.035 million) is included in cost of sales in the income statement and HK$3.847 million (2004: HK$3.013 million) is included in administrative expenses. *[Where analysis of expenditure in the income statement is by function]*

HKAS 19.120(g)

The actual return on plan assets was HK$10.32 million (2004: HK$9.7 million).

HKAS 19.120(e)

Movements in the net liability in the current period were as follows:

	31/12/05	31/12/04
	HK$'000	HK$'000
At 1 January	38,474	39,438
Exchange differences	438	(721)
Net liability transferred on disposal of a subsidiary	(4,932)	-
Net liability acquired on acquisition of a subsidiary	2,436	-
Amounts charged to income	16,679	13,048
Contributions	(19,167)	(13,291)
Closing defined benefit obligation	33,928	38,474

The Company does not have any direct involvement in the Group's retirement benefits arrangements.

49. Events after the balance sheet date

HKAS 10.21

On 18 January 2006, the premises of Subfive Limited were seriously damaged by fire. Insurance claims are in process, but the cost of refurbishment is currently expected to exceed the amounts that will be reimbursed by HK$8.3 million.

HKAS 33.70(d)

On 14 February 2006, the Company made a bonus issue of shares (see note 29).

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

50. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

HKAS 24.17,18

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Sales of goods		Purchases of goods		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/05	Year ended 31/12/04	Year ended 31/12/05	Year ended 31/12/04	31/12/05	31/12/04	31/12/05	31/12/04
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fellow subsidiaries	1,982	1,563	439	1,336	607	490	380	217
Associates	398	291	-	-	29	142	-	-

HKAS 24.21

Sales of goods to related parties were made at the Group's usual list prices, less average discounts of 5 per cent. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel

HKAS 24.16

The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31/12/05	Year ended 31/12/04
	HK$'000	HK$'000
Short-term benefits	13,681	10,270
Post-employment benefits	1,602	1,391
Other long-term benefits	1,153	1,769
Share-based payments	949	863
	17,385	14,293

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Source

Notes to the consolidated financial statements
For the year ended 31 December 2005 – continued

51. Balance sheet information of the Company

Balance sheet information of the Company at the balance sheet date includes:

	31/12/05	31/12/04
	HK$'000	HK$'000
Unlisted investments in subsidiaries	217,040	217,040
Bank balances and cash	6,000	4,000
Other current assets	14,610	-
Total assets	237,650	221,040
Share capital (note 29)	121,650	120,000
Retained earnings	116,000	101,040
Total equity	237,650	221,040

Profit of the Company for 2005 amounted to HK$20 million (2004: HK$15 million).

Note: Section 123(1) and 126(1) of the Companies Ordinance state that both the company's balance sheet and the consolidated balance sheet of a company incorporated in Hong Kong must give a true and fair view. In order to comply with the requirements of the Companies Ordinance, a Hong Kong incorporated company may present the company's balance sheet as a primary statement (together with all relevant notes) and include this disclosure within the consolidated financial statements.

Source

App 16.19
GR 18.33

Financial summary

	For the year ended				
	31/12/01	31/12/02	31/12/03	31/12/04	31/12/05
	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000
RESULTS					
Revenue	588,683	692,134	801,743	869,453	1,224,098
Operating profit	27,525	45,384	43,699	50,491	129,843
Share of profit of associates	82	92	941	983	12,763
Other gains and losses	(66)	(122)	(138)	(44)	(563)
Finance costs	(17,436)	(20,501)	(23,747)	(32,165)	(36,187)
Profit before tax	10,105	24,853	20,755	19,265	105,856
Income tax expense	(1,544)	(2,986)	(3,311)	(3,810)	(16,166)
Profit from continuing operations	8,561	21,867	17,444	15,455	89,690
Profit from discontinued operations	-	-	-	4,171	10,676
Profit for the year	8,561	21,867	17,444	19,626	100,366
Attributable to:					
Equity holders of the parent	8,541	21,841	17,390	19,529	99,757
Minority interest	20	26	54	97	609
	8,561	21,867	17,444	19,626	100,366
Earnings per share					
Basic (cents)	4.2	10.8	8.5	13.0	66.1
Diluted (cents)	4.1	10.6	8.3	12.9	51.4

ASSETS AND LIABILITIES	As at				
	31/12/01	31/12/02	31/12/03	31/12/04	31/12/05
	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000 (restated)	HK$'000
Total Assets	642,357	877,001	846,959	1,062,561	1,241,666
Total Liabilities	(291,976)	(501,592)	(487,066)	(716,500)	(739,684)
	350,381	375,409	359,893	346,061	501,982
Equity attributable to equity holders of the parent	347,982	372,984	357,414	343,485	498,797
Minority interest	2,399	2,425	2,479	2,576	3,185
	350,381	375,409	359,893	346,061	501,982

Amounts disclosed in the financial summary for prior years have been restated to reflect the changes in accounting policies in the current year as described in note 2 to the financial statements.

Source

App 16.23
GR 18.23

Particulars of investment property at 31 December 2005

Name/location	Type	Lease Term
Dragon Garden 21 Flying Road Hong Kong	Residential	Medium term
Hong Kong XYZ Plaza 110 XYZ Road Mongkok, Kowloon	Residential	Medium term

Appendix III

Presentation and Disclosure Checklist
Contents **Page**

Section 1 Report of the directors

Source	Presentation/Disclosure Requirement
s129D(1)	A report by the directors with respect to the profit or loss of the company for the financial year, and the state of the company's affairs at the end thereof, should be attached to every balance sheet laid before a company in a general meeting.
	Principal activities
s129D(3)(a)	The report should state the principal activities of the company and of its subsidiaries in the course of the financial year and any significant change in those activities in the year.
	Appropriations
s129D(3)(b)	The report should state the amount, if any, which the directors recommend should be paid by way of dividend.
s129D(3)(c)	The report should state the amount, if any, which the directors propose to be carried to reserves.
	Donations
s129D(3)(d)&(e)	If the company (or, in the case of a group, the company taken together with its subsidiaries) has made donations for charitable or other purposes, the total amount of those donations should be disclosed.
	Notes: 1. *A company, which is a wholly-owned subsidiary of a company incorporated in Hong Kong, needs not disclose donations made.* 2. *For a company which is not itself a wholly-owned subsidiary of a company incorporated in Hong Kong, and which has subsidiaries, disclosure is required if the company and its subsidiaries between them have made donations for charitable or other purposes of HK$1,000 or more.* 3. *For a company which is not itself a wholly-owned subsidiary of a company incorporated in Hong Kong, and which has no subsidiary, disclosure is required if the company has made donations for charitable or other purposes of HK$10,000 or more.*
	Fixed assets
s129D(3)(f)	If significant changes in the fixed assets of the company or its subsidiaries have occurred during the financial year, the report should give details of those changes.
	Share capital and debentures
s129D(3)(g)	If, in the financial year, the company has issued any shares, the report should state the reason for making the issue, the classes of shares issued and, as respects each class of shares, the number issued and the consideration received by the company for the issue.
s129D(3)(h)	If, in the financial year, the company has issued any debentures, the report should state the reason for making the issue, the classes of debentures issued and, as respects each class of debentures, the amount issued and the consideration received by the company for the issue.
s129D(3)(i)	**Directors' information**
	The report should state the names of any persons who were directors of the company at any time during the financial year.

Source	Presentation/Disclosure Requirement
	Directors' interests in contracts
s129D(3)(j)	The report should disclose details of the interests, whether direct or indirect, of directors in contracts with the company or any of the company's subsidiaries or holding companies or fellow subsidiaries, at any time during the year, including: (a) a statement of the contract's existence, or of its having existed; (b) the names of the parties thereto (other than the company); (c) the name of the interested director, if not a party to the contract; and (d) the nature of the contract and the director's interest therein.
	Notes:
s162(1)&(4)	*1. It is only applicable if the contract is significant to the company's business and the director's interest is material.*
s129D(6)	*2. It is not applicable to directors' service contracts or contracts between the company and another company where the director's only interest is by virtue of being a director of that other company.*
	Directors' rights to acquire shares
s129D(3)(k)	The report should disclose details of directors' rights to acquire shares or debentures, in the company or any other body corporate, under any arrangement to which the company or the company's subsidiary or holding company or fellow subsidiary is a party, explaining the effect of the arrangement and giving the names of all persons involved as directors during the year.
	Management/administration contracts
s162A(1)(a) & s129D(3)(ia)	Where the company enters into any contract whereby any individual, firm or body corporate undertakes the management and administration of the whole or any substantial part of the company's business, a statement should be presented of the existence and duration of the contract and the name of any director interested therein for any year the contract is in force.
	General
s129D(3)(l)	Any other matters material for the appreciation of the state of the company's affairs by its members should be disclosed (provided that it is not harmful to the business of the company or any of its subsidiaries).
s129E	Where advantage is taken of section 141C to show an item in the directors' report instead of in the financial statements, the directors' report should also disclose the corresponding amount for the immediately preceding financial year, except where that amount would not have had to be shown had the item been shown in the financial statements.
	Note: Section 141C permits that any information that is required by the Ordinance to be given in financial statements may be given in the directors' report instead of in the financial statements.
s129D(2)	**Approval of the directors' report**
	The directors' report should be approved by the board of directors and signed on behalf of the board either by the chairman of the meeting at which it was approved or by the company secretary.

Section 2 Report of the auditors

Source	Presentation/Disclosure Requirement
s141	Auditors are required to state in their report whether, in their opinion, a true and fair view is given: (a) in the balance sheet, of the state of the company's affairs at the end of the accounting period; (b) in the profit and loss account (if not framed as a consolidated profit and loss account), of the company's profit or loss for the accounting period; (c) in the case of group financial statements, of the state of affairs and profit or loss of the company and its subsidiaries dealt with by those financial statements.
	Note: HKAS 7 Cash Flow Statements requires that financial statements should include a cash flow statement. In addition, HKAS 1 Presentation of Financial Statements requires the inclusion of a statement of changes in equity. Where required by the relevant HKFRSs, inclusion of such additional primary statements is normally necessary in order that the financial statements give a true and fair view, as required by the Companies Ordinance.
	Where the auditors form a negative opinion on any of the following, that fact should be stated:
s141(4)(a)	(a) whether proper books of account have been kept and proper returns adequate for the audit have been received from branches not visited by them;
s141(4)(b)	(b) whether the financial statements are in agreement with the accounting records and returns received from branches;
s141(6)	(c) whether they have received all the information and explanations necessary for the purposes of the audit; and
SAS 160	(d) whether the information given in the Report of the Directors and other information accompanying the financial statements is consistent with the financial statements.
SAS 600(9)	Auditors' reports on financial statements should include the following matters: (a) a title identifying the person or persons to whom the report is addressed; (b) where applicable, the country or place of incorporation of the reporting entity; (c) an introductory paragraph identifying the financial statements audited and the accounting principles adopted; (d) separate sections dealing with the respective responsibilities of directors and auditors, the basis of the auditors' opinion, and the auditors' opinion on the financial statements; (e) the signature of the auditors; and (f) the date of the auditors' report.
SAS 600(18)	Auditors should distinguish between their responsibilities and those of the directors by including in their report: (a) a statement that the financial statements are the responsibility of the reporting entity's directors; and (b) a statement that the auditors' responsibility is to express an opinion on the financial statements.
Professional Risk Management Bulletin No. 2	Wordings to clarify to whom the auditors are responsible (as a means of managing the risk of inadvertently assuming a duty of care to third parties) should be added.

Source	Presentation/Disclosure Requirement
SAS 600(23)	Auditors should explain the basis of their opinion by including in their report: (a) a statement as to their compliance or otherwise with Statements of Auditing Standards, together with the reasons for any departure therefrom; (b) a statement that the audit process includes: (i) examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements; (ii) assessing the significant estimates and judgments made by the reporting entity's directors in preparing the financial statements; and (iii) considering whether the accounting policies are appropriate to the reporting entity's circumstances, consistently applied and adequately disclosed; (c) a statement that they planned and performed the audit so as to obtain reasonable assurance as to whether the financial statements are free from material misstatement and that they have evaluated the overall presentation of the financial statements; and (d) a statement that the audit provides a reasonable basis for the opinion.
s161(8) s161B(6)	If the disclosure requirements in respect of loans to officers and directors' remuneration are not complied with, it is the duty of the auditors to give the required particulars, so far as they are reasonably able to do so, in their report.
s141C	Where the company has opted to present information required by the Companies Ordinance in the directors' report, rather than in the financial statements, the scope of the auditors' report is extended to include such information.

Section 3 General principles of presentation

Source	Presentation/Disclosure Requirement
	Components of financial statements
HKAS 1.8	A complete set of financial statements should include the following components: (a) a balance sheet; (b) an income statement; (c) a statement of changes in equity; (d) a cash flow statement; and (e) notes, comprising a summary of significant accounting policies and other explanatory notes.
	A true and fair view and compliance with HKFRSs
HKAS 1.14	The financial statements should include an explicit and unreserved statement to the effect that they comply with HKFRSs.
	Notes:
HKAS 1.14	*1. Financial statements should not be described as complying with HKFRSs unless they comply with all of the requirements of each applicable HKFRS.*
HKAS 1.16	*2. Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used or by notes or explanatory material.*
HKAS 1.13	Financial statements should give a true and fair view of the financial position, financial performance and cash flows of an entity.
	Notes:
HKAS 1.13	*1. True and fair view requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions of and recognition criteria for assets, liabilities, income and expenses set out in the Framework for the Preparation and Presentation of Financial Statements (the Framework). The application of HKFRSs, with additional disclosure when necessary, is presumed to result in financial statements that give a true and fair view.*
HKAS 1.15	*2. In virtually all circumstances, a true and fair view is achieved by compliance with applicable HKFRSs. A true and fair view also requires an entity:* *(a) to select and apply accounting policies in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which sets out a hierarchy of authoritative guidance that management considers in the absence of a Standard or an Interpretation that specifically applies to an item;* *(b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and* *(c) to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.*
HKAS 1.17 HKAS 1.18	In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard or an Interpretation would be so misleading that it would conflict with the objective of financial statements set out in the Framework, the entity should depart from that requirement (if the relevant regulatory framework requires, or otherwise would not prohibit, such a departure) and disclose the following information:

Source	Presentation/Disclosure Requirement
	(a) the fact that management has concluded that the financial statements give a true and fair view of the entity's financial position, financial performance and cash flows; (b) the fact that it has complied with applicable Standards and Interpretations, except that it has departed from a particular requirement to achieve a true and fair view; (c) (i) the title of the Standard or Interpretation from which the entity has departed; (ii) the nature of the departure (including the treatment that the Standard or Interpretation would require); (iii) the reason why that treatment would be so misleading in the circumstances; and (iv) the treatment adopted; and (d) for each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement.
HKAS 1.19	When the entity has departed from a requirement of a Standard or an Interpretation in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it should make the disclosures set out in paragraphs 18(c) and 18(d) of HKAS 1 (see above).
HKAS 1.21	In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard or an Interpretation would be so misleading that it would conflict with the objective of financial statements set out in the Framework (but the relevant regulatory framework prohibits departure from the requirement), the entity, should, to the maximum extent possible, disclose the following information: (a) (i) the title of the Standard or Interpretation in question; (ii) the nature of the requirement; (iii) the reason why that treatment would be so misleading in the circumstances; and (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to give a true and fair view.
	Going concern
HKAS 1.23	When management is aware, in making its assessment of the entity's ability to continue as a going concern, of any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties should be disclosed.
HKAS 1.23	When the financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.
	Note: Financial statements should be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.
	Consistency of presentation
HKAS 1.27	The presentation and classification of items in the financial statements should be retained from one period to the next, unless: (a) it is apparent, following a significant change in the nature of the operations of the entity or a review of its financial statements, that another presentation or classification would be more appropriate; or (b) a change in presentation is required by a Standard or an Interpretation.

Source	Presentation/Disclosure Requirement
	Materiality, aggregation and offsetting
HKAS 1.29	Each material class of similar items should be presented separately in the financial statements.
HKAS 1.29	Items of a dissimilar nature or function should be presented separately unless they are immaterial.
HKAS 1.32	Assets and liabilities, and income and expenses, should not be offset unless required or permitted by a Standard or an Interpretation.
HKAS 1.34	When an entity undertakes, in the course of its ordinary activities, transactions that do not generate revenue but that are incidental to its main revenue-generating activities, the results of such transactions should be presented by netting any income with the related expenses arising on the same transaction, when such presentation reflects the substance of the transaction or other event.
HKAS 1.35	Gains and losses arising from a group of similar transactions are reported on a net basis (e.g. foreign exchange gains and losses, or gains or losses arising on financial instruments held for trading) unless the gains and losses are material, in which case they are reported separately.
	Comparative information
HKAS 1.36	Except when a Standard or an Interpretation permits or requires otherwise, comparative information should be disclosed in respect of the previous period for all amounts reported in the financial statements.
HKAS 1.36	Comparative information should be included in narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.
HKAS 1.38	When the presentation or classification of items in the financial statements is amended, comparative amounts should be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity should disclose: (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification.
HKAS 1.39	When the presentation or classification of items in the financial statements is amended (but the reclassification of comparative amounts is impracticable), the entity should disclose: (a) the reason for not reclassifying the amounts; and (b) the nature of the adjustments that would have been made if the amounts had been reclassified.
	Structure and content
HKAS 1.44	The financial statements should be clearly identified and distinguished from other information in the same published document.
HKAS 1.46	Each component of the financial statements should be clearly identified.
HKAS 1.46	The following information should be prominently displayed, and repeated when it is necessary for a proper understanding of the information presented: (a) the name of the reporting entity or other means of identification, and any change in that information from the preceding balance sheet date; (b) whether the financial statements cover the individual entity or a group of entities; (c) the balance sheet date or the period covered by the financial statements, whichever is appropriate to that component of the financial statements; (d) the presentation currency; and (e) the level of rounding used in presenting amounts in the financial statements (e.g. in thousands or millions of units of the presentation currency).

Source	Presentation/Disclosure Requirement
HKAS 1.49	When the entity's balance sheet date changes and the annual financial statements are presented for a period longer or shorter than one year, the entity should disclose: (a) the period covered by the financial statements; (b) the reason for using a longer or shorter period; and (c) the fact that comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable.
	Functional currency and presentation currency
HKAS 21.53	When the presentation currency is different from the functional currency of an entity (functional currency of the parent in case of a group), that fact should be stated, together with disclosure of the functional currency and the reason for using a different presentation currency.
HKAS 21.54	When there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency should be disclosed.
HKAS 21.55	When the entity presents its financial statements in a currency that is different from its functional currency, the entity should describe the financial statements as complying with HKFRSs only if they comply with all the requirements of each applicable Standard and Interpretation including the translation method set out in paragraphs 39 and 42 of HKAS 21.
HKAS 21.57	When the entity displays its financial statements or other financial information in a currency that is different from its functional currency or its presentation currency and the requirements of paragraph 55 of HKAS 21 are not met, it should: (a) clearly identify the information as supplementary information to distinguish it from the information that complies with HKFRSs; (b) disclose the currency in which the supplementary information is displayed; and (c) disclose the entity's functional currency and the method of translation method used to determine the supplementary information.

Section 4 Income statement

Source	Presentation/Disclosure Requirement
	Contents – general
HKAS 1.78	All items of income and expense recognised in a period should be included in profit or loss for the period, unless a Standard or an Interpretation requires otherwise.
HKAS 1.81 HKAS 12.77 HKAS 28.38 HKFRS 5.33(a)	As a minimum, the face of the income statement should include line items that present the following amounts: (a) revenue; (b) finance costs; (c) share of profit or loss of associates and joint ventures accounted for using the equity method; (d) tax expense; (e) a single amount comprising the total of: (i) the post-tax profit or loss of discontinued operations; and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and (f) profit or loss.
HKAS 1.82 HKAS 27.33	The following items should be disclosed on the face of the income statement as allocations of profit or loss for the period: (a) profit or loss attributable to minority interest; and (b) profit or loss attributable to equity holders of the parent.
HKAS 1.83	Additional line items, headings and subtotals should be presented on the face of the income statement when such presentation is relevant to an understanding of the entity's financial performance.
HKAS 1.85	The entity should not present any items of income and expense as extraordinary items, either on the face of the income statement or in the notes.
	Analysis of expenses
HKAS 1.88	The entity should present an analysis of expenses using a classification based on either the nature of expenses (employee benefits expense, depreciation etc.) or their function within the entity (cost of sales, distribution expenses, administrative expenses etc.), whichever provides information that is reliable and more relevant.
HKAS 1.89	*Note: Entities are encouraged to present the analysis referred to in paragraph 88 of HKAS 1 (see above) on the face of the income statement.*

Section 5 Balance sheet

Source	Presentation/Disclosure Requirement
s125(1)	*Note: Group accounts should include consolidated balance sheet dealing with the state of affairs of a company and all of its subsidiaries.*
	Current/non-current distinction
Sch 10: 4(2)	Fixed assets, current assets and assets that are neither fixed nor current should be separately identified.
HKAS 1.51	The entity should present current and non-current assets, and current and non-current liabilities as separate classifications on the face of its balance sheet except when a presentation based on liquidity provides information that is reliable and is more relevant.
HKAS 1.51	*Note: When a presentation based on liquidity provides information that is reliable and is more relevant, all assets and liabilities should be presented broadly in order of liquidity.*
HKAS 1.52	Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the balance sheet date and (b) more than twelve months after the balance sheet date, the entity should disclose the amount expected to be recovered or settled after more than twelve months.
HKAS 1.57	An asset should be classified as current when it satisfies any of the following criteria: (a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle; (b) it is held primarily for the purpose of being traded; (c) it is expected to be realised within twelve months after the balance sheet date; or (d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.
HKAS 1.57	All assets, other than those meeting one of the criteria outlined in paragraph 57 of HKAS 1 (see above), should be classified as non-current.
HKAS 1.60	A liability should be classified as current when it satisfies any one of the following criteria: (a) it is expected to be settled in the entity's normal operating cycle; or (b) it is held primarily for the purpose of being traded; or (c) it is due to be settled within twelve months after the balance sheet date; or (d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.
HKAS 1.60	All liabilities, other than those meeting one of the criteria outlined in paragraph 60 of HKAS 1 (see above), should be classified as non-current.
HKAS 1.63	The entity classifies its financial liabilities as current when they are due to be settled within twelve months after the balance sheet date, even if: (a) the original term was for a period longer than twelve months; and (b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue.
HKAS 1.64	If the entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the balance sheet date under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period.

Source	Presentation/Disclosure Requirement
HKAS 1.65	When the entity breaches an undertaking under a long-term loan agreement on or before the balance sheet date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the balance sheet date and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach.
HKAS 1.66	When the entity breaches an understanding under a long-term loan arrangement on or before the balance sheet date, with the effect that the liability becomes payable on demand, the liability is classified as non-current if the lender agreed by the balance sheet date to provide a period of grace ending at least twelve months after the balance sheet date, within which the entity can rectify the breach and during which the lender cannot demand immediate payment.
	Contents – general
Sch 10: 4(1)	The reserves, provisions, liabilities and assets should be classified under headings appropriate to the company's business.
HKAS 1.68	As a minimum, the face of the balance sheet should include line items that present the following amounts to the extent that they are not presented in accordance with paragraph 68A of HKAS 1 *Presentation of Financial Statements:* (a) property, plant and equipment; (b) investment property; (c) intangible assets; (d) financial assets (excluding amounts shown under (e), (h) and (i) below); (e) investments accounted for using the equity method; (f) biological assets; (g) inventories; (h) trade and other receivables; (i) cash and cash equivalents; (j) trade and other payables; (k) provisions; (l) financial liabilities (excluding trade and other payables and provisions); (m) liabilities and assets for current tax; (n) deferred tax liabilities and deferred tax assets; (o) minority interest (presented within equity); and (p) issued capital and reserves attributable to equity holders of the parent.
	Notes:
HKAS 1.71	*HKAS 1 does not prescribe the order or format in which items are to be presented. HKAS 1 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation on the face of the balance sheet.*
HKAS 1.71	*In addition:* *(a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and* *(b) the descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position.*

Source	Presentation/Disclosure Requirement
HKAS 1.68A HKFRS 5.38	The face of the balance sheet should also include line items that present the following amounts: (a) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; and (b) liabilities included in disposal groups classified as held for sale in accordance with HKFRS 5.
HKAS 1.69	Additional line items, headings and subtotals should be presented on the face of the balance sheet when such presentation is relevant to an understanding of the entity's financial position.
HKAS 1.74	The entity should disclose, either on the face of the balance sheet or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.
	Investments in associates
HKAS 28.38	Investments in associates accounted for using the equity method should be classified as non-current assets, and the carrying amount of these investments should be separately disclosed.
	Non-current asset or disposal group classified as held for sale
HKFRS 5.38	Assets and liabilities classified as held for sale should not be offset and presented as a single amount.
HKFRS 5.38 HKFRS 5.39	The major classes of assets and liabilities classified as held for sale should be separately disclosed either on the face of the balance sheet or in the notes, except for the case where a disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition.
HKFRS 5.40	The entity should not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the balance sheets for prior periods to reflect the classification in the balance sheet date for the latest period presented.
	Reserves and provisions
Sch 10: 6	The aggregate amount of reserves and provisions should be stated under separate headings.
	Minority interests
HKAS 27.33	Minority interests should be presented in the consolidated balance sheet within equity, separately from the parent's shareholders' equity.
	Approval of financial statements
HKAS 10.17	The entity should disclose the date when the financial statements were authorised for issue and who gave that authorisation.
HKAS 10.17	If the entity's owners or others have the power to amend the financial statements after issue, the entity should disclose that fact.
s129B(1)	The balance sheet should be approved by the board of directors of the company and signed on behalf of the board by two of the directors or, in the case of a private company having only one director, by the sole director.

Section 6 Statement of changes in equity

Source	Presentation/Disclosure Requirement
HKAS 1.101	*Note: A statement of changes in equity may be presented in various ways. One example is a columnar format that reconciles the opening and closing balances of each element within equity. An alternative is to present only the items described in paragraph 96 of HKAS 1 in the statement of changes in equity. Under this approach, items described in paragraph 97 of HKAS 1 are presented in the notes to the financial statements. The alternative formats are illustrated in the Model Financial Statements.*
HKAS 1.96	The entity should present a statement of changes in equity showing on the face of the statement: (a) profit or loss for the period; (b) each item of income and expense for the period that, as required by other Standards or by Interpretations, is recognised directly in equity, and the total of these items; and (c) total income and expense for the period (calculated as the sum of (a) and (b), showing separately the total amounts attributable to equity holders of the parent and to minority interest; and (d) for each component of equity, the effects of changes in accounting policies and corrections of errors recognised in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
Sch 10: 7(1) HKAS 1.97	The following items should be presented either on the face of the statement, or in the notes to the financial statements: (a) the amounts of transactions with equity holders acting in their capacity as equity holders, showing separately distributions to equity holders; (b) the balance of retained earnings (i.e. accumulated profit or loss) at the beginning of the period and at the balance sheet date, and the changes during the period; and (c) a reconciliation between the carrying amount of each class of contributed equity and each reserve at the beginning and the end of the period, separately disclosing each change.
	The following amounts charged or credited directly to equity should be separately disclosed (as required by specific Standards):
HKAS 16.77(f)	(a) the revaluation surplus that relates to property, plant and equipment, indicating the change for the period and any restrictions on the distribution of the balance to shareholders;
HK(IFRIC) – Int 1.6(d)	(b) the change in a revaluation surplus of property, plant and equipment arising from a change in the decommissioning liability;
	Notes:
HK(IFRIC) – Int 1.9	*(1) HKFRS – Int 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities is effective for annual periods beginning on or after 1 September 2004.*
HK(IFRIC) – Int 1.6	*(2) For assets accounted for using the revaluation model under HKAS 16, a change in the decommissioning liability (which, under the cost model would be added to the carrying amount of the asset) increases or decreases the revaluation surplus or deficit that has previously been recognised for the asset. Such movements are required to be separately disclosed.*
HKAS 38.124(b)	(c) the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders;
HKAS 21.52(b)	(d) net exchange differences classified in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period;
HKAS 28.39	(e) the investor's share of changes recognised directly in the associate's equity by the investor;

Source	Presentation/Disclosure Requirement
HKFRS 5.38	(f) any cumulative income or expense recognised directly in equity relating to a non-current asset (or a disposal group) classified as held for sale; and
HKAS 32.39	(g) the amount of transaction costs accounted for as a deduction from equity in the period;
HKAS 12.81(a)	(h) the aggregate current and deferred tax relating to items that are charged or credited to equity; and
HKAS 32.59	(i) when a gain or loss on a hedging instrument in a cash flow hedge has been recognised directly in equity: (i) the amount that was so recognised in equity during the period; (ii) the amount that was removed from equity and included in profit or loss for the period; (iii) the amount that was removed from equity during the period and included in the initial measurement of the acquisition cost or other carrying amount of a non-financial asset or non-financial liability in a hedged highly probable forecast transaction.

Section 7 Cash flow statement

Source	Presentation/Disclosure Requirement
	General
HKAS 7.1	The cash flow statement should be presented as an integral part of the financial statements for each period for which financial statements are presented.
	Classification of cash flows
HKAS 7.10	The cash flow statement should report cash flows during the period classified by operating, investing and financing activities.
HKAS 7.18	The entity should report cash flows from operating activities using either: (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or (b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.
HKAS 7.19	*Note: Entities are <u>encouraged</u> to report cash flows from operating activities using the direct method.*
HKAS 7.21	Major classes of gross cash receipts and gross cash payments arising from investing and financing activities should be separately reported, except to the extent that they are specifically permitted by paragraphs 22 and 24 of HKAS 7 (see below) to be presented on a net basis.
	Notes: *The following classes of cash flow may be reported on a net basis:*
HKAS 7.22	*(1) cash flows arising from the following operating, investing or financing activities:* *(a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity; and* *(b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short; and*
HKAS 7.24	*(2) cash flows arising from each of the following activities of <u>a financial institution</u>:* *(a) cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;* *(b) the placement of deposits with and withdrawal of deposits from other financial institutions; and* *(c) cash advances and loans made to customers and the repayment of those advances and loans.*
	Interest and dividends
HKAS 7.31	Cash flows from interest and dividends received and paid should each be disclosed separately. Each should be classified in a consistent manner from period to period as either operating, investing or financing activities.
HKAS 7.32	The total amount of interest paid during a period is disclosed in the cash flow statement whether it has been recognised as an expense in the income statement or capitalised in accordance with HKAS 23 *Borrowing Costs*.

Source	Presentation/Disclosure Requirement
	Taxes on income
HKAS 7.35	Cash flows arising from taxes on income should be separately disclosed.
HKAS 7.35	Cash flows arising from taxes on income should be classified as cash flows from operating activities unless they can be specifically identified with financing or investing activities.
HKAS 7.36	*Note: When tax cash flows are allocated over more than one class of activity, the total amount of taxes paid should be disclosed.*
	Investments in subsidiaries, associates and joint ventures
HKAS 7.37	When an investment in an associate or a subsidiary is accounted for using the equity or cost method, an investor restricts its reporting in the cash flow statement to the cash flows between itself and the investee (e.g. to dividends and advances).
HKAS 7.38	The entity that reports its interest in a jointly controlled entity using proportionate consolidation includes in its consolidated cash flow statement, its proportionate share of the jointly controlled entity's cash flows.
HKAS 7.38	The entity that reports its interest in a jointly controlled entity using the equity method includes in its cash flow statement the cash flows in respect of its investments in the jointly controlled entity, and distributions and other payments or receipts between it and the jointly controlled entity.
	Acquisitions and disposals of subsidiaries and other business units
HKAS 7.39	The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units should be presented separately and classified as investing activities.
HKAS 7.40	The following information should be disclosed, in aggregate, in respect of both acquisitions and disposals of subsidiaries or other business units during the period: (a) the total purchase or disposal consideration; (b) the portion of the purchase or disposal consideration discharged by means of cash and cash equivalents; (c) the amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of; and (d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or disposed of, summarised by each major category.
HKAS 7.42	The aggregate amount of the cash paid or received as purchase or sale consideration is reported in the cash flow statement net of cash and cash equivalents acquired or disposed of.
	Non-cash transactions
HKAS 7.43	Investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from the cash flow statement.
HKAS 7.43	Investing and financing transactions that do not require the use of cash or cash equivalents should be disclosed elsewhere in the financial statements in a way that provides all of the relevant information about these investing and financing activities.

Source	Presentation/Disclosure Requirement
	Components of cash and cash equivalents
HKAS 7.45	The components of cash and cash equivalents should be disclosed.
HKAS 7.46	The entity should disclose the policy that it adopts in determining the composition of cash and cash equivalents in order to comply with HKAS 1 *Presentation of Financial Statements*.
HKAS 7.45	A reconciliation should be presented of the amounts of the components of cash and cash equivalents in the cash flow statement with the equivalent items reported in the balance sheet.
HKAS 7.47	The effect of any change in the policy for determining components of cash and cash equivalents (e.g. a change in the classification of financial instruments previously considered to be part of an entity's investment portfolio), is reported in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*
	Other disclosures
HKAS 7.48	The entity should disclose the amount of significant cash and cash equivalent balances held by the entity, which are not available for use by the group, together with a commentary by management.
HKAS 7.50	The entity is <u>encouraged</u> to disclose additional information that may be relevant to users in understanding the financial position and liquidity of the entity, together with a commentary by management (e.g. amounts of undrawn borrowing facilities).
HKAS 7.28	The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the cash flow statement in order to reconcile cash and cash equivalents at the beginning and end of the period. This amount is presented separately from cash flows from operating, investing and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates.

Section 8 Accounting policies

Source	Presentation/Disclosure Requirement
	General requirements
HKAS 1.103(a)	The notes to the financial statements should present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 108 – 115 of HKAS 1 *Presentation of Financial Statements* (see below).
HKAS 1.108	The entity should disclose in the summary of significant accounting policies: (a) the measurement basis (or bases) used in preparing the financial statements; and (b) the other accounting policies used that are relevant to an understanding of the financial statements.
HKAS 1.112	It is appropriate to disclose each significant accounting policy that is not specifically required by HKFRSs, but is selected and applied in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
HKAS 1.113	The entity should disclose, in the summary of significant accounting policies or other notes to the financial statements, the judgements that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.
HKAS 1.114	*Notes:* *In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements. Examples of judgements include:* *(1) whether financial assets are held-to-maturity investments;* *(2) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;* *(3) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and* *(4) whether the substance of the relationship between the entity and a special purpose entity indicates that the special purpose entity is controlled by the entity.*
	Key sources of estimation uncertainty
HKAS 1.116	The entity should disclose, in the notes to the financial statements, information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.
HKAS 1.116	In respect of those assets and liabilities, the notes should disclose details of: (a) their nature; and (b) their carrying amount as at the balance sheet date. The disclosures in paragraph 116 of HKAS 1 are presented in a manner that helps users of financial statements to understand the judgements management makes about the future and about other key sources of estimation uncertainty.

Source	Presentation/Disclosure Requirement
	Notes:
HKAS 1.118 HKAS 1.120	*The key assumptions and other key sources of estimation uncertainty disclosed in accordance with paragraph 116 of HKAS 1 relate to the estimates that require management's most difficult, subjective or complex judgments. Examples of the types of disclosures are:* *(1) the nature of the assumption or other estimation uncertainty;* *(2) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;* *(3) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and* *(4) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unsolved.*
HKAS 1.121	*It is not necessary to disclose budget information or forecasts in making disclosures in paragraph 116 of HKAS 1 (see above).*
HKAS 1.119	The disclosures in paragraph 116 of HKAS 1 (see above) are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year, if , at the balance sheet date, they are measured at fair value based on recently observable market prices.
HKAS 1.122	When it is impracticable to disclose the extent of the possible effects of a key assumption or another key source of estimation uncertainty at the balance sheet date, the entity discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.
	Policies required to be disclosed by specific standards
	The following accounting policies should be disclosed, as required by specific HKFRSs:
	(a) Joint controlled entities
HKAS 31.57	- the method the venturer uses to recognise its interest in jointly controlled entities.
	(b) Revenue
HKAS 18.35(a)	- the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services; and
Sch 10: 16(4)	- the method by which turnover is arrived at.
	(c) Construction contracts
HKAS 11.39(b)	- the methods used to determine the contract revenue recognised in the period; and
HKAS 11.39(c)	- the methods used to determine the stage of completion of contracts in progress.
	(d) Borrowing costs
HKAS 23.29(a)	- the accounting policy adopted for borrowing costs.
HKAS 20.39(a)	(e) Government grants
	- the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements.

Source	Presentation/Disclosure Requirement
	(f) Employee benefits – defined benefit plans
HKAS 19.120(a)	- the accounting policy for recognising actuarial gains and losses.
	(g) Foreign currency
Sch 10: 12(14)	- the basis on which other currencies have been converted into the currency in which the balance sheet is expressed, where the amount of assets or liabilities affected is material.
	(h) Taxation
Sch 10: 12(15)	- the basis on which the amount, if any, set aside for Hong Kong Profits Tax is computed.
	(i) Property, plant and equipment
HKAS 16.73(a)	- the measurement bases used for determining the gross carrying amount of property, plant and equipment;
HKAS 16.73(b)	- the depreciation methods used;
HKAS 16.73(c)	- the useful lives or the depreciation rates used;
	(j) Investment properties
HKAS 40.75(c)	- when judgement as to whether the property qualifies as an investment property is required and the classification is difficult, the criteria the entity uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business;
HKAS 40.75(a)	- whether the fair value model or the cost model is applied;
HKAS 40.75(b)	- if the fair value model is applied, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property;
HKAS 40.79(a) HKAS 40.79(b)	- if the cost model is applied, the depreciation methods used and the useful lives (or the depreciation rates used).
	(k) Intangible assets - for each class of intangible assets, distinguishing between internally-generated intangible assets and other intangible assets:
HKAS 38.118(a)	- whether the useful lives are indefinite or finite, and if finite, the useful lives (or the amortisation rates used);
HKAS 38.118(b)	- the amortisation methods used for intangible assets with finite useful lives;
HKAS 38.118(d)	- the line item(s) of the income statement in which any amortisation of intangible assets is included.

Source	Presentation/Disclosure Requirement
	(l) Financial instruments
HKAS 32.60(b)	- for each class of financial asset, financial liability and equity instrument, both recognised and unrecognised, the accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied;
HKAS 32.61	- for each category of financial assets, whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date;
HKAS 32.66(a)	- the criteria applied in determining when to recognise a financial asset or financial liability on the balance sheet and when to derecognise it;
HKAS 32.66(b)	- the basis of measurement applied to financial assets and financial liabilities both on initial recognition and subsequently; and
HKAS 32.66(c)	- the basis on which income and expense arising from financial assets and financial liabilities is recognised and measured.
	(m) Inventories
HKAS 2.36(a)	- the accounting policies adopted in measuring inventories, including the cost formula used.
	Changes in accounting policies
HKAS 8.13 HKAS 8.14	Note: *The entity should select and apply its accounting policies consistently for similar transactions, other events and conditions. The entity should change an accounting policy only if the change:* ● *is required by a Standard or an Interpretation; or* ● *results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.*
HKAS 8.28 Sch 10: 17(6)(b)	When initial application of a Standard or an Interpretation has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, the entity should disclose: (a) the title of the Standard or Interpretation; (b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions; (c) the nature of the change in accounting policy; (d) when applicable, a description of the transitional provisions; (e) when applicable, the transitional provisions that might have an effect on future periods; (f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment: (i) for each financial statement line item affected; and (ii) if HKAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share; (g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and (h) if retrospective application required by paragraph 19(a) or (b) of HKAS 8 (see above) is impracticable for a particular period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.
	Note: *Financial statements of subsequent periods need not repeat the above disclosures.*

Source	Presentation/Disclosure Requirement
HKAS 8.29 Sch 10: 17(6)(b)	When a voluntary change in accounting policy has an effect on the current or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, the entity should disclose: (a) the nature of the change in accounting policy; (b) the reasons why applying the new accounting policy provides reliable and more relevant information; (c) for the current period and each prior period presented to the extent practicable, the amount of the adjustment: (i) for each financial statement line item affected; and (ii) if HKAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share; (d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and (e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstance that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.
	Note: Financial statements of subsequent periods need not repeat the above disclosures.

Section 9 Explanatory notes

Source	Presentation/Disclosure Requirement
	General
HKAS 1.126 s129A	The following details should be disclosed in the financial statements: (a) a description of the nature of the entity's operations and its principal activities; (b) the name of the parent entity and the ultimate parent of the group; (c) the domicile and legal form of the entity; and (d) its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office).
	The notes to the financial statements should:
HKAS 1.103(b)	(a) disclose the information required by HKFRSs that is not presented on the face of the financial statements; and
HKAS 1.103(c)	(b) provide additional information that is not presented on the face of the financial statements, but is relevant to an understanding of the financial statements.
HKAS 1.104	The notes to the financial statements should be presented in a systematic manner, with each item on the face of the financial statements cross-referenced to any related information in the notes.
	Prior period errors
HKAS 8.49	The entity should disclose the following: (a) the nature of the prior period error; (b) for each prior period presented, to the extent practicable, the amount of the correction; (i) for each financial statement line items affected; (ii) if HKAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share; (c) the amount of the correction at the beginning of the earliest prior period presented; and (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.
	Note: Financial statements of subsequent periods need not repeat those disclosures.
	Changes in accounting estimates
HKAS 8.39	The entity should disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.
HKAS 8.40	If the amount of the effect in future periods is not disclosed because estimating it is impracticable, the entity should disclose that fact.
HKAS 34. 26	If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year, but a separate report is not issued for that final interim period, the nature and amount of the change in estimate should be disclosed in a note to the annual financial statements for that financial year.
HKAS 16.76	The entity should disclose the nature and effect of any change in an accounting estimate relating to property, plant and equipment that has an effect in the current period or is expected to have an effect in subsequent periods, in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Source	Presentation/Disclosure Requirement
	New standards or interpretations issued but not yet effective
HKAS 8.30	When the entity has not applied a new Standard or Interpretation that has been issued but is not yet effective, the entity should disclose: (a) that fact; and (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Standard or Interpretation will have on the entity's financial statements in the period of initial application.
HKAS 8.31	*Note:* *In complying with paragraph 30 of HKAS 8, the entity considers disclosing:* *(1) the title of the new Standard or Interpretation;* *(2) the nature of the impending change or changes in accounting policy;* *(3) the date by which the application of the Standard or Interpretation is required;* *(4) the date as at which it plans to apply the Standard or Interpretation initially; and* *(5) either:* *(a) a discussion of the impact that initial application of the Standard or Interpretation is expected to have the entity's financial statements; or* *(b) if that impact is not known or reasonably estimable, a statement to that effect.*
	Revenue
Sch 10: 16(2)&(3)	The turnover for the year should be disclosed, except insofar as it is attributable to the business of banking. If an amount is omitted because it arises from the business of banking, that fact should be disclosed.
HKAS 18.35(b)	The entity should disclose the amount of each significant category of revenue recognised during the period, including revenue arising from: (a) the sale of goods; (b) the rendering of services; (c) interest; (d) royalties; and (e) dividends.
HKAS 18.35(c)	The entity should disclose the amount of revenue arising from exchanges of goods or services included in each significant category of revenue.
HKAS 11.39(a)	The entity should disclose the amount of contract revenue recognised as revenue in the period.
Sch 10: 13(1)(h)	If a substantial part of revenue consists of rents from land and buildings, the entity should disclose the amount thereof (after deduction of ground rents, rates and other outgoings).
	Non-current assets held for sale and discontinued operations
HKFRS 5.30	The entity should present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).

Source	Presentation/Disclosure Requirement
	Presenting discontinued operations
HKFRS 5.33	The entity should disclose a single amount on the face of the income statement comprising the total of the post-tax profit or loss on discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operations. The entity should give an analysis of the above single amount into: (a) the revenue, expenses and pre-tax profit or loss of discontinued operations, and the related income tax expense; and (b) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operations, and the related income tax expense.
	Note: The above analysis may be presented in the notes or on the face of the income statement. If it is presented on the face of the income statement, it should be presented in a section identified as relating to discontinued operations, i.e. separately from continuing operations. The above analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisitions.
HKFRS 5.33	The entity should disclose the net cash flows attributable to the operating, investing and financing activities of discontinued operations.
	Note: The disclosures required by paragraph 33(c) of HKFRS 5 may be presented either in the notes or on the face of the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.
HKFRS 5.34	The entity should re-present the disclosures in paragraph 33 of HKFRS 5 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the balance sheet date for the latest period presented.
HKFRS 5.35	Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period should be classified separately in discontinued operations.
	Notes: *1. The nature and amount of such adjustments should be disclosed.* *2. Examples of circumstances in which these adjustments may arise including the following:* *(a) the resolution of uncertainties that arise from the terms of the disposal transaction, such as the resolution of purchase price adjustments and indemnification issues with the purchaser;* *(b) the resolution of uncertainties that arise from and are directly related to the operations of the component before its disposal, such as environment and product warranty obligations retained by the seller; and* *(c) the settlement of employee benefit plan obligations, provided that the settlement is directly related to the disposal transaction.*
HKFRS 5.36	If the entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations in accordance with paragraphs 33-35 of HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* should be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods should be described as having been re-presented.

Source	Presentation/Disclosure Requirement
	Gains or losses relating to continuing operations
HKFRS 5.37	Any gain or loss on the remeasurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation should be included in profit or loss from continuing operations.
	Additional disclosures
HKFRS 5.41	The entity should disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold: (a) a description of the non-current asset (or disposal group); (b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal; (c) the gain or loss recognised in accordance with paragraphs 20 to 22 of HKFRS 5 (i.e. impairment losses and reversals) and if not separately presented on the face of the income statement, the caption in the income statement that includes that gain or loss; and (d) if applicable, the segment in which the non-current asset (or disposal group) is presented in accordance with HKAS 14 *Segment Reporting*.
HKFRS 5.42	If either paragraph 26 or paragraph 29 of HKFRS 5 applies, the entity should disclose, in the period of the decision to change the plan to sell the non-current asset (or disposal group), the following: (a) a description of the facts and circumstances leading to the decision; and (b) the effect of the decision on the results of operations for the period and any prior periods presented.
	Disposal groups that are to be abandoned
HKFRS 5.13	If a disposal group to be abandoned meets the criteria in paragraphs 32(a) to 32(c) of HKFRS 5, the entity should present the results and cash flows of the disposal group as discontinued operations in accordance with paragraphs 33 and 34 of HKFRS 5 at the date on which it ceases to be used.
	Note: The entity should not classify a non-current asset (or a disposal group) that is to be abandoned as held for sale. This is because its carrying amount will be recovered principally through continuing use.
	Discontinued operations of associates
HKAS 28.38	The investor's share of any discontinued operations of associates accounted for using the equity method should be separately disclosed.
	Non-current assets (disposal groups) meeting the criteria for classification as held for sale after the balance sheet date
HKFRS 5.12	When a non-current asset (or disposal group) is classified as held for sale after the balance sheet date but before the authorisation of the financial statements for issue, the entity should disclose the information specified in paragraphs 41(a), (b) and (d) of HKFRS 5 (see above) in the notes to the financial statements.
	Note: If the criteria in paragraphs 7 and 8 of HKFRS 5 are met after the balance sheet date, the entity should not classify a non-current asset (or disposal group) as held for sale in those financial statements when issued.
	Investment income
Sch 10: 13(1)(g)	Income from investments should be disclosed, analysed between income from listed and unlisted investments.

Source	Presentation/Disclosure Requirement
	Other items of income and expenditure
HKAS 1.86	The nature and amount of material items of income and expense should be separately disclosed either on the face of the income statement or in the notes.
Sch 10: 17(6)(a)	When items of income and expense within profit or loss are of an exceptional or non-recurrent nature, the nature and amount of such items should be disclosed separately.
	Additional analysis of expenditure by nature
HKAS 1.93	When expenses are classified by function, additional information should be disclosed on the nature of expenses, including depreciation and amortisation expense, and employee benefits expense.
	Investment properties
HKAS 40.75(f)	The entity should disclose the amounts recognised in profit or loss for: (a) rental income from investment property; (b) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; (c) direct operating expenses (including repairs and maintenance) arising from investment properties that did not generate rental income during the period; and (d) the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C of HKAS 40).
	Cost of sales
	The financial statements should disclose:
HKAS 2.36(d)	(a) the amount of inventories recognised as an expense during the period;
HKAS 2.36(e)	(b) the amount of any write-down of inventories recognised as an expense in the period;
HKAS 2.36(f)	(c) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period; and
HKAS 2.36(g)	(d) the circumstances or events that lead to the reversal of a write-down of inventories.
	Finance costs
Sch 10: 13(1)(b)	Interest paid should be analysed between: (a) interest on bank loans, overdrafts, and loans which are due for repayment on demand or wholly within five years of the balance sheet date; and (b) interest on other loans.
Sch 10: 31(e)	*Note: A loan should be deemed to fall due for repayment and an instalment of a loan should be deemed to fall due for payment, on the earliest date on which the lender could require repayment if he exercised all options and rights available to him.*
	Government grants related to income
HKAS 20.29	Grants related to income should be presented as a credit in the income statement either: (a) separately or under a general heading such as “other income”; or (b) deducted in reporting the related expense.

Source	Presentation/Disclosure Requirement
	Notes:
HKAS 20.31	*(1) Whichever method of presenting grants related to income has been selected, disclosure of the amount of the grant may be necessary for a proper understanding of the financial statements.*
HKAS 20.31	*(2) Disclosure of the effect of grants on any item of income or expense which is required to be separately disclosed is usually appropriate.*
HKAS 20.21	Where a government grant has been awarded for the purpose of giving immediate financial support to the entity, rather than as an incentive to undertake specific expenditures, such that the grant has been recognised as income in the period in which the entity qualifies to receive it, the entity is required to provide sufficient disclosure to ensure that the effect of the grant is clearly understood.
HKAS 20.22	Where a government grant has been awarded as compensation for expenses or losses already incurred, rather than as an incentive to undertake specific expenditures, such that the grant has been recognised as income in the period in which the entity qualifies to receive it, the entity is required to provide sufficient disclosure to ensure that the effect of the grant is clearly understood.
	Exchange differences
HKAS 21.52(a)	The amount of exchange differences recognised in profit or loss (except for those arising on financial instruments measured at fair value through profit or loss in accordance with HKAS 39) should be disclosed.
	Compensation received
HKAS 16.74(d)	The amount of compensation from third parties for items of plant and equipment that were impaired, lost or given up that is included in profit or loss should be disclosed (if it is not disclosed separately on the face of the income statement).
	Auditors' remuneration
Sch 10: 15	The entity should disclose the auditors' remuneration, including expenses.
	Depreciation of fixed assets
Sch 10: 13(1)(a) Sch 10: 18(2)(b)	The entity should disclose the amount charged to revenue as provision for depreciation, renewals or diminution in the value of fixed assets (other than shares in subsidiaries):
Sch 10: 13(4)	(a) if the amounts charged by way of depreciation or diminution in value of any fixed assets (other than investments) have been determined otherwise than by reference to the balance sheet values, that fact should be stated; and
Sch 10: 13(3)	(b) if, in the case of assets in respect of which provision has been made for depreciation or diminution in value, amounts have also been charged to revenue by way of provision for the renewal of the same assets, those amounts should be stated separately.
	Gains or losses arising from derecognition of property, plant and equipment
HKAS 16.68	The gain or loss arising from the derecognition of an item of a property, plant and equipment should be included in profit or loss when the item is derecognised (unless HKAS 17 *Leases* requires otherwise on a sale and leaseback).
HKAS 16.68	Gains arising from the derecognition of an item of a property, plant and equipment should not be classified as revenue.
	Research and development costs
HKAS 38.126	The entity should disclose the aggregate amount of research and development expenditure recognised as an expense during the period.

Source	Presentation/Disclosure Requirement
	Directors' emoluments
	The following should be disclosed:
s161(1)(a) s161(2)(b)	(a) the aggregate amount of directors' emoluments, distinguishing between emoluments in respect of services as director, whether of the company or its subsidiary, and other emoluments;
s161(1)(b) s161(3)(b)	(b) the aggregate amount of directors' or past directors' pensions, distinguishing between pensions in respect of services as directors, whether of the company or its subsidiary, and other pensions; and
s161(1)(c) s161(4)(b)	(c) the aggregate amount of compensation to directors or past directors in respect of loss of office, distinguishing between compensation in respect of the office of director, whether of the company or its subsidiary, and compensation in respect of other offices.
	Taxation
Sch 10: 17(4)	The entity should disclose any special circumstances which affect its liability in respect of taxation of profits, income or capital gains: (a) for the year; and (b) for succeeding financial years.
	The following should be disclosed:
Sch 10: 13(1)(c)	(a) the amount charged to revenue for Hong Kong Profits Tax;
Sch 10: 17(3)	(b) the basis of computation of the amount disclosed under (a);
Sch 10: 13(1)(c)	(c) if the amount charged would have been greater but for relief from double taxation, the amount which it would have been but for such relief; and
Sch 10: 13(1)(c)	(d) the charge to taxation imposed outside Hong Kong on profits, income and (so far as charged to revenue) capital gains.
HKAS 12.79	The major components of tax expense (income) should be separately disclosed.
HKAS 12.81(a)	The aggregate current and deferred tax relating to items that are charged or credited to equity should be separately disclosed.
HKAS 12.81(c)	An explanation should be provided of the relationship between tax expense (income) and accounting profit in either or both of the following forms: (a) a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is computed; or (b) a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed.
	The following should be disclosed:
HKAS 12.81(d)	(a) an explanation of changes in the applicable tax rate(s) compared to the previous accounting period; and
HKAS 12.81(h)	(b) in respect of discontinued operations, the tax expense relating to: (i) the gain or loss on discontinuance; and (ii) the profit or loss from the ordinary activities of the discontinued operation for the period, together with the corresponding amounts for each prior period presented.

Source	Presentation/Disclosure Requirement
HKAS 12.78	Where exchange differences on deferred foreign tax liabilities or assets are recognised in the income statement, such differences may be classified as deferred tax expense (income) if that presentation is considered to be the most useful to users of the financial statements.
	Note: HKAS 21 The Effects of Changes in Foreign Exchange Rates, requires certain exchange differences to be recognised as income or expense but does not specify where such differences should be presented in the income statement.
HKAS 12.81(g)(ii)	For each type of temporary difference, and each type of unused tax losses and unused tax credits, the entity should disclose the amount of the deferred tax income or expense recognised in the income statement, where not readily apparent from the changes in the amounts recognised in the balance sheet.
HKAS 16.42	The effect of taxes on income, if any, resulting from the revaluation of property, plant and equipment are recognised and disclosed in accordance with HKAS 12 *Income Taxes*.
	Dividends
Sch 10: 13(l)(j)	The entity should disclose the aggregate amount of dividends paid and proposed.
HKAS 1.95	The entity should disclose, either on the face of the income statement or the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to equity holders during the period, and the related amount per share.
HKAS 1.125	The entity should disclose in the notes: (a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to equity holders during the period, and the related amount per share; and (b) the amount of any cumulative preference dividends not recognised.
HKAS 10.12	*Note: Such dividends to holders of equity instruments declared after the balance sheet date should not be recognised as a liability at the balance sheet date.*
Sch 10: 12(3)	The entity should disclose the amount of any arrears of fixed cumulative dividends and the period for which the dividends are in arrears, separately for each class of shares affected.
	Holding company income statement
s123(5)	Where the consolidated financial statements do not include an income statement for the holding company, the entity should disclose how much of the consolidated profit or loss is dealt with in the financial statements of the holding company.
	Property, plant and equipment
HKAS 16.6	Items classified as property, plant and equipment in the financial statements should be limited to tangible assets that are both: (a) held by an entity for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one period.
	The following information should be disclosed for each class of property, plant and equipment:
HKAS 16.73(d) Sch 10: 5(1)	(a) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and

Source	Presentation/Disclosure Requirement
HKAS 16.73(e) Sch 10: 12(8)	(b) a reconciliation of the carrying amount at the beginning and end of the period showing: (i) additions; (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, and other disposals; (iii) acquisitions through business combinations; (iv) increases or decreases during the period resulting from revaluations and from impairment losses recognised or reversed directly in equity under HKAS 36 *Impairment of Assets* (if any); (v) impairment losses recognised in profit or loss during the period under HKAS 36 (if any); (vi) impairment losses reversed in profit or loss during the period under HKAS 36 (if any); (vii) depreciation charge; (viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and (ix) other changes.
	Revalued assets
HKAS 16.77	When items of property, plant and equipment are stated at revalued amounts, the following should be disclosed: (a) the effective date of the revaluation; (b) whether an independent valuer was involved; (c) the methods and significant assumptions applied in estimating the items' fair values; (d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques; and (e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model.
Sch 10: 12(7)	For fixed assets included at a valuation, the following should be disclosed: (a) the years in which the assets were severally valued; (b) the several values; and (c) in the case of assets valued during the year: (i) the names or qualification of the valuers; and (ii) the bases of valuation used.
HKAS 16.80A	Entities which carried property, plant and equipment at revalued amounts in financial statements relating to periods ended before 30 September 1995 are not required to make regular revaluations even if the carrying amounts of the revalued assets are materially different from the assets' fair values, provided that: (a) those entities do not revalue their property, plant and equipment subsequent to 30 September 1995; and (b) disclosure of reliance on this paragraph is made in the financial statements.

Source	Presentation/Disclosure Requirement
	Land and buildings
Sch 10: 12(9) Sch 10: 31(c)	Of the amount of fixed assets consisting of land, the entity should disclose how much is attributable to: (a) land in Hong Kong: (i) held on long lease - not less than 50 years unexpired; (ii) held on medium-term lease - less than 50 years but not less than 10 years unexpired; and (iii) held on short lease - less than 10 years unexpired;
	Note: In respect of a renewable government lease, the unexpired period means the term remaining unexpired plus the term, if any, for which the lessee is entitled to renew.
	(b) land outside Hong Kong: (i) freehold; (ii) held on long lease - not less than 50 years unexpired; (iii) held on medium-term lease - less than 50 years but not less than 10 years unexpired; and (iv) held on short lease - less than 10 years unexpired.
HKAS 16.74(a) Sch 10: 12(4)	The financial statements should disclose the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities.
HKAS 16.74(b)	The financial statements should disclose the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction.
HKAS 16.79	Entities are <u>encouraged</u> to disclose the following information: (a) the carrying amount of temporarily idle property, plant and equipment; (b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use; (c) the carrying amount of property, plant and equipment retired from active use and not classified as neld for sale in accordance with HKFRS 5; and (d) where property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses, the fair value of the property, plant and equipment when this is materially different from the carrying amount.
	Investment properties
	The following information should be disclosed:
HKAS 40.75(g)	(a) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposals; and
HKAS 40.75(h)	(b) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.
	Investment properties measured using the fair value model
	For investment properties stated at fair value, the following should be disclosed:
HKAS 40.75(d)	(a) the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity should disclose) because of the nature of the property and lack of comparable market data;

Source	Presentation/Disclosure Requirement
HKAS 40.75(e)	(b) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised or relevant professional qualification and has recent experience in the location and category of the investment property being valued. <u>If there has been no such valuation, that fact should be disclosed</u>;
HKAS 40.76	(c) a reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following: (i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset; (ii) additions resulting from acquisitions through business combinations; (iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, and other disposals; (iv) net gains or losses from fair value adjustments; (v) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity; (vi) transfers to and from inventories and owner-occupied property; and (vii) other changes.
HKAS 40.77	When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, the entity should disclose a reconciliation between the valuation obtained and the adjusted valuation, showing separately the aggregate amount of any recognised lease obligations that have been added back, and any other significant adjustments.
HKAS 40.78	In the exceptional cases when the entity measures investment property using the cost model in HKAS 16 *Property, Plant and Equipment*, because of the lack of a reliable fair value (see paragraph 53 of HKAS 40), the reconciliation required by paragraph 76 of HKAS 40 (see above) should disclose amounts relating to that investment property separately from amounts relating to other investment property.
HKAS 40.78	In the exceptional cases when the entity measures investment property using the cost model in HKAS 16 *Property, Plant and Equipment*, because of the lack of a reliable fair value (see paragraph 53 of HKAS 40), the entity should disclose: (a) a description of the investment property; (b) an explanation of why fair value cannot be determined reliably; and (c) if possible, the range of estimates within which fair value is highly likely to lie; and (d) on disposal of investment property not carried at fair value: (i) the fact that the entity has disposed of investment property not carried at fair value; (ii) the carrying amount of that investment property at the time of sale; and (iii) the amount of gain or loss recognised.
	Investment properties measured using the cost model
HKAS 40.79(c) HKAS 40.79(d) HKAS 40.79(e)	For investment properties measured using the cost model, the following information should be disclosed: (a) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;

Source	Presentation/Disclosure Requirement
	(b) a reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following: (i) additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalised subsequent expenditure recognised as an asset; (ii) additions resulting from acquisitions through business combinations; (iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, and other disposals; (iv) depreciation; (v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with HKAS 36 *Impairment of Assets* (if any); (vi) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity; (vii) transfers to and from inventories and owner-occupied property; and (viii) other changes; and (c) the fair value of investment property.
HKAS 40.79(e)	In the exceptional cases described in paragraph 53 of HKAS 40, when the entity cannot determine the fair value of the investment property reliably, it should disclose: (a) a description of the investment property; (b) an explanation of why fair value cannot be determined reliably; and (c) if possible, the range of estimates within which fair value is highly likely to lie.
	Goodwill
HKFRS 3.74	The entity should disclose information that enables users of its financial statements to evaluate changes in the carrying amount of goodwill during the period.
HKFRS 3.75	The entity should disclose a reconciliation of the carrying amount of goodwill at the beginning and end of the period, showing separately: (a) the gross amount and the accumulated impairment losses at the beginning of the period; (b) additional goodwill recognised during the period (except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*); (c) adjustments resulting from subsequent recognition of deferred tax assets during the period; (d) goodwill included in a disposal group classified as held for sale in accordance with HKFRS 5 and goodwill derecognised during the period without having previously been included in a disposal group classified as held for sale; (e) impairment losses recognised during the period in accordance with HKAS 36 *Impairment of Assets* (if any); (f) net exchange differences arising during the period in accordance with HKAS 21 *The Effects of Changes in Foreign Exchange Rates* (if any); (g) any other changes in the carrying amount during the period (if any); and (h) the gross amount and the accumulated impairment losses at the end of the period.

Source	Presentation/Disclosure Requirement
	Intangible assets
Sch 10: 9(1)(b)	The written-down amount of goodwill, patents and trademarks should be disclosed.
	The financial statements should disclose the following for each class of intangible assets, distinguishing between internally-generated intangible assets and other intangible assets:
HKAS 38.118(c)	(a) the gross carrying amount and the accumulated amortisation (aggregated with accumulated impairment losses), at the beginning and end of the period; and
HKAS 38.118(e)	(b) a reconciliation of the carrying amount at the beginning and end of the period showing: (i) additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations; (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, and other disposals; (iii) increases or decreases during the period resulting from revaluations and from impairment losses recognised or reversed directly in equity under HKAS 36 *Impairment of Assets* (if any); (iv) impairment losses recognised in profit or loss during the period under HKAS 36 (if any); (v) impairment losses reversed in profit or loss during the period under HKAS 36 (if any); (vi) amortisation recognised during the period; (vii) net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and (viii) other changes in the carrying amount during the period
HKAS 38.119	The classes of intangible assets identified in HKAS 38 are disaggregated (aggregated) into smaller (larger) classes if this results in more relevant information for the users of the financial statements.
HKAS 38.122(a)	The entity should disclose: (a) for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset; (b) for an intangible asset assessed as having an indefinite useful life: (i) the reasons supporting the assessment of an indefinite useful life; and (ii) a description of the factor(s) that played a significant role in determining that the asset has an indefinite useful life.
	Note: When the entity describes the factor(s) that played a significant role in determining whether the useful life of an intangible asset is indefinite or finite, the entity considers the list of factors in paragraph 90 of HKAS 38.
HKAS 38.122(b)	The financial statements should also disclose a description, the carrying amount and the remaining amortisation period of any individual intangible asset that is material to the entity's financial statements.
HKAS 38.122(c)	For intangible assets acquired by way of government grant and initially recognised at fair value, the entity should disclose: (a) the fair value initially recognised for those assets; (b) their carrying amount; and (c) whether they are measured after recognition under the cost model or the revaluation model.

Source	Presentation/Disclosure Requirement
HKAS 38.122(d)	The existence and carrying amounts of intangible assets whose title is restricted should be disclosed.
HKAS 38.122(d)	The carrying amounts of intangible assets pledged as security for liabilities should be disclosed.
	Revalued intangible assets
HKAS 38.124(a)	If intangible assets are accounted for at revalued amounts, the entity should disclose the following by class of intangible assets: (a) the effective date of the revaluation; (b) the carrying amount of revalued intangible assets; and (c) the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model.
HKAS 38.124(c)	The entity should disclose the methods and significant assumptions applied in estimating an asset's fair values.
	Other information
HKAS 38.128	The entity is <u>encouraged</u>, but not required, to disclose the following information: (a) a description of any fully amortised intangible asset that is still in use; and (b) a brief description of significant intangible assets controlled by the entity but not recognised as assets because they did not meet the recognition criteria of HKAS 38 or because they were acquired or generated before SSAP 29 *Intangible Assets* (issued in 2001) was effective.
	Subsidiaries
Sch 10: 18(2) Sch 10: 24 (a)	The entity should disclose the aggregate amount of assets consisting of shares in subsidiaries (for consolidated financial statements, this applies to shares in subsidiaries not consolidated) and amounts owed by subsidiaries, distinguishing shares from indebtedness.
	Note: Where material current trading balances exist, consider disclosing those balances as part of current assets so that current and non-current assets are separately disclosed.
s128(1)&(2)	The *Companies Ordinances* requires the disclosure of the following information when the entity has subsidiaries at the end of a financial period: (a) the name of the subsidiary; (b) the country of incorporation; (c) the identity and proportion of the nominal value of the issued shares of each class held by: (i) the company and its nominees; and (ii) its subsidiaries and their nominees.
s128(4) s128(5)	*Note: The details should be provided for all subsidiaries except where, due to their number, it would result in particulars of excessive length being given. In such cases, details need only be provided in respect of subsidiaries which, in the opinion of the directors, principally affect the results or assets of the group, providing that a statement to that effect is made.*
HKAS 27.40(c)	The consolidated financial statements should disclose, where applicable, the nature of the relationship between the parent and a subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than one half of the voting power.
HKAS 27.4(d)	The consolidated financial statements should disclose the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential power of an investee does not constitute control.

Source	Presentation/Disclosure Requirement
HKAS 27.40(e) s126(2)(b) Sch 10: 18(6) Sch 10: 25	The consolidated financial statements should disclose the reporting date of the financial statements of a subsidiary when such financial statements are used to prepare consolidated financial statements and are as of a reporting date or for a period that is different from that of the parent, and the reason for using a different reporting date or period.
	Business combinations
	Business combinations during the period
HKFRS 3.66(a)	The acquirer should disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that were effected during the period.
HKFRS 3.67	For <u>each</u> business combination that was effected during the period, the acquirer should disclose the following information: (a) the names and descriptions of the combining entities or businesses; (b) the acquisition date; (c) the percentage of voting equity instruments acquired; (d) the cost of the combination and a description of the components of that cost, including any costs directly attributable to the combination. When equity instruments are issued or issuable as part of the cost, the following information should be disclosed: (i) the number of equity instruments issued or issuable; (ii) the fair value of those instruments and the basis for determining that fair value; - if a published price does not exist for the instruments at the date of exchange, the significant assumptions used to determine fair value; - if a published price exists at the date of exchange but was not used as the basis for determining the cost of the combination, that fact together with the reasons why the published price was not used; the methods and significant assumptions used to attribute a value to the equity instruments; and the aggregate amount of the difference between the value attributed to, and the published price of, the equity instruments; (e) details of any operations the entity has decided to dispose of as a result of the combination; (f) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities; (g) the carrying amounts of each class of the acquiree's assets, liabilities and contingent liabilities, determined in accordance with HKFRSs, immediately before the combination (unless such disclosure would be impracticable); (h) if the disclosure required by item (g) above would be impracticable, that fact together with an explanation of why this is the case; (i) the amount of any excess of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination recognised in profit or loss, and the line item in the income statement in which the excess is recognised; (j) a description of the factors that contributed to a cost that results in the recognition of goodwill; (k) a description of each intangible asset that was not recognised separately from goodwill and an explanation of why the intangible asset's fair value could not be measured reliably; (l) a description of the nature of any excess of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination recognised in profit or loss; (m) the amounts of the acquiree's profit or loss since the acquisition date included in the acquirer's profit or loss for the period (unless such disclosure would be impracticable); and (n) if disclosure required by item (m) above would be impracticable, that fact together with an explanation of why this is the case.

Source	Presentation/Disclosure Requirement
HKFRS 3.68	For business combinations effected during the period that are individually immaterial, the information required by paragraph 67 of HKFRS 3 above may be disclosed in aggregate.
HKAS 36.133	If, in accordance with paragraph 84 of HKAS 36, any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit (group of units) at the reporting date, the amount of the unallocated goodwill should be disclosed together with the reasons why that amount remains unallocated.
HKFRS 3.70	The acquirer should disclose the following information, unless disclosure would be impracticable: (a) the revenue of the combined entity for the period as though the acquisition date for all business combinations had been the beginning of that period; and (b) the profit or loss of the combined entity for the period as though the acquisition date for all business combinations had been the beginning of the period.
HKFRS 3.70	If the disclosure required by paragraph 70 of HKFRS 3 above would be impracticable, that fact together with an explanation of why this is the case should be disclosed.
	Business combinations after the balance sheet date
HKFRS 3.66(b)	The acquirer should disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that were effected after the balance sheet date but before the financial statements are authorised for issue.
HKFRS 3.71	For each business combination effected after the balance sheet date but before the financial statements are authorised for issue, the acquirer should disclose the information required by paragraph 67 of HKFRS 3 (unless such disclosure would be impracticable).
HKFRS 3.71	If the disclosure of all of the information required by paragraph 71 of HKFRS 3 would be impracticable, that fact together with an explanation of why this is the case should be disclosed.
	The initial accounting for a business combination was determined provisionally
HKFRS 3.69	If the initial accounting for a business combination that was effected during the period was determined only provisionally as described in paragraph 62 of HKFRS 3, that fact should be disclosed together with an explanation of why this is the case.
HKFRS 3.62	Where the acquirer has made adjustments to provisional values determined at the time of the initial accounting for a business combination, in accordance with paragraph 62 of HKFRS 3, comparative information presented for the periods before the initial accounting for the combination is complete (i.e. for periods before the adjustments are made) should be presented as if the initial accounting had been completed from the acquisition date.
	Note: Adjustments to comparative information will include any additional depreciation, amortisation or other profit or loss effect recognised as a result of completing the initial accounting.
	Other information
HKFRS 3.72	The acquirer should disclose information that enables users of its financial statements to evaluate the financial effects of gains, losses, error corrections and other adjustments recognised in the current period that relate to business combinations that were effected in the current or in previous periods.

Source	Presentation/Disclosure Requirement
HKFRS 3.73	The acquirer should disclose: (a) the amount and an explanation of any gain or loss recognised in the current period that: (i) relates to the identifiable assets acquired or liabilities or contingent liabilities assumed in a business combination that was effected in either the current or a previous period; (ii) is of such size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance; (b) if the initial accounting for a business combination that was effected in the immediately preceding period was determined only provisionally at the end of that period, the amounts and explanations of the adjustments to the provisional values recognised during the current period; and (c) the information about error corrections required to be disclosed by HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for any of the acquiree's identifiable assets, liabilities or contingent liabilities, or changes in the values assigned to those items, that the acquirer recognises during the period in accordance with paragraphs 63 and 64 of HKFRS 3.
HKFRS 3.77	If in any situation the information required to be disclosed by HKFRS 3 does not satisfy the objectives set out in paragraphs 66, 72 and 74 of HKFRS 3, the entity should disclose such additional information as is necessary to meet those objectives.
HKFRS 3.77A HKFRS 3.23A	When a Hong Kong incorporated company acquires an entity which would be a subsidiary as defined in HKFRS 3 but is not accounted for as a subsidiary because it does not satisfy the definition of a subsidiary in the *Companies Ordinance*, it should disclose details of the effect on the group accounts had paragraph 23A of HKFRS 3 not applied in the notes to the financial statements.
	Common control combinations
	Note: In November 2005, the HKICPA issued Accounting Guideline 5 Merger Accounting for Common Control Combinations. This Accounting Guideline which is effective upon issue sets out the basic principles and procedures of merger accounting when recognising a common control combination. SSAP 27 Accounting for Group Reconstructions was withdrawn on 24 November 2005.
AG 5.16	Entities applying Accounting Guideline 5 in accounting for a common control combination using the principles of merger accounting should disclose in their consolidated financial statements the fact that this Accounting Guideline has been used.
AG 5.17	Entities should disclose the accounting policy applied in accounting for a common control combination by using the principles of merger accounting. Details of the accounting policy should include, but not be limited to, a discussion of the specific principles and bases applied under merger accounting.
AG 5.18	Bearing in mind the necessity of showing a true and fair view, entities applying this Accounting Guideline should disclose in their consolidated financial statements significant details of the common control combinations.
AG 5.19	For each common control combination accounted for by using merger accounting, the following information should be disclosed: (a) the names of the combining entities (other than the reporting entity); (b) the date of the common control combination; (c) the composition of the consideration and fair value of the consideration other than shares issued; (d) the nature and amount of significant accounting adjustments made to the net assets and net profit or loss of any entities or businesses to achieve consistency of accounting policies, and an explanation of any other significant adjustments made to the net assets and net profit or loss of any entity or business as consequence of the common control combination; and (e) a statement of the adjustments to consolidated reserves.

Source	Presentation/Disclosure Requirement
	Investments in associates
HKAS 28.37	The following disclosures should be made: (a) the fair value of investments in associates for which there are published price quotations; (b) summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss; (c) the reasons why the presumption that an investor does not have significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, less than 20 per cent of the voting or potential voting power of the investee but concludes that it has significant influence; (d) the reasons why the presumption that an investor has significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, 20 per cent or more of the voting or potential voting power of the investee but concludes that it does not have significant influence; (e) the reporting date of the financial statements of an associate, when such financial statements are used in applying the equity method and are as of a reporting date or for a period that is different from that of the investor, and the reason why using a different reporting date or different period; (f) the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayments of loans or advances; (g) the unrecognised share of losses of an associate, both for the period and cumulatively, if an investor has discontinued recognition of its share of losses of an associate; (h) the fact that an associate is not accounted for using the equity method (if applicable); and (i) summarised financial information of associates, either individually or in groups, that are not accounted for using the equity method, including the amounts of total assets, total liabilities, revenues and profit or loss (if applicable).
	Interests in joint ventures
HKAS 31.30 HKAS 31.34	When proportionate consolidation is used by a venturer to account for its interest in a jointly controlled entity, one of the following reporting formats should be used: (a) the venturer may combine its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with the similar items, line by line, in its financial statements (e.g. it may combine its share of the jointly controlled entity's inventory, and its share of the jointly controlled entity's property, plant and equipment with its property, plant and equipment); or (b) the venturer may include separate line items for its share of the assets, liabilities, income and expenses of the jointly controlled entity in its financial statements (e.g. it may show its share of a current asset of the jointly controlled entity separately as part of its current assets; it may show its share of the property, plant and equipment of the jointly controlled entity separately as part of its property, plant and equipment).
HKAS 31.56	The venturer should disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities.
HKAS 31.56	The venturer that recognises its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method should disclose the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to its interests in joint ventures.
HK(SIC)-Int 13.7	Unrealised gains or losses on non-monetary assets contributed to jointly controlled entities should be eliminated against the underlying assets under the proportionate consolidation method or against the investment under the equity method. Such unrealised gains or losses should not be presented as deferred gains or losses in the venturer's consolidated balance sheet.

Source	Presentation/Disclosure Requirement
	Financial instruments: disclosure and presentation
	General
HKAS 32.60(a)	For each class of financial assets, financial liabilities and equity instruments, the entity should disclose information about the extent and nature of the financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.
HKAS 32.63	When financial instruments held or issued by an entity, either individually or as a class, create a potentially significant exposure to the risks described in paragraph 52 of HKAS 32 (including market risk, credit risk, liquidity risk and cash flow interest rate risk), terms and conditions that warrant disclosure include: (a) the principal, stated, face or other similar amount, which, for some derivative instruments, such as interest rate swaps, might be the amount (referred to as the notional amount) on which future payments are based; (b) the date of maturity, expiry or executive; (c) early settlement options held by either party to the instrument, including the period in which, or date at which, the options can be exercised and the exercise price or range of prices; (d) options held by either party to the instrument to convert the instrument into, or exchange it for, another financial instrument or some other asset or liability, including the period in which, or date at which, options can be exercised and the conversion or exchange ratio(s); (e) the amount and timing of scheduled future cash receipts or payments of the principal amount of the instrument, including instalment repayments and any sinking fund or similar requirements; (f) stated rate or amount of interest, dividend or other periodic return on principal and timing of payments; (g) collateral held, in the case of a financial asset, or pledged, in the case of a financial liability; (h) in the case of an instrument for which cash flows are denominated in a currency other than the entity's functional currency, the currency in which receipts or payments are required; (i) in the case of an instrument that provides for an exchange, similar information for the instrument to the acquired in the exchange; and (j) any condition of the instrument or an associated covenant that, if contravened, would significantly alter any of the other terms (for example, a maximum debt-to-equity ratio in a bond covenant that, if contravened, would make the full principal amount of the bond due and payable immediately.
HKAS 32.64	When the balance sheet presentation of a financial instrument differs from the instrument's legal form, it is desirable for an entity to explain in the notes to the financial instruments the nature of the instrument.
	Classification of a financial instrument (i.e. liabilities or equity)
HKAS 32.15	The issuer of a financial instrument should classify the instrument, or its component parts, <u>on initial recognition</u> as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.
HKAS 32.18	*Note: The substance of a financial instrument, rather than its legal form, governs its classification on the entity's balance sheet.*
HKAS 32.28	The issuer of a non-derivative financial instrument should evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. Such components should be classified separately as financial liabilities, financial assets or equity instruments in accordance with paragraph 15 of HKAS 32 (see above).

Source	Presentation/Disclosure Requirement
HKAS 32.35	Interest, dividends, losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as income or expense in profit or loss.
HKAS 32.35	Distributions to holders of an equity instrument should be debited by the entity directly to equity, net of any related income tax benefit.
HKAS 32.40	Dividends classified as an expense in accordance with HKAS 32 *Financial Instruments: Presentation and Disclosure*, may be presented in the income statement either with interest on other liabilities or as a separate item.
	Note: In some circumstances, because of the differences between interest and dividends with respect to matters such as tax deductibility, it is desirable to disclose them separately in the income statement.
HKAS 32.35	Transaction costs of an equity transaction, other than costs of issuing an equity instrument that are directly attributable to the acquisition of a business, should be accounted for as a deduction from equity, net of any related income tax benefit.
HKAS 32.37	The costs of an equity transaction that is abandoned are recognised as an expense.
HKAS 32.38	Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of the proceeds.
HKAS 32.38	Transaction costs that relate jointly to more than one transaction (e.g. costs of a concurrent offering of some shares and a stock exchange listing of other shares) are allocated to the transactions using a basis of allocation that is rational and consistent with similar transactions.
	Offsetting a financial asset and a financial liability
HKAS 32.42	A financial asset and a financial liability should be offset and the net amount presented in the balance sheet when, and only when, an entity: (a) currently has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
HKAS 32.80	Where the entity holds a financial asset subject to a legally enforceable right of set-off against a financial liability that is not presented on the balance sheet net of the liability because settlement is not intended to take place on a net basis or simultaneously, the entity discloses the existence of the legal right of set-off.
HKAS 32.81	Where the entity has entered into a master netting arrangement that significantly reduces its exposure to credit risk, but does not meet the criteria for offsetting, the entity provides additional information concerning the effect of the arrangement.
	Risk management policies and hedging activities
HKAS 32.52	The detailed disclosures required by HKAS 32 (see below) should provide information to assist users of financial statements in assessing the extent of risk related to financial instruments.
HKAS 32.56	The entity should describe its financial risk management objectives and policies, including its policy for hedging each main type of forecast transactions for which hedge accounting is used.

Source	Presentation/Disclosure Requirement
HKAS 32.58	The entity should disclose the following separately for designated fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation: (a) a description of the hedge; (b) a description of the financial instruments designated as hedging instruments; (c) the fair value of hedging instruments at the balance sheet date; (d) the nature of the risks being hedged; and (e) for cash flow hedges, the periods in which the cash flows are expected to occur, when they are expected to enter into the determination of profit or loss, and a description of any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur.
	Interest rate risk
HKAS 32.67	For each class of financial assets and financial liabilities, the entity should disclose information its exposure to interest rate risk, including: (a) contractual repricing or maturity dates, whichever dates are earlier; and (b) effective interest rates, when applicable.
HKAS 32.71	The entity indicates which of its financial assets and financial liabilities are: (a) exposed to fair value interest rate risk, such as financial assets and financial liabilities; (b) exposed to cash flow interest rate risk, such as financial assets and financial liabilities with a floating interest rate that is reset as market rates change; and (c) not directly exposed to interest rate risk, such as some investments in equity instruments.
HKAS 32.74	The nature of the entity's business and the extent of its activity in financial instruments will determine whether information about interest rate risk is presented in a narrative form, in tables, or by using a combination of the two. When an entity has a variety of financial instruments exposed to fair value or cash flow interest rate risk, it may adopt one or more of the following approaches to presenting information: (a) the carrying amounts of financial instruments exposed to interest rate risk may be presented in tabular form, grouped by those that are contracted to mature or be repriced in the following periods after the balance sheet date: (i) in one year or less; (ii) in more than one year but not more than two years; (iii) in more than two years but not more than three years; (iv) in more than three years but not more than four years; (v) in more than four years but not more than five years; and (vi) in more than five years; (b) when the performance of an entity that is significantly affected by the level of its exposure to interest rate risk or changes in that exposure, more detailed information is desirable. An entity such as a bank may disclose, for example, separate groupings of the carrying amounts of financial instruments contracted to mature or be repriced: (i) one month or less after the balance sheet date; (ii) in more than one month but not more than three months after the balance sheet date; (iii) in more than three months but not more than twelve months after the balance sheet date; (c) similarly, an entity may indicate its exposure to cash flow interest rate risk through a table indicating the aggregate carrying amount of groups of floating rate financial assets and financing liabilities maturing within various future time periods; and

Source	Presentation/Disclosure Requirement
	(d) interest rate information may be disclosed for individual financial instruments. Alternatively, weighted average rates or a range of rates may be presented for each class of financial instrument. An entity may group into separate classes instruments denominated in different currencies or having substantially different credit risks when those factors result in instruments having substantially different effective interest rates.
HKAS 32.75	In some circumstances, the entity may be able to provide useful information about its exposure to interest rate risks by indicating the effect of a hypothetical change in market interest rates on the fair value of its financial instruments and future profit or loss and cash flows. When disclosing interest rate sensitivity information, an entity indicates the basis on which it has prepared the information, including any significant assumptions.
	Credit risk
HKAS 32.76	For each class of financial assets and other credit exposures, the entity should disclose information about its exposure to credit risk, including: (a) the amount that best represents its maximum credit risk exposure at the balance sheet date, without taking account of the fair value of any collateral, in the event of other parties failing to perform their obligations under financial instruments; and (b) significant concentrations of credit risk.
HKAS 32.82	The entity may be exposed to credit risk as a result of a transaction in which no financial asset is recognised on its balance sheet, such as for a financial guarantee or credit derivative contract. Guaranteeing an obligation of another party creates a liability and exposes the guarantor to credit risk that is taken into account in making the disclosures required by paragraph 76 of HKAS 32 (see above).
	Fair value
HKAS 32.86	Except as set out in paragraphs 90 and 91A of HKAS 32, for each class of financial assets and financial liabilities, the entity should disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the balance sheet.
HKAS 32.87	When the entity does not measure a financial asset or financial liability in its balance sheet at fair value, it should provide fair value information through supplementary disclosures.
HKAS 32.88	For financial instruments such as short-term trade receivables and payables, no disclosure of fair value is required when the carrying amount is a reasonable approximation of fair value.
HKAS 32.89	In disclosing fair values, the entity groups financial assets and financial liabilities into classes and offsets them only to the extent that their related carrying amounts are offset in the balance sheet.
HKAS 32.90	If investments in unquoted equity securities or derivatives linked to such equity instruments are measured at cost because their fair value cannot be measured reliably, the entity should disclose: (a) the fact that fair value cannot be measured reliably; (b) a description of the financial instruments; (c) the carrying amount of the instruments; (d) an explanation why fair value cannot be measured reliably; and (e) if possible, the range of estimates within which fair value is highly likely to lie.
HKAS 32.90	If financial assets whose fair value previously could not be reliably measured are sold during the period, the entity should disclose: (a) the fact that the sale has occurred; (b) the carrying amount of such financial assets at the time of sale; and (c) the amount of gain or loss recognised.

Source	Presentation/Disclosure Requirement
HKAS 32.92	The entity should disclose: (a) the methods and significant assumptions applied in determining fair values of financial assets and financial liabilities separately for significant classes of financial assets and financial liabilities; (b) whether fair values of financial assets and financial liabilities are determined directly, in full or in part, by reference to published price quotations in an active market or are estimated using a valuation technique; (c) whether its financial statements include financial instruments measured at fair values that are determined in full or in part using a valuation technique based on assumptions that are not supported by observable market prices or rates; (d) if changing any such assumption to a reasonably possible alternative would result in a significantly different fair value, that fact and the effect on the fair value of a range of reasonably possible alternative assumptions; and
	Note: For this purpose, significance should be judged with respect to profit or loss and total assets or total liabilities.
	(e) the total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the period.
HKAS 32.93	Disclosure of fair value information includes disclosure of the method used in determining of fair value and the significant assumptions made in its application. For example, the entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses and interest or discount rates if they are significant.
	Derecognition
HKAS 32.94(a)	The entity may have either transferred a financial asset, or entered into a so-called pass-through arrangement, in such a way that the arrangement does not qualify as a transfer of a financial asset under the derecognition rules in HKAS 39. If the entity either continues to recognise all of the asset or continues to recognise the asset to the extent of the entity's continuing involvement, it should disclose the following information for each class of financial assets: (a) the nature of the asset; (b) the nature of the risks and rewards of ownership to which the entity remains exposed; (c) when the entity continues to recognise all of the asset, the carrying amounts of the asset and of the associated liability; and (d) when the entity continues to recognise the asset to the extent of its continuing involvement, the total amount of the asset, the amount of the asset that the entity continues to recognise and the carrying amount of the associated liability.
	Collateral
HKAS 32.94(b)	The entity should disclose the carrying amount of financial assets pledged as collateral for liabilities, the carrying amount of financial assets pledged as collateral for contingent liabilities, and any material terms and conditions relating to assets pledged as collateral.
HKAS 32.94(c)	When the entity has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral, it should disclose: (a) the fair value of the collateral accepted (financial and non-financial assets); (b) the fair value of any such collateral sold or repledged and whether the entity has an obligation to return it; and (c) any material terms and conditions associated with its use of this collateral.

Source	Presentation/Disclosure Requirement
	Compound financial instrument with multiple embedded derivatives
HKAS 32.94(d)	If the entity has issued an instrument that contains both a liability and an equity component, and the instrument has multiple embedded derivative features whose values are interdependent, it should disclose the existence of those features and the effective interest rate on the liability component (excluding any embedded derivatives that are accounted for separately).
	Financial assets and financial liabilities at fair value through profit or loss
HKAS 32.94(e)	The entity should disclose the carrying amounts of financial assets and financial liabilities that: (a) are classified as held for trading; and (b) were, upon initial recognition, designated by the entity as financial assets and financial liabilities at fair value through profit or loss (i.e. those assets that are not financial instruments classified as held for trading).
HKAS 32.94(f)	If the entity has designated a financial liability as at fair value through profit or loss, it should disclose: (a) the amount of change in its fair value that is not attributable to changes in a benchmark interest rate (e.g. LIBOR); and (b) the difference between its carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.
	Reclassification
HKAS 32.94(g)	If the entity has reclassified a financial asset as one measured at cost or amortised cost rather than at fair value as mentioned in paragraph 54 of HKAS 39 *Financial Instruments: Recognition and Measurement*, it should disclose the reason for that reclassification.
	Defaults and breaches
HKAS 32.94(j)	With respect to any defaults of principal, interest, sinking fund or redemption provisions during the period on loans payable recognised as at the balance sheet date, any other breaches during the period of loan agreements when those breaches can permit the lender to demand repayment (except for breaches that are remedied, or in response to which the terms of the loan are renegotiated, on or before the balance sheet date), the entity should disclose: (a) details of those breaches; (b) the amount recognised as at the balance sheet date in respect of the loan payable on which the breaches occurred; and (c) with respect to amounts disclosed in item (b) above, whether the default has been remedied or the terms of the loans payable renegotiated before the date the financial statements are authorised for issue.
	Income statement and equity
HKAS 32.94(h)	The entity should disclose material items of income, expense and gains and losses resulting from financial assets and financial liabilities, whether included in profit or loss or in equity.
HKAS 32.94(h)	The entity should at least disclose: (a) total interest income and total interest expense (calculating using the effective interest method) for financial assets and financial liabilities that are not at fair value through profit or loss; (b) for available-for-sale financial assets, the amount of any gain or loss recognised directly in equity during the period and the amount that was removed from equity and recognised in profit or loss for the period; and (c) the amount of interest income accrued on impaired financial assets.

Source	Presentation/Disclosure Requirement
	Members' shares in co-operative and similar instruments
HK(IFRIC)-Int 2.13	When a change in the redemption prohibition as mentioned in HK(IFRIC)-Int 2, leads to a transfer between financial liabilities and equity, the entity should disclose separately the amount, timing and reason for the transfer.
	Other disclosures
Sch 10: 9(1)(a)	The following analyses of investments in securities are required: (a) debt securities and equity securities; and (b) listed investments and unlisted investments.
Sch 10: 9(3)	Listed investments should be analysed between those which have been granted a listing on The Stock Exchange of Hong Kong and those which have not.
Sch 10: 12(11)	The entity should disclose the market value of listed investments if they are not carried at market value.
Sch 10: 12(11)	The entity should disclose the Stock Exchange value of the listed investments, if the market value is stated at a higher amount than their Stock Exchange value.
Sch 10: 5(2)(c)	The entity should disclose the cost or directors' valuation of unlisted investments.
Sch 10: 19(1)	The entity should disclose the aggregate amount of assets consisting of shares in fellow subsidiaries.
s129(1)&(2) s129(4) s129(5)	For each shareholding in companies where either, (i) the investing company's holding in any class of equity share capital of that company exceeds 20% of the nominal value of the issued shares of that class, or (ii) the aggregate amount of shareholdings in any one company exceeds 10% of the amount of its assets as stated in the investing company's balance sheet, the entity should disclose: (a) the name of the company; (b) the country of incorporation; (c) the identity and proportion of the nominal values of the issued shares of each class held; and (d) a statement, where appropriate, that the information given deals only with the companies whose results principally affect the profit or loss or amount of assets of this company.
	Accounting for leases by lessors
	Finance leases
HKAS 17.36	Lessors should recognise assets under a finance lease in their balance sheets and present them as a receivable at an amount equal to the net investment in the lease.
HKAS 17.47	The following disclosures should be made in the financial statements for finance leases: (a) a reconciliation between the total gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date; (b) the gross investment in the lease and the present value of minimum lease payments receivable at the balance sheet date, for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years; (c) unearned finance income; (d) the unguaranteed residual values accruing to the benefit of the lessor; (e) the accumulated allowance for uncollectible minimum lease payments receivable;

Source	Presentation/Disclosure Requirement
	(f) contingent rents recognised in income; and (g) a general description of the lessor's material leasing arrangements.
HKAS 17.48	As an indicator of growth, it is often useful to disclose the gross investment less unearned income in new business added during the accounting period, after deducting the relevant amounts for cancelled leases.
	Operating leases
HKAS 17.49	Lessors should present assets subject to operating leases in their balance sheets according to the nature of the asset.
HKAS 17.56	The following disclosures should be made in the financial statements for operating leases: (a) the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years; (b) total contingent rents recognised as income in the period; and (c) a general description of the lessor's significant leasing arrangements.
HKAS 17.57	*Note: In addition to the requirements set out in paragraph 56 of HKAS 17, the disclosure requirements in HKAS 16 Property, Plant and Equipment, HKAS 36 Impairment of Assets, HKAS 38 Intangible Assets, HKAS 40 Investment Property, and HKAS 41 Agriculture Activity, apply to lessors for assets provided under operating leases.*
	Arrangements involving the legal form of a lease
HK(SIC)-Int 27.10	Where an arrangement involves the legal form of a lease but does not, in substance, involve a lease under HKAS 17 *Leases*, all aspects of the arrangement should be considered in determining the appropriate disclosures that are necessary to understand the arrangement and the accounting treatment adopted.
HK(SIC)-Int 27.10	The entity should disclose the following in each period in which an arrangement exists that involves the legal form of a lease but does not, in substance, involve a lease under HKAS 17: (a) a description of the arrangement, including: (i) the underlying asset and any restrictions on its use; (ii) the life and other significant terms of the arrangement; and (iii) the transactions that are linked together, including any options; and (b) (i) the accounting treatment applied to any fee received; (ii) the amount recognised as income in the period; and (iii) the line item of the income statement in which it is included.
HK(SIC)-Int 27.11	*Note: The disclosures required by paragraph 10 of HK(SIC)-Int 27 should be provided individually for each arrangement, or in aggregate for each class of arrangements (i.e. each grouping of arrangements with underlying assets of a similar nature).*

Source	Presentation/Disclosure Requirement
	Impairment of assets
HKAS 36.126	For each class of assets, the financial statements should disclose: (a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are included; (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are reversed; (c) the amount of impairment losses on revalued assets directly in equity during the period; and (d) the amount of reversal of impairment losses on revalued assets recognised directly in equity during the period.
HKAS 36.127	*Note: A class of asset is a grouping of assets of similar nature and use in an entity's operations.*
HKAS 36.130	The entity should disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit: (a) the events and circumstances that led to the recognition or reversal of the impairment loss; (b) the amount of the impairment loss recognised or reversed; (c) for an individual asset: (i) the nature of the asset; and (ii) the reportable segment to which the asset belongs, based on the entity's primary format (as defined in HKAS 14 *Segment Reporting*, if the entity applies HKAS 14); (d) for a cash-generating unit: (i) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, a reportable segment as defined in HKAS 14 or other); (ii) the amount of the impairment loss recognised or reversed by class of assets and by reportable segment based on the entity's primary format (as defined in HKAS 14, if the entity applies HKAS 14); and (iii) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), the entity should describe the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified; (e) whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs to sell or its value in use; (f) if recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market); and (g) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.
HKAS 36.131	The entity should disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with paragraph 130 of HKAS 36 (see above): (a) the main classes of assets affected by impairment losses (reversals of impairment losses); and (b) the main events and circumstances that led to the recognition (reversal) of those impairment losses.
HKAS 36.132	The entity is encouraged to disclose the key assumptions used to determine the recoverable amount of assets (cash-generating units) during the period.
	Note: Paragraph 134 of HKAS 36 (see below) requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit.

Source	Presentation/Disclosure Requirement
HKAS 32.94(i)	The entity should disclose the nature and amount of any impairment loss recognised in profit or loss for a financial asset, separately for each significant class of financial asset.
HKAS 36.129	The entity that reports segment information in accordance with HKAS 14 *Segment Reporting*, should disclose the following information for each reportable segment based on the entity's primary reporting segment: (a) the amount of impairment losses recognised in profit or loss and directly in equity during the period; and (b) the amount of reversals of impairment losses recognised in profit or loss and directly in equity during the period.
HKAS 16.78	The entity should disclose information on impaired property, plant and equipment in accordance with HKAS 36 *Impairment of Assets*.
	Estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives
HKAS 36.134 HKFRS 3.76	The entity should disclose the following information for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives: (a) the carrying amount of goodwill allocated to the unit (group of units); (b) the carrying amount of intangible assets with indefinite useful lives allocated to that unit (group of units); (c) the basis on which the unit's (group of units') recoverable amount has been determined (i.e. value in use or fair value less costs to sell); (d) if the unit's (group of units') recoverable amount is based on value in use: (i) a description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets / forecasts;
	Note: Key assumptions are those to which the unit's (group of unit's) recoverable amount is most sensitive.
	(ii) a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experiences or external sources of information; (iii) the period over which management has projected cash flows based on financial budgets / forecasts approved by management and, when a period greater than five years is used for a cash-generating why that longer period is justified; (iv) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets / forecasts, and the justification for using any growth rate that exceeds the long-term growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated; and (v) the discount rate(s) applied to the cash flow projections; (e) if the unit's (group of units') recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information should be disclosed: (i) a description of each key assumption on which management has based its determination of fair value less costs to sell;
	Note: Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.

Source	Presentation/Disclosure Requirement
	(ii) a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience, or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information; and (f) if a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount: (i) the amount by which the unit's (group of units") recoverable amount exceeds its carrying amount; (ii) the value assigned to the key assumption; and (iii) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.
HKAS 36.135	If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (group of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives., that fact should be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (group of units).
HKAS 36,135	In addition, if the recoverable amount of any of those units (group of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity should disclose: (a) that fact; (b) the aggregate carrying amount of goodwill allocated to those units (group of units); (c) the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units (group of units); (d) a description of the key assumption(s); (e) a description of management's approach to determining the value(s) assigned to the key assumption(s), whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information; (f) if a reasonably possible change in the key assumption(s) would cause the aggregate of the units' (groups of units) carrying amounts to exceed the aggregate of their recoverable amounts: (i) the amount by which the aggregate of the units' (group of units') recoverable amounts exceeds the aggregate of their carrying amounts; (ii) the value(s) assigned to the key assumption(s); (iii) the amount by which the value(s) assigned to the key assumption(s) must change, after incorporating any consequential effects of the change on the other variables used to measure recoverable amount, in order for the aggregate of the units' (group of units') recoverable amounts to be equal to the aggregate of their carrying amounts.
HKAS 36.136	*Note: The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraph 24 or paragraph 99 of HKAS 36, be carried forward and used in the impairment test for that unit (group of units) in the current period provided specific criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 134 and 135 of HKAS 36 relate to the carried forward calculation of recoverable amount.*

Source	Presentation/Disclosure Requirement
	Group indebtedness
	The entity should disclose separately the aggregate amounts due:
Sch 10: 18(2) Sch 10: 24(a)	(a) from the company's subsidiaries (for consolidated financial statements, applies to subsidiaries not consolidated); and
Sch 10: 19(1)	(b) from the company's holding companies and fellow subsidiaries, distinguishing between debentures and otherwise.
	Loans to trustees or employees
Sch 10: 9(1)(c)	The entity should disclose the aggregate amount of outstanding loans made to trustees or employees (other than directors) for the acquisition of shares in the company, or its holding company, under the provisions of sections 47C(4)(b)&(c) of the *Companies Ordinance*.
	Loans to officers
	The Companies (Amendment) Ordinance 2003 was approved on July 10, 2003 and came into operation on February 13, 2004. A new section 161B is introduced which contains the disclosure requirements on the particulars of every transaction in relation to loans to officers, which includes, e.g. a credit transaction entered into between a company and a director of the company, or a body corporate in which such a director at any time during the financial year held a controlling interest.
s161B(18)	*In the case of any loan, guarantee entered into or security provided before February 13, 2004, the particulars of these arrangements would have to be contained in the financial statements under the provision of s161B in force immediately before the commencement of the Companies (Amendment) Ordinance 2003. The disclosure requirements are set out in s161B(1) and s161B(6)(a) of the Ordinance (see above), and s161B(5) and s161B(7)(a)-(g) of the Ordinance (see above). References to the old s161B which became effective on August 1984, is followed by "(r1984)".*
s161B(1)&(4) (r1984)	For every relevant loan (see below) made by the company or a subsidiary, other than an authorised institution, after the commencement of the Companies (Amendment) Ordinance 1984 (i.e. August 31, 1984) but before the commencement of section 68 of the Companies (Amendment) Ordinance 2003 (i.e. February 13, 2004), the following should be disclosed: (a) the name of borrower and, where: (i) the borrower is connected with a director of the company or of its holding company; or (ii) the borrower is a body corporate, and a director or a person connected with him has held a controlling interest therein, the name of that director; (b) the terms of the loan, including the interest rate and any security; (c) the principal and interest outstanding at the beginning and end of the financial year and the maximum amount outstanding during the year; and (d) the amount of interest which, having fallen due, remained unpaid and the amount of provision for non-repayment by the borrower in respect of principal and interest.
	Note:
s161B(7)(r1984)	*"Relevant loan" means any loan made to:* (a) a person who, whether or not he was an officer ("officer" in relation to a body corporate includes a director, manager or secretary) of the company or a director of its holding company at the time the loan was made, was such an officer or director at any time during the financial year; or *(b) a body corporate in which a director of the company, at any time during the financial year, held a controlling interest, whether or not such controlling interest was so held at the time the loan was made; or*

Source	Presentation/Disclosure Requirement
	(c) in the case of a loan made by either a listed company or a company which is a member of a group containing a listed company, the definition is extended to include a loan to connected persons, including: *(i) the spouse of a director;* *(ii) any children or step-children of a director provided that they are below the age of 18 years;* *(iii) a person acting in his capacity as the trustee of any trust (other than an employee share scheme or pension scheme) which includes as beneficiaries, or which allows the trustee to exercise his powers for the benefit of, the director, his spouse, or any of his children or step-children below the age of 18 years; and* *(iv) a person acting in his capacity as a partner of a director or of any person who is connected to that director by virtue of (i),(ii) or (iii) above.*
s161B(2)(r1984) s161B(3)(r1984)	In respect of a relevant loan made by any person after August 31, 1984 but before February 13, 2004 in connection with which a guarantee is entered into or security is provided by the company other than an authorised financial institution, the entity should disclose: (a) the name of borrower, and where: (i) the borrower is connected with a director of the company or of its holding company; or (ii) the borrower is a body corporate, and a director or a person connected with him has held a controlling interest therein, the name of that director; (b) the maximum liability of the company under the guarantee or security both at the beginning and end of the financial year; and (c) any amount paid and any liability incurred by the company for the purpose of fulfilling the guarantee or discharging the security (including any loss incurred by the company by reason of the enforcement of the guarantee or security).
s161B(5)(r1984)	*Notes:* *1. Disclosure of the items required by s161B(1)(4)(r1984) of the Ordinance is not required where all of the conditions listed below apply:* *(a) the loan is made by the company or by a subsidiary to an employee of the company or of the subsidiary;* *(b) it does not exceed HK$100,000;* *(c) it is certified by the directors of the company or subsidiary as having been made in accordance with the company's usual practice for loans to its employees or to the employees of the subsidiary; and* *(d) it is neither a loan made by the company under a guarantee from or on a security provided by a subsidiary nor, if the loan is from a subsidiary, is it guaranteed or secured by the company or any other subsidiary.*
s161B(10) (r1984)	*2. For loans to officers made before August 31, 1984, the financial statements are required to disclose in respect of such loans outstanding at the end of the year the particulars which, but for the Companies (Amendment) Ordinance 1984, would have had to be contained in the financial statements under the provisions of this section in force immediately before the commencement of that Ordinance, (i.e. the balances and repayments during the year).*

Source	Presentation/Disclosure Requirement
s161B(1) s161B(6)(a)	For every relevant transaction (see below) entered into by the company or a subsidiary, other than an authorised institution, after the commencement of Section 68 of the Companies (Amendment) Ordinance 2003 (i.e. February 13, 2004), the entity should disclose: (a) the name of borrower and, where: (i) the borrower is connected with a director of the company or of its holding company; or (ii) the borrower is a body corporate, and a director or a person connected with him has held a controlling interest therein, the name of that director; (b) the terms of the relevant transaction, including the amounts payable thereunder (whether in a lump sum or instalments or by way of periodical payments or otherwise), the interest rate and any security; (c) the principal and interest outstanding at the beginning and end of the financial year and the maximum amount outstanding during the year; and (d) the amount of which, having fallen due, remained unpaid and the amount of provision for non-repayment by the borrower in respect of the principal and other amounts due.
s161B(2) s161B(7)(a) to (d)	For every relevant transaction which consists of quasi-loans or credit transactions entered into by the company or a subsidiary, other than an authorised institution, after February 13, 2004, in lieu of the disclosure required in s161B(1) & s161B(6)(a) of the Ordinance above, the following should be disclosed with respect to each borrower: (a) the name of the person; (b) if the person is also a borrower, where: (i) the borrower is connected with a director of the company or of its holding company; or (ii) the borrower is a body corporate, and a director or a person connected with him has held a controlling interest therein, the name of that director; (c) the aggregate amount of the principal and interest outstanding on all relevant transactions of which that person is the borrower at the beginning and end of the financial year and the maximum amount outstanding during the year; and (d) the aggregate amount of which, having fallen due, remained unpaid and the aggregate amount of provision for non-repayment by the person in respect of the principal and other amounts due.
	Notes: *Definitions:*
s161B(14)	*"Relevant transaction" means any loan, quasi-loan made to, or any credit transaction entered into for –* *(a) a person who, whether or not he was a director or other officer of the company or a director of its holding company at the time the loan, quasi-loan or credit transaction was made or entered into, is such an officer or director at any time during the financial year in respect of which the accounts are made up; or* *(b) a body corporate in which a director of the company, at any time during the financial year, held a controlling interest, whether or not such controlling interest was so held at the time the loan, quasi-loan or credit transaction was made or entered into; and* *(c) that the loan, quasi-loan or credit transaction is made or entered into during the financial year or, if made or entered into before it, is outstanding at any time during the financial year.*
s161B(15) s161B(16)	*(d) in the case of a loan or quasi-loan made to, or a credit transaction entered into by either a listed company or a company which is a member of a group containing a listed company, the definition is extended to include a loan or a quasi-loan made to, or a credit transaction entered into with connected persons, including:*

Source	Presentation/Disclosure Requirement
	(i) the spouse of a director; *(ii) any children or step-children of a director provided that they are below the age of 18 years;* *(iii) a person acting in his capacity as the trustee of any trust (other than an employee's share scheme or pension scheme) which includes as beneficiaries, or which allows the trustee to exercise his powers for the benefit of, the director, his spouse, or any of his children or step-children below the age of 18 years; and* *(iv) a person acting in his capacity as a partner of a director or of any person who is connected to that director by virtue of (i), (ii) or (iii) above.*
s157H(10)	*"Credit transaction" means a transaction between one party ("the creditor") and another party ("the borrower") under which the creditor:* *(a) supplies goods to the borrower under a hire-purchase agreement;* *(b) sells goods or land to the borrower under a conditional sale agreement;* *(c) leases or hires goods or leases land to the borrower in return for periodical payments; or* *(d) otherwise disposes of land or supplies goods or services to the borrower on the understanding that payment (whether in a lump sum or instalments or by way of periodical payments or otherwise) is to be deferred.*
s157H(10)	*"Quasi-loan" means:* *(a) a transaction under which one party ("the creditor") agrees to pay, or pays otherwise than in pursuance of an agreement, a sum for another ("the borrower"):* *(i) on terms that the borrower (or a person on his behalf) will reimburse the creditor; or* *(ii) in circumstances giving rise to a liability on the borrower to reimburse the creditor; or* *(b) a transaction under which one party ("the creditor") agrees to reimburse, or reimburses otherwise than in pursuance of an agreement, expenditure incurred by another for another ("the borrower"):* *(i) on terms that the borrower (or a person on his behalf) will reimburse the creditor; or* *(ii) in circumstances giving rise to a liability on the borrower to reimburse the creditor.*
s161B(3) s161B(4) s161B(6)(b)	In respect of every relevant transaction made by any person in connection with which a guarantee is entered into or security is provided by the company or a subsidiary, other than an authorised financial institution, after February 13, 2004, the entity should disclose: (a) the name of borrower, and where: (i) the borrower is connected with a director of the company or of its holding company; or (ii) the borrower is a body corporate, and a director or a person connected with him has held a controlling interest therein, the name of that director; (b) the maximum liability of the company under the guarantee or security both at the beginning and end of the financial year; and (c) any amount paid and any liability incurred by the company for the purpose of fulfilling the guarantee or discharging the security (including any loss incurred by the company by reason of the enforcement of the guarantee or security).

Source	Presentation/Disclosure Requirement
s161B(5) s161B(7)(a) to (g)	In respect of every relevant transaction, which consist of quasi-loans or credit transactions, made by any person in connection with which a guarantee is entered into or security is provided by the company or a subsidiary, other than an authorised financial institution, after February 13, 2004, in lieu of the disclosure required by s161B(3), s161B(4) & s161B(6)(b) of the Ordinance above, the following should be disclosed with respect to each borrower: (a) the name of the person; and (b) if the person is also a borrower, where: (i) the borrower is connected with a director of the company or of its holding company; or (ii) the borrower is a body corporate, and a director or a person connected with him has held a controlling interest therein, the name of the relevant director; (c) the maximum liability of the company in respect of all guarantees or all securities both at the beginning and end of the financial year; and (d) the aggregate amounts paid and the aggregate liabilities incurred by the company for the purpose of fulfilling the guarantees or discharging the security (including any loss incurred by the company by reason of the enforcement of the guarantee or security).
	Notes:
s161B(11)	*Disclosure of the items required by s161B above is not required where all of the conditions listed below apply:* *(a) the loan or quasi-loan made, or credit transaction entered into by the company or by a subsidiary is to an employee of the company or of the subsidiary;* *(b) the principal amount does not exceed HK$100,000;* *(c) it is certified by the directors of the company or subsidiary as having been made in accordance with the company's usual practice for loans to its employees or to the employees of the subsidiary; and* *(d) it is neither a loan or quasi-loan made, or credit transaction entered into by the company under a guarantee from or on a security provided by a subsidiary nor, if it is from a subsidiary, is it guaranteed or secured by the company or any other subsidiary.*
	Expenses not written off
Sch 10: 3	The following should be disclosed under separate headings, so far as they are not written off: (a) preliminary expenses; (b) expenses incurred in connection with any issue of share capital or debentures; (c) sums paid by way of commission in respect of any shares or debentures; (d) sums allowed by way of discount in respect of any debentures; and (e) the amount of the discount allowed on any issue of shares at a discount.
	Inventories
	The financial statements should disclose:
HKAS 2.36(b)	(a) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;
HKAS 2.36(c)	(b) the carrying amount of inventories carried at fair value less costs to sell;
HKAS 2.36(h)	(c) the carrying amount of inventories pledged as security for liabilities.

Source	Presentation/Disclosure Requirement
	Construction contracts
HKAS 11.40	The entity should disclose each of the following for contracts in progress at the balance sheet date: (a) the aggregate amount of costs incurred and recognised profits (less recognised losses) to date; (b) the amount of advances received; and (c) the amount of retentions.
HKAS 11.42	The entity should present: (a) the gross amount due from customers for contract work as an asset; and (b) the gross amount due to customers for contract work as a liability.
	Borrowing costs capitalised
HKAS 23.29(b)	The financial statements should disclose the amount of borrowing costs capitalised during the period.
HKAS 23.29(c)	The financial statements should disclose the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.
	Shareholders' equity
HKAS 1.76(a) Sch 10:2	For each class of share capital, the following information should be disclosed, either on the face of the balance sheet or in the notes: (a) the number of shares authorised; (b) the number of shares issued and fully paid, and issued but not fully paid; (c) par value per share, or that the shares have no par value; (d) a reconciliation of the number of shares outstanding at the beginning and at the end of the period; (e) the rights, preferences and restrictions attaching to that class, including restrictions on the distribution of dividends and the repayment of capital; (f) shares in the entity held by the entity itself or by its subsidiaries or associates; and (g) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts.
	Notes:
HKAS 1.77	*1. An entity without share capital (e.g. a partnership or trust), should disclose information equivalent to that required by paragraph 76(a) of HKAS 1, showing changes during the period in each category of equity interest and the rights, preferences and restrictions attaching to each category of equity interest.* *2. HKAS 1 does not provide any exemption from disclosure of comparatives for movements in share capital. Therefore, comparative movements for the prior period will be required for the reconciliation specified above, as well as for all other disclosures relating to share capital.*
	Treasury shares
HKAS 32.33	If the entity (or another member of the consolidated group) reacquires its own equity instruments ("treasury shares"), those treasury shares should be deducted from equity. No gain or loss should be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Consideration paid or received should be recognised directly in equity.
HKAS 32.34	The amount of treasury shares held should be disclosed separately either on the face of the balance sheet or in the notes.

Source	Presentation/Disclosure Requirement
HKAS 32.34	The entity makes appropriate disclosures in accordance with HKAS 24 *Related Party Disclosures* if the entity reacquires its own equity instruments from related parties.
Sch 10:2(a)	For redeemable shares, the following should be disclosed: (a) the amount; (b) the earliest and latest date on which the company has power to redeem them; (c) whether they must be redeemed in any event or are liable to be redeemed at the option of the company; and (d) the premium, if any, payable on redemption.
s49H(1)	The amount transferred to capital redemption reserve for redeemed shares should be disclosed.
Sch 10: 2(b)	Where interest has been paid out of capital during the year, the share capital and the rate of interest should be disclosed.
Sch 10: 18(3)	The entity should disclose the number, description and amount of the company's shares held beneficially by subsidiaries or their nominees.
	Reserves
Sch 10: 6	The aggregate amount of reserves should be disclosed.
HKAS 1.76(b)	The financial statements should include a description of the nature and purpose of each reserve within owners' equity, either on the face of the balance sheet or in the notes.
	Restrictions on distributions
HKAS 27.40(f)	The consolidated financial statements should disclose the nature and extent of any significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances.
	Amounts set aside
Sch 10: 13(1)(d)	The entity should disclose separately each of the amounts provided for the redemption of: (a) share capital; and (b) loans.
	The following should be disclosed, if material:
Sch 10: 13(1)(e)	(a) amounts set aside to, or proposed to be set aside to, or withdrawn from, reserves; and
Sch 10: 13(1)(f)	(b) amounts set aside to provisions (other than provisions for depreciation, renewals or diminution in value of assets) and the amounts withdrawn from such provisions if not applied for the purposes thereof.
	Share premium
Sch 10: 2(c)	The amount of the share premium account should be separately disclosed.
	Debentures, loans and bank overdrafts
Sch 10: 9(1)(d)	The entity should disclose the aggregate amount of bank loans and overdrafts.
Sch 10: 9(1)(d)	The entity should disclose the aggregate amount of other loans, any part of which is repayable by instalments, or otherwise, more than five years after the balance sheet date.

Source	Presentation/Disclosure Requirement
Sch 10: 9(4)	For each loan disclosed as required by Sch 10:9(1)(d) of the Ordinance, the following details should be stated: (a) the terms on which it is repayable; and (b) the rate of interest; or, if this results in disclosure which is excessively long, a general indication of the terms of repayment and interest rates.
Sch 10: 11	For any of the company's debentures held by a nominee of or trustee for the company, the following should be disclosed: (a) the nominal amount held; and (b) the book value.
Sch 10: 18(3)	The entity should disclose the number, description and amount of the company's debentures held beneficially by subsidiaries or their nominees.
Sch 10: 2(d)	The entity should disclose particulars of any redeemed debentures which the company has the power to reissue.
	Accounting for leases by lessees
	Note: The disclosure requirements in respect of arrangements involving the legal form of a lease but which do not, in substance, involve a lease under HKAS 17 Leases are set out in previous section "Arrangements involving the legal form of a lease" (see above). These apply equally to lessees' financial statements.
	Finance Leases
HKAS 17.23	It is not appropriate for the liabilities for leased assets to be presented in the financial statements as a deduction from the leased assets.
HKAS 17.23	If, for the presentation of liabilities on the face of the balance sheet, a distinction is made between current and non-current liabilities, the same distinction is made for leased liabilities.
HKAS 17.31	The following disclosures should be made in the financial statements for finance leases: (a) for each class of asset, the net carrying amount at the balance sheet date; (b) a reconciliation between the total of minimum lease payments at the balance sheet date, and their present value; (c) the total of minimum lease payments at the balance sheet date, and their present value, for each of the following periods: (i) not later than one year, (ii) later than one year and not later than five years; and (iii) later than five years; (d) contingent rents recognised as an expense in the period; (e) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date; and (f) a general description of the lessee's material leasing arrangements including, but not limited to, the following: (i) the basis on which contingent rent payable is determined; (ii) the existence and terms of renewal or purchase options and escalation clauses; and (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

Source	Presentation/Disclosure Requirement
HKAS 17.32	*Note: In addition, the disclosure requirements in HKAS 16 Property, Plant and Equipment, HKAS 36 Impairment of Assets, HKAS 38 Intangible Assets, HKAS 40 Investment Property, and HKAS 41 Agriculture Activity, apply to lessees for leased assets under finance lease.*
	Operating Leases
	The following disclosure should be made in the financial statements for operating leases:
HKAS 17.35(a)	(a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods: (i) not later than one year; (ii) later than one year and not later than five years; and (iii) later than five years;
HKAS 17.35(b)	(b) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date;
HKAS 17.35(c)	(c) lease and sublease payments recognised in income for the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments;
HKAS 17.35(d)	(d) a general description of the lessee's significant leasing arrangements including, but not limited to, the following: (i) the basis on which contingent rent payable is determined; (ii) the existence and terms of renewal or purchase options and escalation clauses; and (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing; and
Sch 10: 13(1)(i)	(e) the amount, if material, charged to revenue in respect of sums payable for the hire of plant and machinery
	Secured liabilities
Sch 10: 10	The description ‘secured’ should be stated against any liabilities secured otherwise than by operation of law on any assets of the company or group.
	Tax assets and liabilities
Sch 10: 12(15)	The entity should disclose the basis of computation of the amount set aside for Hong Kong profits tax.
HKAS 1.70	When an entity presents current and non-current assets and liabilities in its financial statements, deferred tax assets (liabilities) should not be classified as current assets (liabilities).
HKAS 12.71	Current tax assets and current tax liabilities should be offset if, and only if, both of the following conditions are satisfied: (a) there is a legally enforceable right to set off the recognised amounts; and (b) it is intended either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Source	Presentation/Disclosure Requirement
HKAS 12.74	Deferred tax assets and deferred tax liabilities should be offset if, and only if, both of the following conditions are satisfied: (a) there is a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
	The following should be disclosed:
HKAS 12.81(e)	(a) the amount (and expiry date, if any) of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the balance sheet;
HKAS 12.81(f)	(b) the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, for which deferred tax liabilities have not been recognised; and
HKAS 12.81(g)(i)	(c) the amount of the deferred tax assets and liabilities recognised in the balance sheet for each period presented in respect of each type of temporary difference, and in respect of each type of unused tax losses and unused tax credits.
HKAS 12.82	When the utilisation of a deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences, and the entity has suffered a loss in either the current or the preceding period in the tax jurisdiction to which the deferred tax asset relates, the amount of such a deferred tax asset and the nature of the evidence supporting its recognition should be disclosed.
HKAS 12.52A HKAS 12.82A	In some jurisdictions, income taxes are payable at a higher or lower rate if part of or all of the net profit or retained earnings is paid out as a dividend to shareholders of the entity. In some other jurisdictions, income taxes may be refundable or payable if part or all of the net profit or retained earnings is paid out as a dividend to shareholders of the entity. In these circumstances, the entity should disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. In addition, the entity should disclose: (a) the amounts of the potential income tax consequences practicably determinable and whether there are any potential income tax consequences not practicably determinable; and (b) the important features of the income tax systems and the factors that will affect the amount of the potential income tax consequences of dividends.
HKAS 12.87A	HKAS 12.82A requires an entity to disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. The entity should disclose the important features of the income tax systems and the factors that will affect the amount of the potential income tax consequences of dividends.
HKAS 12.81(i)	The entity should disclose the amount of income tax consequences of dividends to shareholders of the entity that were proposed or declared before the financial statements were authorised for issue, but are not recognised as a liability in the financial statements.

Source	Presentation/Disclosure Requirement
	Employee benefits
	Post-employment benefits
HKAS 19.46	For defined contribution plans, the entity should disclose the amount recognised as an expense in the period.
HKAS 19.120(f)	For defined benefit plans, the entity should disclose the total expense recognised in the income statement for each of the following, and the line item(s) of the income statement in which they are included: (a) current service cost; (b) interest cost; (c) expected return on plan assets; (d) expected return on any reimbursement right recognised as an asset under paragraph 104A of HKAS 19; (e) actuarial gains and losses; (f) past service cost; and (g) the effect of any curtailment or settlement.
HKAS 19.116	An asset relating to one retirement benefit plan should be offset against a liability relating to another plan when, and only when, the following conditions are satisfied: (a) the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and (b) the entity intends either to settle the obligations on a net basis, or to realise the surplus on one plan and settle its obligations under the other plan simultaneously.
	The following information should be disclosed about defined benefit plans:
HKAS 19.120(b)	(a) a general description of the type of plan;
HKAS 19.120(c)	(b) a reconciliation of the assets and liabilities recognised in the balance sheet, showing at least: (i) the present value at the balance sheet date of defined benefit obligations that are wholly unfunded; (ii) the present value (before deducting the fair value of plan assets) at the balance sheet date of defined benefit obligations that are wholly or partly funded; (iii) the fair value of any plan assets at the balance sheet date; (iv) the net actuarial gains or losses not recognised in the balance sheet; (v) the past service cost not yet recognised in the balance sheet; (vi) any amount not recognised as an asset, because of the limit restrictions imposed by paragraph 58(b) of HKAS 19; (vii) the fair value at the balance sheet date of any reimbursement right recognised as an asset under paragraph 104A of HKAS 19 (with a brief description of the link between the reimbursement right and the related obligation); and (viii) the other amounts recognised in the balance sheet;
HKAS 19.120(d)	(c) the amounts included in the fair value of plan assets for: (i) each category of the reporting entity's own financial instruments; and (ii) any property occupied by, or other assets used by, the reporting entity;
HKAS 19.120(e)	(d) a reconciliation showing the movements during the period in the net liability (or asset) recognised in the balance sheet;

Source	Presentation/Disclosure Requirement
HKAS 19.120(g)	(e) the actual return on plan assets, as well as the actual return on any reimbursement right recognised as an asset under paragraph 104A of HKAS 19 and;
HKAS 19.120(h)	(f) the principal actuarial assumptions used as at the balance sheet date, including, where applicable: (i) the discount rates; (ii) the expected rates of return on any plan assets for the periods presented in the financial statements; (iii) the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset under paragraph 104A of HKAS 19; (iv) the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases); (v) medical cost trend rates; and (vi) any other material actuarial assumptions used.
	Notes:
HKAS 19.120	*1. The entity should disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables.*
HKAS 19.122	*2. Where the entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful. HKAS 19.122 states that groupings may be made with reference to the geographical locations of the plans (i.e. distinguishing domestic plans from foreign plans) and the risks associated with plans. Where an entity chooses to present disclosures in total, the disclosures are provided in the form of weighted averages or of relatively narrow ranges.*
HKAS 19.124	Where required by HKAS 24 *Related Party Disclosures*, the entity discloses information about: (a) related party transactions with post-employment benefit plans; and (b) post-employment benefits for key management personnel.
	Post-employment benefits – multi-employer plans
HKAS19.29	Where a multi-employer plan is accounted for as a defined benefit plan, the entity should disclose the information required by paragraph 120 of HKAS 19. Where a multi-employer plan is a defined benefit plan, but is accounted for as a defined contribution plan because sufficient information is not available to use defined-benefit accounting, the entity should disclose:
HKAS 19.30(b)(i)	(a) the fact that the plan is a defined benefit plan;
HKAS 19.30(b)(ii)	(b) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and
HKAS 19.30(c)	(c) to the extent that a surplus or deficit in the plan may affect the amount of future contributions: (i) any available information about that surplus or deficit; (ii) the basis used to determine that surplus or deficit; and (iii) the implication, if any, for the entity.
	Post-employment benefits – state plans
HKAS 19.36	The entity is required to disclose the same information for a state plan as HKAS 19 requires for a multi-employer plan.
HKAS	On implementation of HKAS 19, if the transitional liability for defined benefit plans, determined in

Source	Presentation/Disclosure Requirement
19.155(b)(ii)	accordance with paragraph 54 of HKAS 19, is more than the liability that would have recognised at the same date under the entity's previous accounting policy, and the entity elects to recognise that increase as an expense on a straight-line basis over to five years from the date of adoption, the entity should disclose at each balance sheet date: (a) the amount of the increase that remains unrecognised; and (b) the amount recognised in the current period.
	Share-based payments
	The nature and extent of share-based payment arrangements that existed during the period
HKFRS 2.44	The entity should disclose information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period.
HKFRS 2.45(a)	The entity should disclose at least the following: (a) a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement;
	Notes: *1. Examples of the general terms and conditions of share-based payment transactions include vesting requirements, the maximum term of options granted, and the method of settlement (e.g. whether in cash or equity).* *2. The entity with substantially similar types of share-based payment arrangements may aggregate this information, unless separate disclosure of each arrangement is necessary to satisfy the principle in item 9239 above.*
HKFRS 2.45(b)	(b) the number and weighted average exercise prices of share options for each of the following groups of options: (i) outstanding at the beginning of the period; (ii) granted during the period; (iii) forfeited during the period; (iv) exercised during the period; (v) expired during the period; (vi) outstanding at the end of the period; and (vii) exercisable at the end of the period;
HKFRS 2.45(c)	(c) for share options exercised during the period, the weighted average share price at the date of exercise; and
	Note: If options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period.
HKFRS 2.45(d)	(d) for share options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life
	Note: If the range of exercise prices is wide, the outstanding options should be divided into ranges that are meaningful for assessing the number of timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

Source	Presentation/Disclosure Requirement
	The basis of determination of the fair value of the goods or services received, or the fair value of the equity Instruments granted during the period
HKFRS 2.46	The entity should disclose information that enables users of the financial statements to understand how the fair value of the goods and services received, or the fair value of the equity instruments granted, during the period was determined.
HKFRS 2.47(a)	If the entity has measured the fair value of goods or services received as consideration for equity instruments of entity indirectly, by reference to the fair value of the equity instruments granted, the entity should disclose at least the following information for share options granted during the period: (a) the weighted average fair value of those options at the measurement date; and (b) the information on how the fair value of the share options was measured, including: (i) the option pricing model used; and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise; (ii) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and (iii) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.
HKFRS 2.47(b)	If the entity has measured the fair value of goods or services as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, the entity should disclose at least the following information for equity instruments other than share options granted during the period: (a) the number and weighted average fair value of those equity instruments determined at the measurement date; (b) the information on how that fair value of the equity instruments was measured, including: (i) if fair value was not measured on the basis of an observable market price, how it was determined; (ii) whether and how expected dividends were incorporated into the measurement of fair value; and (iii) whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.
HKFRS 2.47(c)	If the entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, the entity should disclose at least the following information for share-based arrangements that were modified during the period: (a) an explanation of those modifications; (b) the incremental fair value granted (as a result of those modifications); and (c) information on how the incremental fair value granted was measured, consistently with the requirements set out in paragraph 47(a) & (b) of HKFRS 2 (see above), where applicable.
HKFRS 2.48	If share-based payment transactions were measured directly using the fair value of goods and services received during the period, the entity should disclose how that fair value was determined (e.g. whether fair value was measured at a market price for those goods or services).
HKFRS 2.49	If the entity has rebutted the presumption that the fair value of the goods or services received from parties other than employees can be estimated reliably (and consequently the entity has measured the fair value of the goods or services from such parties by reference to the fair value of the equity instruments granted), the entity should disclose that fact, and give an explanation of why the presumption was rebutted.

Source	Presentation/Disclosure Requirement
HKFRS 2.50	The entity should disclose information that enables users of the financial statements to understand the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position.
HKFRS 2.51	The entity should disclose at least the following: (a) the total expense recognised for the period arising from share-based payment transactions in which the goods or services received did not qualify for recognition as assets, including separate disclosure of that portion of the total expense recognised for the period that arises from transactions accounted for as equity settled share-based payment transactions; and (b) for liabilities arising from share-based payment transactions: (i) the total carrying amount at the end of the period; and (ii) the total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash or other assets had vested by the end of the period (e.g. vested share appreciation rights).
	Additional information
HKFRS 2.52	If the information required to be disclosed by HKFRS 2 does not satisfy the principles in paragraphs 44, 46 and 50 of HKFRS 2, the entity should disclose such additional information as is necessary to satisfy them.
	Share options
Sch 10: 12(2)	For options to subscribe for any shares in the company, the entity should disclose: (a) the number, description and amount of shares involved; (b) the period during which the option is exercisable; and (c) the price to be paid or shares subscribed for.
	Provisions
Sch 10: 6	The aggregate amount of provisions should be disclosed (other than provisions for depreciation, renewals or diminution in value of assets).
HKAS 37.11	Accruals are often reported as part of trade and other payables, whereas provisions are reported separately.
HKAS 37.85	The entity should disclose the following for each class of provision: (a) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits; (b) an indication of the uncertainties about the amount or timing of those outflows including, where necessary to provide adequate information, the major assumptions made concerning future events; and (c) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Source	Presentation/Disclosure Requirement
HKAS 37.84 Sch 10: 7	For each class of provision, an entity should disclose: (a) the carrying amount at the beginning and end of the period; (b) additional provisions made in the period, including increases to existing provisions; (c) amounts used (i.e. incurred and charged against the provision) during the period; (d) unused amounts reversed during the period; and (e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.
	Note: Comparative information is not required for the above disclosures.
	Contingent liabilities
HKAS 37.86 Sch 10: 12(5)	Unless the possibility of any outflow in settlement is remote, the entity should disclose, for each class of contingent liability at the balance sheet date, a brief description of the nature of the contingent liability.
HKAS 37.86	Where practicable, the following information should also be disclosed in respect of contingent liabilities: (a) an estimate of the financial effect of the contingent liabilities, under the measurement rules specified in paragraphs 36 to 52 of HKAS 37; (b) an indication of the uncertainties relating to the amount or timing of any outflow; and (c) the possibility of any reimbursement.
HKAS 37.88	*Note: Where a provision and a contingent liability arise from the same set of circumstances, the entity should make the disclosures required by paragraphs 84 to 86 of HKAS 37 in a way that shows the link between the provision and the contingent liability.*
HKAS 28.40	The investor should disclose the following contingent liabilities: (a) its share of the contingent liabilities of an associate incurred jointly with other investors; and (b) those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.
HKAS 31.54	The venturer should disclose the aggregate amounts of the following contingent liabilities (unless the probability of loss is remote), separately from the amount of other contingent liabilities: (a) any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities which have been incurred jointly with other venturers; (b) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and (c) those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers in a joint venture.
HKAS 12.88	The entity should disclose any tax related contingent liabilities and contingent assets.
	Note: Contingent liabilities and contingent assets may arise, for example, from unresolved disputes with taxation authorities.
	Post-employment obligations
HKAS 19.125	Where required by HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* the entity discloses information about contingent liabilities arising from post-employment benefit obligations.

Source	Presentation/Disclosure Requirement
	Termination benefits
HKAS 19.141	Where there is uncertainty about the number of employees who will accept an offer of termination benefits, the entity discloses information about the resultant contingent liability as required by HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the possibility of an outflow in settlement is remote.
	Acquiree's contingent liabilities
HKFRS 3.47	If a contingent liability of the acquiree has not been recognised separately as part of allocating the cost of a business combination, because its fair value cannot be measured reliably, the acquirer should disclose information about that contingent liability.
HKFRS 3.50	For contingent liabilities recognised separately as part of the allocation of the cost of a business combination, the acquirer should disclose the information required by HKAS 37 for each class of provision.
	Contingent assets
HKAS 37.89	Where an inflow of economic benefits is probable, the entity should disclose a brief description of the nature of the contingent assets at the balance sheet date.
HKAS 37.89	Where practicable, the entity should disclose an estimate of the financial effect of the contingent asset, measured using the principles specified in paragraphs 36 to 52 of HKAS 37.
	Explanation of information not disclosed
HKAS 37.91	Where any of the information required by paragraphs 86 and 89 of HKAS 37 is not disclosed because it is not practicable to do so, that fact should be stated.
HKAS 37.92	In extremely rare cases, disclosure of some or all of the information required by paragraphs 84 to 89 of HKAS 37 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision. In such cases, an entity need not disclose the information, but should disclose the general terms of the dispute, together with the fact that, and reason why, the information has not been disclosed.
	Commitments
Sch 10: 12(6)	An entity should disclose the amounts, if material, of capital expenditure: (a) authorised but not contracted for; and (b) contracted for but not provided for.
HKAS 16.74(c)	The amount of contractual commitments for the acquisition of property, plant and equipment should be disclosed separately.
HKAS 38.122(e)	The amount of contractual commitments for the acquisition of intangible assets should be disclosed.
HKAS 31.55	The venturer should disclose the aggregate amounts of the following commitments in respect of its interests in joint ventures separately from other commitments: (a) any capital commitments that the venturer in relation to its interests in joint ventures and its share in each of the capital commitments that have been incurred jointly with other venturers; and (b) its share of the capital commitments of the joint ventures themselves.

Source	Presentation/Disclosure Requirement
	Government grants
HKAS 20.24	Government grants related to assets, including non-monetary grants at fair value, should be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.
HKAS 20.28	In order to show the gross investment in assets, the entity often discloses, as separate items in the cash flow statement, the purchase of assets and the receipt of related grants, regardless of whether or not the grant is deducted from the related asset for the purpose of balance sheet presentation.
	The following matters should be disclosed in the financial statements:
HKAS 20.39(b)	(a) the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and
HKAS 20.39(c)	(b) unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.
Sch 10:5	*Note: If a government grant is deducted from the cost of an asset, a Hong Kong incorporated company is required to disclose the cost of the asset, before deduction of the government grant.*
HKAS 20.36	Disclosure of the nature, extent and duration of significant government assistance may be necessary in order that the financial statements are not misleading.
	Other balance sheet items
HKAS 1.74	The entity should disclose, either on the face of the balance sheet or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.
	Events after the balance sheet date
HKAS 10.19	If the entity receives information after the balance sheet date about conditions that existed at the balance sheet date, the entity should update disclosures that relate to those conditions, in the light of the new information.
HKAS 10.21	If non-adjusting events after the balance sheet date are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial statements. Accordingly, the entity should disclose the following for each material category of non-adjusting event after the balance sheet date: (a) the nature of the event; and (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.
HKAS 1.67	In respect of loans classified as current liabilities in accordance with HKAS 1 *Presentation of Financial Statements*, the following events that occur between the balance sheet date and the date the financial statements are authorised for issue qualify for disclosure as non-adjusting events: (a) refinancing on a long-term basis; (b) rectification of a breach of a long-term loan agreement; and (c) the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least twelve months after the balance sheet date.
HKAS 12.88	Where changes in tax rates or tax laws that are enacted or announced after the balance sheet date, the entity discloses any significant effect of those changes on its current and deferred tax assets and liabilities, in accordance with the general principles of HKAS 10 *Events After the Balance Sheet Date*.

Source	Presentation/Disclosure Requirement
	Related party disclosures
HKAS 24.4	Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intragroup related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group.
HKAS 24.12	Relationships between parents and subsidiaries should be disclosed irrespective of whether there have been transactions between those related parties.
HKAS 24.12	The entity should disclose the name of the entity's parent and, if different, the ultimate controlling party.
HKAS 24.12	If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so should also be disclosed.
HKAS 24.13	To enable users of financial statements to form a view about the effects of related party relationships on the entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.
HKAS 24.16	The entity should disclose key management personnel compensation in total and for each of the following categories: (a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; (d) termination benefits; and (e) share-based payments.
HKAS 24.17	If there have been transactions between related parties, the entity should disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. As a minimum, disclosures should include: (a) the amount of the transactions; (b) the amount of outstanding balances; (i) their terms and conditions, including whether they are secured, an the nature of the consideration to be provided in settlement; (ii) details of any guarantees given or received; (c) provisions for doubtful debts related to the amount of outstanding balances; and (d) the expense recognised during the period in respect of bad or doubtful debt due from related parties.
HKAS 24.18	The disclosures required by paragraph 17 of HKAS 24 above should be made separately for each of the following categories: (a) the parent; (b) entities with joint control or significant influence over the entity; (c) subsidiaries; (d) associates; (e) joint ventures in which the entity is a venturer; (f) key management personnel of the entity or its parent; and (g) other related parties.

Source	Presentation/Disclosure Requirement
HKAS 24.21	Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.
HKAS 24.22	Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the reporting entity.
	Service concession arrangements
HK(SIC)-Int 29.6	All aspects of a service concession arrangement should be considered in determining the appropriate disclosures in the notes to the financial statements. A Concession Operator and a Concession Provider should disclose the following in each period: (a) a description of the arrangement; (b) significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows (e.g. the period of the concession, re-pricing dates and the basis upon which re-pricing or re-negotiation is determined); (c) the nature and extent (e.g. quantity, time period or amount, as appropriate) of: (i) rights to use specified assets; (ii) obligations to provide or rights to expect provision of service; (iii) obligations to acquire or build items of property, plant and equipment; (iv) obligations to deliver or rights to receive specified assets at the end of the concession period; (v) renewal and termination options; and (vi) other rights and obligations (e.g. major overhauls); and (d) changes in the arrangements occurring during the period.
	Notes:
HKAS-Int 29.7	*The disclosures required by paragraph 6 of HK(SIC)-Int 29 should be provided individually for each service concession arrangement or in aggregate for each class of service concession arrangements. A class is a grouping of service concession arrangements involving services of a similar nature (e.g. toll collections, telecommunications and water treatment services).*
	Consolidated financial statements are not prepared
s124(2)(b)	Where a parent does not prepare consolidated financial statements because it is a wholly-owned subsidiary, the entity should disclose: (a) the reasons why consolidated financial statements have not been presented, together with the bases on which subsidiaries are accounted for in the parent's separate financial statements; and (b) the name and registered office of its parent that publishes consolidated financial statements.
	The *Companies Ordinance* requires the following additional information for subsidiaries omitted from group financial statements, or where group financial statements are not prepared:
Sch 10: 18(4)(a)	(a) the reasons for not consolidating a subsidiary;
Sch 10: 8(4)(b),(c) Sch 10: 18(5)	(b) the net aggregate amount attributable to the holding company of the profits less losses of such subsidiaries, dealt with this year and not so far dealt with, in the company's financial statements, both for: (i) the financial years of subsidiaries ending with or during the financial year of the company; (ii) their previous financial years since acquisition; and

Source	Presentation/Disclosure Requirement
Sch 10: 18(4)(d)	(c) any qualifications in the auditors' report and any note to the financial statements disclosing a matter which, in the absence of such disclosure, would have been referred to in an audit report qualification, to the extent that the matter is not referred to in the holding company's audit report and is material from the point of view of its members.
	Note: This note should be included in the immediate holding company's accounts, and in any other holding company's accounts.
	Separate financial statements
HKAS 27.41	When separate financial statements are prepared for a parent that, in accordance with paragraph 10 of HKAS 27 elects not to prepare consolidated financial statements, those separate financial statements should disclose: (a) the fact that the financial statements are separate financial statements; (b) the fact that the exemption from consolidation has been used; (c) the name and country of incorporation or residence of the entity whose consolidated financial statements that comply HKFRSs or IFRSs have been produced for public use, and the address where those consolidated financial statements are obtainable; (d) a list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different proportion of voting power held; and (e) a description of the method used to account for the investments listed under item (b) above.
HKAS 27.42	When a parent (other than a parent covered by paragraph 41 of HKAS 27 (see above)), a venturer with an interest in a jointly controlled entity or an investor in an associate prepares separate financial statements, those separate financial statements should disclose: (a) the fact that the statements are separate financial statements; (b) the reasons why those statements are prepared if not required by law; (c) a list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; and (d) a description of methods used to account for the investments listed in item (c) above;
HKAS 27.42	The separate financial statements referred to in paragraph 42 of HKAS 27 should identify the consolidated financial statements prepared in accordance with paragraph 9 of HKAS 27, HKAS 28 and HKAS 31 to which they relate.

Section 10 Accounting and reporting by retirement benefit plans (HKAS 26)

Source	Presentation/Disclosure Requirement
	Notes: *This section of the checklist addresses HKAS 26, which should be applied in the reports of retirement benefit plans where such reports are prepared. Retirement benefit plans are sometimes referred to by various other names such as 'pension schemes', 'superannuation schemes' or 'retirement benefit schemes'.* *Retirement benefit plans are normally described as either defined contribution or defined benefit plans, each having their own distinctive characteristics. Occasionally plans exist that contain characteristics of both. Such hybrid plans are considered to be defined benefit plans for the purpose of HKAS 26.* *HKAS 26 regards a retirement benefit plan as a reporting entity separate from the employees of the participants of the plan. All other HKFRSs apply to the financial statements of retirement benefit plans to the extent that they are not superseded by HKAS 26. HKAS 26 complements HKAS 19 Employee Benefits, the Standard concerned with the determination of the cost of retirement benefits in the financial statements of employers having plans.* *HKAS 26 deals with accounting and reporting by the plan to all participants (as defined) as a group. It does not deal with reports to individual participants about their retirement benefit plans.* *HKAS 26 applies to defined contribution schemes and defined benefit schemes regardless of the creation or otherwise of a separate fund (which may or may not have a separate legal identity and may or may not have trustees) to which contributions are made and from which retirement benefits are paid.* *Retirement benefit plans with assets invested with insurance companies are subject to the same accounting and funding requirements as privately invested arrangements and, accordingly, are within the scope of HKAS 26 unless the contract with the insurance company is in the name of a specified participant or group of participants and the retirement benefit obligation is solely the responsibility of the insurance company.*
	Defined contribution plans
HKAS 26.13	The financial statements of a defined contribution plan should contain: (a) a statement of net assets available for benefits: and (b) a description of the funding policy.
	The financial statements usually include:
HKAS 26.16(a)	(a) a description of significant activities for the period and the effect of any changes relating to the plan, and its membership and terms and conditions;
HKAS 26.16(b)	(b) statements reporting on the transactions and investment performance for the period and the financial position of the plan at the end of the period; and
HKAS 26.16(c)	(c) a description of the investment policies.
	Note: The disclosures set out in paragraph 16 of HKAS 26 (see above) are designed to achieve the primary objective of reporting by a defined contribution plan, i.e. to provide information about the plan and the performance of its investments.

Source	Presentation/Disclosure Requirement
	Defined benefit plans
	The financial statements of a defined benefit plan should contain either:
HKAS 26.17(a)	(a) a statement that shows: (i) the net assets available for benefits; (ii) the actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits; and (iii) the resulting excess or deficit; or
HKAS 26.17(b)	(b) a statement of net assets available for benefits including either: (i) a note disclosing the actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits; or (ii) a reference to this information in an accompanying actuarial report.
HKAS 26.17	*Note: If an actuarial valuation has not been prepared at the date of the financial statements, the most recent valuation should be used as a base.*
HKAS 26.17	If an actuarial valuation has not been prepared at the date of the financial statements, the date of the most recent valuation that has been used should be disclosed.
HKAS 26.18	For the purposes of paragraph 17 of HKAS 26 (see above): (a) the actuarial present value of promised retirement benefits should be based on the benefits promised under the terms of the plan on service rendered to date using either current salary levels or projected salary levels: and (b) the basis used should be disclosed in the financial statements.
HKAS 26.18	The effect of any changes in actuarial assumptions that have had a significant effect on the actuarial present value of promised retirement benefits should be disclosed.
HKAS 26.19	The financial statements should explain the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits, and the policy for the funding of promised benefits.
HKAS 26.22	The financial statements should usually include: (a) a description of significant activities for the period and the effect of any changes relating to the plan, and its membership and terms and conditions; (b) statements reporting on the transactions and investment performance for the period and the financial position of the plan at the end of the period; (c) actuarial information either as part of the statements or by way of a separate report; and (d) a description of the investment policies.
HKAS 26.22	*Note: The disclosures set out in paragraph 22 of HKAS 26 (see above) are designed to achieve the primary objective of reporting by a defined benefit plan, i.e. periodically to provide information about the financial resources and activities of the plan that is useful in assessing the relationships between the accumulation of resources and plan benefits over time.*
HKAS 26.26	In addition to the disclosure of the actuarial present value of promised retirement benefits, sufficient explanation may need to be given so as to indicate clearly the context in which the actuarial present value of promised retirement benefits should be read.
HKAS 26.26	*Note: Such explanation may be in the form of information about the adequacy of the planned future funding and of the funding policy based on salary projections. This may be included in the financial statements or in the actuary's report.*

Source	Presentation/Disclosure Requirement
	All plans
HKAS 26.32	Where plan investments are held for which an estimate of fair value is not possible, disclosure should be made of the reason why fair value is not used.
HKAS 26.33	To the extent that investments are carried at amounts other than market value or fair value, fair value is generally also disclosed.
	The financial statements of the retirement benefit information plan, whether defined benefit or defined contribution, should also contain the following:
HKAS 26.34(a)	(a) a statement of changes in net assets available for benefits;
HKAS 26.34(b)	(b) a summary of significant accounting policies; and
HKAS 26.34(c)	(c) a description of the plan and the effect of any changes in the plan during the period.
	The financial statements provided by retirement benefit plans include the following, if applicable:
HKAS 26.35(a)	(a) a statement of net assets available for benefits disclosing: (i) assets at the end of the period suitably classified; (ii) the basis of valuation of assets; (iii) details of any single investment exceeding either 5% of the net assets available for benefits or 5% of any class or type of security; (iv) details of any investment in the employer; and (v) liabilities other than the actuarial present value of promised retirement benefits;
HKAS 26.35(b)	(b) a statement of changes in net assets available for benefits showing the following: (i) employer contributions; (ii) employee contributions; (iii) investment income such as interest and dividends; (iv) other income; (v) benefits paid or payable (analysed, for example, as retirement, death and disability benefits, and lump sum payments); (vi) administrative expenses; (vii) other expenses; (viii) taxes on income; (ix) profits and losses on disposal of investments and changes in value of investments; and (x) transfers from and to other plans;
HKAS 26.35(c)	(c) a description of the funding policy;
HKAS 26.35(d)	(d) for defined benefit plans, the actuarial present value of promised retirement benefits (which may distinguish between vested benefits and non-vested benefits) based on the benefits promised under the terms of the plan, on service rendered to date and using either current salary levels or projected salary levels; and
HKAS 26.35(d)	*Note: This information may be included in an accompanying actuarial report to be read in conjunction with the related financial information.*
HKAS 26.35(e)	(e) for defined benefit plans, a description of the significant actuarial assumptions made and the method used to calculate the actuarial present value of promised retirement benefits.

Source	Presentation/Disclosure Requirement
	The report of a retirement benefit plan contains a description of the plan, either as part of the financial information or in a separate report. It may contain the following :
HKAS 26.36(a)	(a) the names of the employers and the employee groups covered;
HKAS 26.36(b)	(b) the number of participants receiving benefits and the number of other participants, classified as appropriate;
HKAS 26.36(c)	(c) the type of plan - defined contribution or defined benefit;
HKAS 26.36(d)	(d) a note as to whether participants contribute to the plan;
HKAS 26.36(e)	(e) a description of the retirement benefits promised to participants;
HKAS 26.36(f)	(f) a description of any plan termination terms; and
HKAS 26.36(g)	(g) changes in items (a) to (f) above during the period covered by the report.
HKAS 26.36	*Note: It is not uncommon to refer to other documents that are readily available to users and in which the plan is described, and to include only information on subsequent changes in the report.*

Section 11 Financial reporting in hyperinflationary economies (HKAS 29)

Source	Presentation/Disclosure Requirement
	Note: This section applies to the primary financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.
HKAS 29.8	The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy (whether based on a historical cost approach or a current cost approach) should be stated in terms of the measuring unit current at the balance sheet date.
HKAS 29.8	The corresponding figures for the previous period, and any information in respect of earlier periods, should be stated in terms of the measuring unit current at the balance sheet date.
HKAS 29.9	The gain or loss on the net monetary position should be included in net income and separately disclosed.
HKAS 29.39	The financial statements should disclose the following information: (a) the fact that the financial statements and the corresponding figures for previous periods have been restated for the changes in the general purchasing power of the reporting currency and, as a result, are stated in terms of the measuring unit current at the balance sheet date; (b) whether the financial statements are based on a historical cost or current cost approach; and (c) the identity and level of the price index at the balance sheet date and the movement in the index during the current and the previous reporting period.
HKAS 29.38	When the economy has ceased to be hyperinflationary, and the entity has discontinued the preparation and presentation of financial statements prepared in accordance with HKAS 29, the entity should treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.

Section 12 Disclosures in the financial statements of banks and similar financial institutions (HKAS 30)

Source	Presentation/Disclosure Requirement
	Note: For the purposes of HKAS 30, the term 'bank' is defined to be a financial institution, one of whose principal activities is to take deposits and borrow with the objective of lending and investing, and which is within the scope of banking or similar legislation, whether or not it has the word 'bank' in its name.
	In September 2005, the HKICPA issued HKFRS 7 Financial Instruments: Disclosures. HKFRS 7, which is effective fro annual periods beginning on or after 1 January 2007, replaces the disclosures now required by HKAS 30 and includes all those disclosures in relation to financial instruments.
	In order to comply with HKAS 1 *Presentation of Financial Statements*, and thereby enable users to understand the basis on which the financial statements of the bank are prepared, accounting policies dealing with the following items may need to be disclosed:
HKAS 30.8(a)	(a) the recognition of the principal types of income (see paragraphs 10 and 11 of HKAS 30);
HKAS 30.8(b)	(b) the valuation of investment and dealing securities (see paragraphs 24 and 25 of HKAS 30);
HKAS 30.8(c)	(c) the distinction between those transactions and other events that result in the recognition of assets and liabilities on the balance sheet and those transactions and other events that only give rise to contingencies and commitments (see paragraphs 26 to 29 of HKAS 30);
HKAS 30.8(d)	(d) the basis for the determination of impairment losses on loans and advances and for writing off uncollectible loans and advances (see paragraphs 43 to 49 of HKAS 30); and
HKAS 30.8(e)	(e) the basis for the determination of charges for general banking risks and the accounting treatment of such charges (see paragraphs 50 to 52 of HKAS 30).
	Income statement – general
HKAS 30.9	The income statement should group income and expenses by nature and disclose the amounts of the principal types of income and expenses.
HKAS 30.10	In addition to the requirements of other HKFRSs, the following items of income and expenses should be disclosed in the income statement or in the notes to the financial statements: (a) interest and similar income; (b) interest expense and similar charges; (c) dividend income; (d) fee and commission income; (e) fee and commission expense; (f) gains less losses arising from dealing securities; (g) gains less losses arising from investment securities; (h) gains less losses arising from dealing in foreign currencies; (i) other operating income; (j) impairment losses on loans and advances; (k) general administrative expenses; and (l) other operating expenses.
HKAS 30.13	Items of income and expense should be offset only when they relate to hedges or to assets and liabilities that have been offset in accordance with HKAS 32 *Financial Instruments: Disclosure and Presentation*.

Source	Presentation/Disclosure Requirement
HKAS 30.15	Gains and losses arising from each of the following are normally reported on a net basis: a) disposals and changes in the carrying amount of dealing securities; b) disposals of investment securities; and c) dealings in foreign currencies.
HKAS 30.16	Interest income an interest expense are disclosed separately in order to give a better understanding of the composition of, and reasons for changes in, net interest.
HKAS 30.17	As net interest is a product of both interest rates and the amounts of borrowing and lending, it is desirable for management to provide a commentary about average interest rates, average interest earning assets and average interest-bearing liabilities for the period.
HKAS 30.17	*Note: In some countries, governments provide assistance to banks by making deposits and other credit facilities available at interest rates which are substantially below market rates. In these cases, management's commentary often discloses the extent of these deposits and facilities and their effect on net income.*
	Balance sheet – general
HKAS 30.18	The balance sheet should group assets and liabilities by nature, and list them in an order that reflects their relative liquidity.
HKAS 30.19	In addition to the requirements of other HKFRSs, the following assets and liabilities should be disclosed in the balance sheet or in the notes to the financial statements: **Assets** (a) cash and balances with the central bank; (b) treasury bills and other bills eligible for rediscounting with the central bank; (c) government and other securities held for dealing purposes; (d) placements with, and loans and advances to, other banks; (e) other money market placements; (f) loans and advances to customers; and (g) investment securities. **Liabilities** (a) deposits from other banks; (b) other money market deposits; (c) amounts owed to other depositors; (d) certificates of deposit; (e) promissory notes and other liabilities evidenced by paper; and (f) other borrowed funds.
HKAS 30.24	A bank should disclose the fair value of each class of its financial assets and liabilities as required by HKAS 32 *Financial Instruments: Disclosure and Presentation*.

Source	Presentation/Disclosure Requirement
	Contingent liabilities and commitments (including off-balance sheet items)
HKAS 30.26	A bank should disclose the following contingent liabilities and commitments: (a) the nature and amount of commitments to extend credit that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense; and (b) the nature and amount of contingent liabilities and commitments arising from off-balance sheet items, including those relating to: (i) direct credit substitutes, including general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities; (ii) certain transaction-related contingent liabilities, including performance bonds, bid bonds, warranties and standby letters of credit related to particular transactions; (iii) short-term, self-liquidating, trade-related contingent liabilities arising from the movement of goods, such as documentary credits where the underlying shipment is used as security; and (iv) other commitments, note issuance facilities and revolving underwriting facilities.
	Maturities of assets and liabilities
HKAS 30.30	A bank should provide an analysis of assets and liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.
	Concentrations of assets and liabilities
HKAS 30.40	A bank's financial statements should disclose: (a) any significant concentrations of its assets, liabilities and off-balance sheet items, in terms of geographical areas, customer or industry groups, or other concentrations of risk; and (b) the amount of significant net foreign currency exposures.
	Losses on loans and advances
HKAS 30.43	A bank should disclose the following: (a) the accounting policy that describes the basis on which uncollectible loans and advances are recognised as an expense and written off; (b) details of the movements in any allowance for impairment losses on loans and advances during the period, disclosing separately: (i) the amount recognised as an expense in the period for impairment losses on uncollectible loans and advances; (ii) the amount charged in the period for loans and advances written off; and (iii) the amount credited in the period for loans and advances previously written off that have been recovered; (c) the aggregate amount of any allowance account for impairment losses on loans and advances at the balance sheet date.
HKAS 30.44	Any amounts that have been set aside in respect of losses on loans and advances (in addition to impairment losses recognised under HKAS 39 on loans and advances) should be accounted for as appropriations of retained earnings.
HKAS 30.44	Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of profit or loss for the period.

Source	Presentation/Disclosure Requirement
	General banking risks
HKAS 30.50	Any amounts that have been set aside for general banking risks (including future losses and other unforeseeable risks or contingencies) should be separately disclosed as appropriations of retained earnings.
HKAS 30.50	Any credits resulting from the reduction of the amounts result in an increase in retained earnings and should not be included in the determination of profit or loss for the period.
	Assets pledged as security
HKAS 30.53	A bank should disclose: (a) the aggregate amount of secured liabilities; and (b) the nature and carrying amount of the assets pledged as security.
	Trust activities
HKAS 30.55	If the bank is engaged in significant trust activities, disclosure of that fact and an indication of the extent of those activities is made in its financial statements because of the potential liability if it fails in its fiduciary duties.
HKAS 30.55	*Note: For the purpose of this disclosure, trust activities do not encompass safe custody functions.*
	Related party transactions
HKAS 30.58	When a bank has entered into transactions with related parties, it is appropriate to disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effects of the relationship on the financial statements of the bank.
	Notes:
HKAS 30.56	*1. In some countries, the law or regulatory authorities prevent or restrict banks entering into transactions with related parties, whereas in other countries such transactions are permitted. HKAS 24 Related Party Disclosures, is of particular relevance in the presentation of the financial statements of a bank in a country that permits related party transactions.*
HKAS 30.58	*2. The elements that would normally be disclosed to conform with HKAS 24 include:* *(a) a bank's lending policy to related parties; and* *(b) in respect of related party transactions, the amount included* *(i) each of loans and advances, deposits and acceptances and promissory notes; disclosures may include the aggregate amounts outstanding at the beginning and end of the period, as well as advances, deposits, repayments and other charges during the period;* *(ii) each of the principal types of income, interest expense and commission paid;* *(iii) the amount of the expense recognised in the period for losses on loans and advances and the amount of the provision at the balance sheet date; and* *(iv) irrevocable commitments and contingencies and commitments arising from off balance sheet items.*

Section 13 Agriculture (HKAS 41)

Source	Presentation/Disclosure Requirement
	General disclosures
HKAS 41.40	The entity should disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce, and from the change in fair value less estimated point-of-sale costs of biological assets.
HKAS 41.41 HKAS 41.42	The entity should provide a description of each group of biological assets, either in narrative form or as a quantified description.
HKAS 41.43	The entity is <u>encouraged</u> to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assess, as appropriate.
HKAS 41.43	The entity discloses the basis for making the distinctions between consumable and bearer biological assets, or between mature and immature biological assets, as appropriate.
HKAS 41.46	If not disclosed elsewhere in information published with the financial statements, the entity should describe: (a) the nature of its activities involving each group of biological assets; and (b) non-financial measures or estimates of the physical quantities of: (i) each group of the entity's biological assets at the end of the period; and (ii) output of agricultural produce during the period.
HKAS 41.47	The entity should disclose the methods used and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest, and each group of biological assets.
HKAS 41.48	The entity should disclose the fair value less estimated point-of-sale costs of agricultural produce harvested during the period, determined at the point of harvest.
HKAS 41.49	The entity should disclose: (a) the existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities; (b) the amount of commitments for the development or acquisition of biological assets; and (c) financial risk management strategies related to agricultural activity.
HKAS 41.50	The entity should present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period, including: (a) the gain or loss arising from changes in fair value less estimated point-of-sale costs; (b) increases due to purchases; (c) decreases due to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with HKFRS 5.; (d) decreases due to harvest; (e) increases resulting from business combinations; (f) net exchange differences arising on the translation of the financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and (g) other changes.

Source	Presentation/Disclosure Requirement
HKAS 41.51	When there is a production cycle of more than one year, the entity is encouraged to disclose separately, by group or otherwise, the amount of change in fair value less estimated point-of-sale costs of biological assets included in profit or loss due to physical changes and due to price changes.
	Note: The fair value less estimated point-sale costs of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year This information is generally less useful when the production cycle is less than one year (e.g. when raising chickens or growing cereal crops).
HKAS 41.53	If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with HKAS 1 *Presentation of Financial Statements*.
	Note: Agricultural activity is often exposed to climatic, disease and other natural risks. Examples include an outbreak of a virulent disease, a flood, severe droughts or frosts, and a plague of insects.
	Additional disclosures for biological assets where fair value cannot be measured reliably
HKAS 41.54	If the entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses at the end of the period, the entity should disclose for such biological assets: (a) a description of the biological assets; (b) an explanation of why fair value cannot be measured reliably; (c) if possible, the range of estimates within which fair value is highly likely to lie; (d) the depreciation method used; (e) the useful lives or the depreciation rates used; and (f) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.
HKAS 41.55	If, during the current period, the entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses, the entity should disclose any gain or loss recognised on disposal of such biological assets and the reconciliation required by paragraph 50 of HKAS 41 (see above) (amounts related to such biological assets should be disclosed separately).
HKAS 41.55	In the circumstances described in paragraph 55 of HKAS 41 (see above), the reconciliation should also include the following amounts included in net profit or loss related to those biological assets: (a) impairment losses; (b) reversals of impairment losses; and (c) depreciation.
HKAS 41.56	If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, the entity should disclose for those biological assets: (a) a description of the biological assets; (b) an explanation of why fair value has become reliably measurable; and (c) the effect of the change.

Source	Presentation/Disclosure Requirement
	Government grants
HKAS 41.57	The entity should disclose the following related to agricultural activity covered by HKAS 41: (a) the nature and extent of government grants recognised in the financial statements. (b) unfulfilled conditions and other contingencies attaching to government grants; and (c) significant decreases expected in the level of government grants.

Section 14 First – time adoption of HKFRSs (HKFRS 1)

Source	Presentation/Disclosure Requirement
	Notes:
	1. HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards (HKFRSs) sets out the procedures that an entity must follow when it adopts HKFRSs for the first time as the basis for preparing its general purpose financial statements.
HKFRS 1.2	*2. The entity should apply HKFRS 1 in:* *(a) its first HKFRS financial statements; and* *(b) each interim financial report, if any, that it presents under HKAS 34 Interim Financial Reporting for part of the period covered by its first HKFRS financial statements.*
HKFRS 1.3	*3. The entity's first HKFRS financial statements are the first annual financial statements in which the entity adopts HKFRSs, by an explicit and unreserved statement in those financial statements of compliance with HKFRSs.*
HKFRS 1.7 HKFRS 1.9	*4. The entity should use the same accounting policies in its opening HKFRS balance sheet and throughout all periods presented in its first HKFRS financial statements. Those accounting policies should comply with each HKFRS effective at the reporting date (the end of the latest period covered by financial statements) for its first HKFRS financial statements, except as specified in paragraphs 13-34 of HKFRS 1. The transitional provisions in other HKFRSs do not apply to a first-time adopter's transition to HKFRSs, except as specified in paragraphs 25D, 34A and 34B of HKFRS 1.*
HKFRS 1.8	*5. However, the entity may apply a new HKFRS that is not yet mandatory if that HKFRS permits early adoption.*
HKFRS 1.35	*6. HKFRS 1 does not provide exemptions from the presentation and disclosure requirements in other HKFRSs.*
	Opening HKFRS balance sheet
HKFRS 1.6	The entity should prepare an opening HKFRS balance sheet at the date of transition to HKFRSs. The entity does not need to present its opening HKFRS balance sheet in its first HKFRS financial statements. The date of transition to HKFRSs is the beginning of the earliest period for which an entity presents its full comparative information under HKFRSs in its first HKFRS financial statements.
	Reclassification
HKFRS 1.10(c)	The entity should reclassify items that it recognised under the previous GAAP as one type of asset, liability or component of equity but are a different type of asset, liability or component of equity under HKFRSs.
	Comparative information
HKFRS 1.36	The entity's first HKFRS financial statements should include at least one year of comparative information under HKFRSs.
	Exemption from the requirement to restate comparative information for HKAS 32, HKAS 39 and HKFRS 4
	The entity that adopts HKFRSs before 1 January 2006, and chooses to present comparative information that does not comply with HKAS 32 *Financial Instruments: Disclosure and Presentation*, HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 4 *Insurance Contracts* in its first year of transition, should:

Source	Presentation/Disclosure Requirement
HKFRS 1.36A(a)	(a) apply its previous GAAP in the comparative information to financial instruments within the scope of HKAS 32 and HKAS 39 and to insurance contracts within the scope of HKFRS 4;
HKFRS 1.36A(a)	(b) disclose that fact;
HKFRS 1.36A(b)	(c) disclose the basis used to prepare the comparative information under previous GAAP; and
HKFRS 1.36A(c)	(d) disclose the nature of the main adjustments that would make the information comply with HKAS 32, HKAS 39 and HKFRS 4.
	Notes:
HKFRS 1.36A	*1. This exemption is not available to entities adopting HKFRSs for the first time on or after 1 January 2006.*
HKFRS 1.36A(c)	*2. When disclosing the nature of the adjustments that would make the information comply with the relevant Standards, the entity need not quantify those adjustments.*
HKFRS 1.36A(c)	*3. For entities choosing to present comparative information that does not comply with HKAS 32, HKAS 39 and HKFRS 4, references to the 'date of transition to HKFRSs' should mean, in the case of those Standards only, the beginning of the first HKFRS reporting period.*
HKFRS 1.36A(c)	Where the exemption from presentation of comparative information in accordance with the relevant Standards is taken, any adjustment between the balance sheet at the comparative period's reporting date (i.e. the balance sheet that includes comparative information under previous GAAP) and the balance sheet at the start of the first HKFRS reporting period (i.e. the first period that includes information that complies with HKAS 32, HKAS 39 and HKFRS 4) should be treated as arising from a change in accounting policy.
HKFRS 1.36A(c)	In respect of the adjustments treated as changes in accounting policies, the entity shall provide the disclosures required by paragraphs 28(a) to (e) and (f)(i) of HKAS 8 *Accounting Policies, Changes in Accounting Estimate and Errors* (see relevant section of this checklist).
	Note: Paragraph 28(f)(i) of HKAS 8 applies only to amounts presented in the balance sheet at the comparative period's reporting date.
	Exemption from the requirement to present comparative disclosures under HKFRS 6
HKFRS 1.36B	The entity that adopts HKFRSs before 1 January 2006 and that chooses to adopt HKFRS 6 *Exploration for and Evaluation of Mineral Resources* before 1 January 2006 need not present the disclosures required by HKFRS 6 for comparative periods in its first HKFRS financial statements.
	Note: HKFRS 6 is effective for accounting periods beginning on or after 1 January 2006, but earlier adoption is encouraged. This exemption is not available to entities adopting HKFRSs for the first time on or after 1 January 2006.
	Historical summaries
HKFRS 1.37	If the financial statements contain historical summaries or comparative information under the previous GAAP, the entity should: (a) label the previous GAAP information prominently as not being prepared under HKFRSs; and (b) disclose the nature of the main adjustments which would make it comply with HKFRSs. An entity does not need to quantify those adjustments.
	Note: If the entity wishes to disclose summaries of selected financial information for periods before the date of the opening HKFRS balance sheet, that information is not required to comply with the recognition and measurement requirements of HKFRSs.

Source	Presentation/Disclosure Requirement
	Explanation of transition to HKFRSs
HKFRS 1.38	The entity should explain how the transition from the previous GAAP to HKFRS affected its reported financial position, financial performance and cash flows.
	Reconciliations
HKFRS 1.39	The entity's first HKFRS financial statements should include: (a) reconciliations of its equity reported under the previous GAAP to its equity under HKFRSs for both of the following dates: (i) the date of transition to HKFRSs; and (ii) the end of the latest period presented in the entity's most recent annual financial statements under the previous GAAP; (b) a reconciliation of the profit or loss reported under the previous GAAP for the latest period in the entity's most recent annual financial statements to its profit or loss under HKFRSs for the same period; and (c) if the entity recognised or reversed any impairment losses for the first time in preparing its opening HKFRS balance sheet, the disclosures that HKAS 36 *Impairment of Assets* would have been required if the entity had recognised those impairment losses or reversals in the period beginning with the date of transition to HKFRSs.
HKFRS 1.40	The reconciliation required by paragraph 39(a) and (b) of HKFRS 1 (see above) should give sufficient detail to enable users to understand the material adjustments to the balance sheet, income statement and cash flow statement.
HKFRS 1.41	If the entity becomes aware of errors made under the previous GAAP, the reconciliation required by paragraph 39(a) and (b) of HKFRS 1 (see above) should distinguish the correction of those errors from changes in accounting policies.
HKFRS 1.43	If the entity did not present financial statements for the previous periods, its first HKFRS financial statements should disclose that fact.
	Designation of financial assets or financial liabilities
HKFRS 1.43A	If the entity has designated any previously recognized financial assets or financial liabilities as "at fair value through profit or loss" or as "available-for-sale" (as permitted by paragraph 25A of HKFRS 1), the following should be disclosed: (a) the fair value of any financial assets or financial liabilities designated into each category; and (b) the classification and carrying amount in the previous financial statements.
	Use of fair value as deemed cost
HKFRS 1.44	If the entity uses fair value in its opening HKFRS balance sheet as deemed costs for an item of property, plant and equipment, an investment property or an intangible asset (see paragraphs 16 and 18 of HKFRS 1), the entity's first HKFRS financial statements should disclose, for each line item in the opening HKFRS balance sheet: (a) the aggregate of those fair values; and (b) the aggregate adjustment to the carrying amounts reported under the previous GAAP.
	Effective date and transition
HKFRS 1.47	If an entity's first HKFRS financial statements are for a period beginning on or after 1 January 2004, it should apply this HKFRS. Earlier adoption is encouraged. Where an entity opts for early adoption, disclosure of that fact is required.

Source	Presentation/Disclosure Requirement
	Interim financial reports
HKFRS 1.45	To comply with paragraph 38 of HKFRS 1, if an entity presents an interim financial report under HKAS 34 *Interim Financial Reporting* for part of the period covered by its first HKFRS financial statements, the entity should satisfy the following requirements in addition to the requirements to HKAS 34. (a) each such interim financial report should, if the entity presents an interim financial report for the comparable interim period of the immediately preceding financial year, include reconciliations of: (i) its equity under previous GAAP at the end of that comparable interim period to its equity under HKFRSs at that date; and (ii) its profit or loss under previous GAAP for that comparable interim period (current and year-to-date) to its profit or loss under HKFRSs for that period; (b) in addition to the reconciliations required by (a), the entity's first interim financial report under HKAS 34 for part of the period covered by its first HKFRS financial statements should include the reconciliations described in paragraph 39(a) and (b) of HKFRS 1 (supplemented by the details required by paragraphs 40 and 41 of HKFRS 1) or a cross-reference to another published document that includes those reconciliations; and
HKAS 34.16(a)	(c) as required by HKAS 34, the entity should disclose the nature and effect of any changes in accounting policies compared to those under previous GAAP.
HKFRS 1.46	*Note: HKAS 34 generally requires minimum disclosures, which are based on the assumption that users of the interim financial report also have access to the most recent annual financial statements. However, HKAS 34 also requires an entity to disclose 'any events or transactions that are material to an understanding of the current interim period'. Therefore, if a first-time adopter did not, in its most recent annual financial statements under previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report should disclose that information or include a cross-reference to another published document that includes it.*

Section 15 Insurance contracts (HKFRS 4)

Source	Presentation/Disclosure Requirement
	Notes: *This section of the checklist addresses HKFRS 4, which specifies the financial reporting for insurance contracts by an entity that issues such contracts (described as an insurer).* *An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder if a specified uncertain future event (the insured event) adversely affects the policy holder. Refer to Appendix B of HKFRS 4 for an extended discussion of the definition of an insurance contract, and to paragraphs 2 to 12 of HKFRS 4 for the specific rules as regards the scope of the Standard.* *Note that the Implementation Guidance accompanying HKFRS 4 clarifies a number of the disclosure requirements, and contains extensive guidance on possible ways to meet the disclosure requirements in paragraphs 36 to 39 of HKFRS 4.*
	Exemption from disclosure of comparative information for periods beginning before 1 January 2005
HKFRS 4.42	Entities need <u>not</u> apply the disclosure requirements in HKFRS 4 (set out below) to comparative information that relates to annual periods beginning before 1 January 2005, <u>except for</u> the disclosures required by paragraphs 37(a) and 37(b) of HKFRS 4 (see below) about accounting policies, and recognised assets, liabilities, income and expense (and cash flows if the direct method is used).
	Disclosure of non-compliance, on the basis of impracticability, with recognition and measurement rules for comparative information for periods beginning before 1 January 2005
HKFRS 4.43	If it is impracticable to apply a particular requirement of paragraphs 10 to 35 of HKFRS 4 (dealing with unbundling of deposit components, and recognition and measurement) to comparative information that relates to annual periods beginning before 1 January 2005, the entity should disclose that fact.
HKFRS 4.43	*Note: HKFRS 4 notes that applying the liability adequacy test (paragraphs 15 to 19 of HKFRS 4) to such comparative information might sometimes be impracticable, but it is highly unlikely to be impracticable to apply other requirements of paragraphs 10 to 35 of HKFRS 4 to such comparative information. HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors explains the term 'impracticable'.*
	Insurance contracts acquired in a business combination or portfolio transfer
HKFRS 4.31	To comply with HKFRS 3 *Business Combinations*, an insurer should, at the acquisition date, measure at fair value the insurance liabilities assumed and insurance assets acquired in a business combination. However, an insurer is permitted, but not required, to use an expanded presentation that splits the fair value of acquired insurance contracts into two components: (a) a liability measured in accordance with the insurer's accounting policies for insurance contracts that it issues; and (b) an intangible asset, representing the difference between (i) the fair value of the contractual insurance rights acquired and insurance obligations assumed, and (ii) the amount described in (a) above.
	Notes:
HKFRS 4.31(b)	*1. The subsequent measurement of any intangible asset separately identified in accordance with the alternative permitted under paragraph 31 of HKFRS 4 should be consistent with the measurement of the related insurance liability.*
HKFRS 4.32	*2. An insurer acquiring a portfolio of insurance contracts may also use the expanded presentation permitted by paragraph 31 of HKFRS 4.*

Source	Presentation/Disclosure Requirement
	Discretionary participation features in financial instruments
HKFRS 4.35(b)	Where the entity is the issuer of a financial instrument that contains a discretionary participation feature as well as a guaranteed element, in applying the rules set out in paragraph 35 of HKFRS 4, the entity need not disclose the amount that would result from applying HKAS 39 to the guaranteed element, nor need it present that amount separately.
	Explanation of recognised amounts
HKFRS 4.36	The insurer should disclose information that identifies and explains the amounts in its financial statements arising from insurance contracts.
	Note: Paragraph 37 of HKFRS 4 specifies the minimum disclosures required to satisfy this requirement.
	The insurer should disclose:
HKFRS 4.37(a)	(a) its accounting policies for insurance contracts and related assets, liabilities, income and expense;
HKFRS 4.37(b)	(b) the recognised assets, liabilities, income and expense (and, if it presents its cash flow statement using the direct method, cash flows) arising from insurance contracts;
HKFRS 4.37(b)	(c) if the insurer is a cedant (i.e. the policy holder under a reinsurance contract): (i) gains and losses recognised in profit or loss on buying reinsurance; and (ii) if the cedant defers and amortises gains and losses arising on buying reinsurance, the amortisation for the period and the amounts remaining unamortised at the beginning and end of the period;
HKFRS 4.37(c)	(d) the process used to determine the assumptions that have the greatest effect on the measurement of the recognised amounts described in accordance with paragraph 37(b) of HKFRS 4;
HKFRS 4.37(c)	*Note: When practicable, an insurer should also give quantified disclosure of those assumptions.*
HKFRS 4.37(d)	(e) the effect of changes in assumptions used to measure insurance assets and insurance liabilities, showing separately the effect of each change that has a material effect on the financial statements; and
HKFRS 4.37(e)	(f) reconciliations of changes in insurance liabilities, reinsurance assets and, if any, related deferred acquisition costs.
	Amount, timing and uncertainty of cash flows
HKFRS 4.38	The insurer should disclose information that helps users to understand the amount, timing and uncertainty of future cash flows from insurance contracts.
	Note: Paragraph 39 of HKFRS 4 specifies the minimum disclosures required to satisfy this requirement.
	The insurer should disclose:
HKFRS 4.39(a)	(a) its objectives in managing risks arising from insurance contracts and its policies for mitigating those risks;
HKFRS 4.39(b)	(b) those terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the insurer's future cash flows;

Source	Presentation/Disclosure Requirement
HKFRS 4.39(c)	(c) information about insurance risk (both before and after risk mitigation by reinsurance), including information about: (i) the sensitivity of profit or loss and equity to changes in variables that have a material effect on them; (ii) concentrations of insurance risk; (iii) actual claims compared with previous estimates (i.e. claims development);
	Notes:
HKFRS 4.39(c)	*1. The disclosure about claims development should go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments, but need not go back more than ten years. An insurer need not disclose this information for claims for which uncertainty about the amount and timing of claims payments is typically resolved within one year.*
HKFRS 4.44	*2. In applying paragraph 39(c)(iii) of HKFRS 4, an entity need not disclose information about claims development that occurred earlier than five years before the end of the first financial year in which it applies HKFRS 4.*
HKFRS 4.39(d)	(d) the information about interest rate risk and credit risk that HKAS 32 *Financial Instruments: Disclosure and Presentation* would require if the insurance contracts were within the scope of HKAS 32; and
HKFRS 4.39(e)	(e) information about exposures to interest rate risk or market risk under embedded derivatives contained in a host insurance contract if the insurer is not required to, and does not, measure the embedded derivatives at fair value.
	Adoption of standard before effective date
HKFRS 4.41	If the entity has applied HKFRS 4 for a period beginning before 1 January 2005, it should disclose that fact.
	Exemption in the first period of application from disclosing information about claims development that occurred before the beginning of the comparative period
HKFRS 4.44	In applying paragraph 39(c)(iii) of HKFRS 4, if it is impracticable, when an entity first applies HKFRS 4, to prepare information about claims development that occurred before the beginning of the earliest period for which an entity presents full comparative information that complies with HKFRS 4, the entity should disclose that fact.

Section 16 Additional matters for listed entities

Source	Presentation/Disclosure Requirement
	Analysis of the group's performance
App 16.32 GR 18.41	A separate statement is required, containing a discussion and analysis of the entity's performance during the year and the material factors underlying its results and financial position. The statement should emphasise trends and identify significant events or transactions during the year under review. As a minimum, the directors of the entity should address all of the following points: (a) the entity's liquidity and financial resources. This may include comments on the level of borrowings at the balance sheet date, the seasonality of borrowing requirements, and the maturity profile of borrowings and committed borrowing facilities. Reference may also be made to the funding requirements for capital expenditure commitments and authorisations; (b) the capital structure of the entity in terms of maturity profile of debt and obligation, type of capital instruments used, currency and interest rate structure; the discussion may cover: (i) funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled; (ii) the currencies in which borrowings are made and in which cash and cash equivalents are held; (iii) the extent to which borrowings are at fixed interest rates; (iv) the use of financial instruments for hedging purposes; and (v) the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments; (c) the state of the entity's order book (where applicable) and prospects for new business including new products and services introduced or announced; (d) significant investments held, their performance during the year and their future prospects; (e) details of material acquisitions and disposals of subsidiaries and associates in the course of the year; (f) comments on segment information. This may cover changes in industry segments, developments within each segment and their effect on the results of that segment. It may also include changes in market conditions, new products and services introduced or announced and their impact on the entity's performance and changes in turnover and margins; (g) where applicable, details of the number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes; (h) details of charges on entity assets; (i) details of future plans for material investments or capital assets and their expected sources of funding in the coming year;
App 16 Note 32.1 GR 18.41 Note 1	*Note: It is the responsibility of the directors to determine what investment or capital asset is material in the context of the entity's business, operations and financial performance. The materiality of an investment or a capital asset varies from one entity to another according to its financial performance, assets and capitalisation, the nature of its operations and other factors.*
	(j) gearing ratio;
App 16 Note 32.2 GR 18.41 Note 2	*Note: The basis on which the gearing ratio is computed should be disclosed.*
	(k) exposure to fluctuations in exchange rates and any related hedges; and (l) details of contingent liabilities, if any.

Source	Presentation/Disclosure Requirement
App 16.52 GR 18.83	The entity is encouraged to disclose the following additional commentary on management discussion and analysis in the annual reports: (a) efficiency indicators (e.g. return on equity, working capital ratios) for the last five financial years indicating the bases of computation; (b) industry specific ratios, if any, for the last five financial years indicating the bases of computation; (c) a discussion of the purpose, corporate strategy and principal drivers of performance; (d) an overview of trends in the industry and business; (e) a discussion on business risks (including known events, uncertainties and other factors which may substantially affect future performance) and risks management policy; (f) a discussion on the environmental policies and performance, including compliance with the relevant laws and regulations; (g) a discussion on the policies and performance on community, social, ethical and reputational issues; (h) an account of the key relationships with employees, customers, suppliers and others, on which its success depends; and (i) receipts from, and returns to, shareholders.
	Notes: 1. *Both Main Board and GEM listed entities are required to address each of the points set out in App 16.32/GR 18.41 (see above) and are encouraged to address the points set out in App 16.52/GR 18.83 (see above).* 2. *Additional guidance on the recommended content for a MDA can be found in the HKICPA's Corporate Governance Disclosure in Annual Reports and the Reference for Disclosures in Annual Reports issued by the SEHK.*

Source	Presentation/Disclosure Requirement
	Convertible and redeemable securities
App 16.10(1) GR 18.11	The entity should disclose details of the classes, numbers and terms of any convertible securities, options, warrants or similar rights issued or granted by the company or any of its subsidiaries during the year, together with the consideration received by the company or any of its subsidiaries.
App 16.10(2) GR 18.12	The entity should disclose particulars of any exercise made during the financial year of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the company or any of its subsidiaries.
App 16.10(3) GR 18.13	The annual report should disclose particulars of any redemption or purchase or cancellation by the company, or any of its subsidiaries, of the redeemable securities of the company, and the amount of such securities outstanding at the balance sheet date.
App 16.10(4) GR 18.14	The annual report should disclose particulars of any purchase, sale or redemption by the company, or any of its subsidiaries, of the listed securities of the company during the year, or an appropriate negative statement.
	Notes:
App 16.10(4) GR 18.14	*1. The statement required above should distinguish between those listed securities that are purchased by the company (and, for Hong Kong companies, therefore cancelled) and those that are purchased by a subsidiary of the company.*
App 16.10(4) GR 18.14	*2. The statement required above should include the aggregate price paid or received by the company for such purchases, sales or redemptions and should distinguish between those securities purchased or sold:* *(a) on the SEHK;* *(b) on another stock exchange;* *(c) by private arrangement; and* *(d) by way of a general offer.*
LR 10.06(4)(b) GR 13.13(2)	The annual report should: (a) make reference to purchases of shares made during the year and the reasons for them; and (b) include a monthly breakdown of purchases of shares made during the year, showing the number of shares purchased each month and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid by the company for such purchases.
	Interests and short positions in shares
	Part XV of the Securities and Futures Ordinance (SFO) deals with the notification of interests and short positions held by directors and chief executives, and substantial shareholders, to the listed entity concerned and to the SEHK, and with the requirements for the listed entity to keep registers of such interests and short positions. Correspondingly, the Listing Rules and GEM Rules have set out annual report disclosure requirements. In particular, separate disclosure is required of: (a) the interests and short positions in any shares, underlying shares and debentures of the company or any of its associated corporations, held by directors and chief executives at the end of the financial period; (b) the interests and short positions in the voting shares and underlying voting shares of the company, held by substantial shareholders at the end of the financial period; and (c) the interests and short positions notified to the company and to the SEHK by other persons in accordance with the requirements of the SFO.

Source	Presentation/Disclosure Requirement
	Directors' and chief executives' interests and short positions in shares
App 16.13(1) GR 18.15(1)	A statement is required at the end of the financial period showing: (a) the interests of each director and chief executive of the company in any shares, underlying shares and debentures of the company or any of its associated corporations; and (b) the short positions of each director and chief executive of the company in any shares, underlying shares and debentures of the company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies for Main Board listed entities (for GEM listed entities - the required standard of dealings by directors as referred to is in GR 5.46) <u>or, if there are no such interests or short positions, a statement of that fact.</u>
App 16.13(2) GR 18.15(2)	The statement required by App 16.31(1)/GR 18.15(1) should specify the company in which each interest or short position is held, the class to which the securities belong, and the number of such securities held.
PN 5(3.2) GR 18.17	The statement required by App 16.31(1)/GR 18.15(1) should describe the capacity in which each interest or short position is held, and the nature of the interest or short position, as disclosed in the prescribed form used by the director or chief executive when notifying the company and the SEHK of the interest or short position.
PN 5(3.3) GR 18.17A	The following details are required to be disclosed for each director and chief executive: (a) the aggregate long position in any shares and underlying shares and in debentures, showing separately: (i) interests in shares (other than interests held under equity derivatives); (ii) interests in underlying shares held under equity derivatives (e.g. share options, warrants), specifying whether they are listed or unlisted, and whether they are to be settled by shares, by cash or by some other methods; and (iii) interests in debentures, including convertible bonds and other debt securities; and (b) the aggregate short position in any shares, underlying shares and debentures, showing separately: (i) short positions in respect of shares arising under a stock borrowing and lending agreement; and (ii) short positions in underlying shares held under equity derivatives, specifying whether they are listed or unlisted, and whether they are to be settled by shares, by cash or by some other methods.
PN 5(3.3) GR 18.17	The information required by PN 5(3.3)/GR 18.17A (see above) is required to be separately disclosed for each entity in which an interest or a short position is held.
PN 5(3.3)(1) Note 1 PN 5(3.3)(2) Note 1 GR 18.17A(1) Note 1 GR 18.17A(2) Note 1	The percentages of the issued share capital of the company or its associated corporation, which the aggregate long position or the aggregate short position in shares represents, should be disclosed.
PN 5(3.2) GR 18.17	Where interests or short positions are held through corporations that are not wholly-owned by the director or chief executive, the percentage interests held by the director or chief executive in such corporations should be disclosed.
PN 5(4) App 16 Note 13.2 GR 18.16 Note	Particulars should be given of the extent of any duplication that occurs, between the interests of directors, chief executives, substantial shareholders, and their associates.
App 16.13(2)	Where interests arising from the holding of securities as qualifying shares are not disclosed pursuant to

Source	Presentation/Disclosure Requirement
GR 18.15(2)	the exception allowed in App 16.13(2)/GR 18.15(2), a general statement should be made to indicate that the directors or chief executives hold qualifying shares.
	Note: App 16.13(2)/GR 18.15(2) allow that non-beneficial interests of directors and chief executives need not be disclosed if they are holdings of qualification shares or if the interest is held solely for the purpose of ensuring that the relevant subsidiary has more than one member and there is a legally enforceable declaration of trust in favour of the parent company of that subsidiary.
PN 5(3.3)(1) Note 3 GR 18.17A(1) Note 3	Where share options are granted to directors and chief executives, particulars of the share options and movements as required under LR 17.07(1)/GR 23.07(1) (see below) should be disclosed.
	Notes:
SFO Schedule 1	*1. For these purposes, a "director" includes a shadow director and any person occupying the position of director by whatever name called. A "shadow director" means a person in accordance with whose directions or instructions the directors of a company are accustomed to act.*
SFO s308	*2. For these purposes, a "chief executive" means a person employed or otherwise engaged by a corporation who, either alone or together with one or more persons, is or will be responsible, under the immediate authority of the board of directors, for the conduct of the business of the corporation.*
SFO s308	*3. "Associated corporation" means a corporation:* • *which is a subsidiary or holding company of the company or a subsidiary of the company's holding company; or* • *(not being a subsidiary of the company) in which the company has an interest in the shares of a class of exceeding 20% of the nominal value of the issued shares of that class.*
SFO s344(1) SFO s344(2) SFO s344(3) SFO s344(4) SFO s346 SFO s345(4)(b) SFO s345(4)(a)	*4. Interests and short positions of a director or a chief executive extend to include interests held by the following persons and trusts:* • *his or her spouse;* • *his or her children under the age of 18;* • *their respective controlled companies (with control of management or one third of the voting rights, either directly or indirectly through another corporation in which they control one third of the voting rights);* • *persons having a joint interest or short position with him or her;* • *a trust, if he or she is a trustee of the trust (other than a trust where he or she is a bare trustee);* • *a discretionary trust, if he or she is a founder of the trust; or* • *a trust, if he or she is a beneficiary.*
PN 5(3.3)(1) Note 2 GR 18.17A(1) Note 2	*5. A long position under an equity derivative arises where a person is a party to an equity derivative, by virtue of which the person:* • *has a right to take the underlying shares;* • *is under an obligation to take the underlying shares;* • *has a right to receive money from another person if the price of the underlying shares increases; or* • *has a right to avoid or reduce a loss if the price of the underlying shares increases.*
PN 5(3.3)(2) Note 2 GR 18.17A(2) Note 2	*6. A short position arises:* *(i) where the person is the borrower of shares under a securities borrowing and lending agreement, or has an obligation to deliver the underlying shares to another person who has lent shares;* *(ii) where the person is the holder, writer or issuer of any equity derivatives, by virtue of which*

Source	Presentation/Disclosure Requirement
	the person: *(a) has a right to require another person to take the underlying shares of the equity derivatives;* *(b) is under an obligation to deliver the underlying shares of the equity derivatives to another person;* *(c) has a right to receive from another person money if the price of the underlying shares declines; or* *(d) has a right to avoid a loss if the price of the underlying shares declines.*
App 16.13(1) GR 18.15(1)	*7. Compliance with the requirements in respect of the interests and short positions of each director and chief executive in any associated corporation may be modified or waived if, in the opinion of the SEHK, full disclosure would result in particulars being given which are not material in the context of the entity and are of excessive length.*
	Substantial shareholders' interests and short positions in shares
App 16.13(3) GR 18.16	A statement is required, as at the end of the financial period, showing interests and short positions in the shares and underlying shares of the company, other than those of the directors and chief executives, as recorded in the register required to be kept under section 336 of the SFO, and the amount of such interests and short positions <u>or, if there is no such interest or short position recorded in the register, a statement of that fact.</u>
PN 5(3.2) GR 18.17	The statement required by App 16.13(3)/GR 18.16 (see above) should describe the capacity in which each interest or short position is held, and the nature of the interest or short position, as disclosed in the prescribed form used by the substantial shareholder when notifying the company and the SEHK of the interest or short position.
PN 5(3.4) GR 18.17B	The following details are required to be disclosed for each substantial shareholder: (a) the aggregate long position in the shares and underlying shares of the company, showing separately: (i) interests in shares (other than interests held under equity derivatives); and (ii) interests in underlying shares held under equity derivatives (e.g. share options, warrants) specifying whether they are listed or unlisted, and whether they are to be settled by shares or by cash; and (b) the aggregate short position in shares and underlying shares of the company, showing separately: (i) short positions in respect of shares arising under a stock borrowing and lending agreement; and (ii) short positions in underlying shares under equity derivatives, specifying whether they are listed or unlisted, and whether they are to be settled by shares or by cash.
PN 5(3.4)(1) Note 2 PN 5(3.4)(2) Note 1 GR 18.17B(1) Note 1 GR 18.17B(2) Note 1	The percentages of the issued share capital of the company, which the aggregate long position or the aggregate short position in shares represents, should be disclosed.
PN 5(3.2) GR 18.17	Where interests or short positions are held through corporations that are not wholly-owned by the substantial shareholder, the percentage interests held by the substantial shareholder should be disclosed.
PN 5(3.4)(1) Note 4 GR 18.17B(1) Note 3	Where share options are granted to substantial shareholders, particulars of the share options and movements as required under LR 17.07(1)/GR 23.07(1) should be disclosed (see below).

Source	Presentation/Disclosure Requirement
	Notes:
SFO s311(3) SFO s315(1)	1. *A duty to disclose under this section arises where a person has a notifiable interest. A person has a notifiable interest at any time where he is interested in shares comprised in the relevant share capital of the company with <u>an aggregate nominal value representing not less than 5%</u>, or such other percentage prescribed by regulations, of the issued equity share capital.*
SFO s313(5) SFO s315(2)	2. *A duty to disclose short positions arises where a person has a notifiable interest (as defined in the previous paragraph), and has a short position in shares comprised in the relevant share capital of the company, representing not less than 1%, or such other percentage prescribed by regulations, of the issued equity share capital.*
SFO s308	3. *"Relevant share capital" means the company's issued share capital of a class which carry rights to vote in all circumstances at general meetings of the corporation, including unissued shares in the company's share capital of a class which, if issued, would carry rights to vote in all circumstances at general meetings of the company.*
SFO s308	4. *"Issued equity share capital" means the company's issued share capital of a class which carries rights to vote in all circumstances at general meetings of the company.*
	5. *A person's interests and short positions in shares include those held by the following persons and trusts:*
SFO s316(1	• *his or her spouse, or any of his/hers child under 18;*
SFO s316(2)	• *their respective controlled companies (with control of management or one third of the voting rights of such companies either directly or through another corporation in which they control one third of the voting rights);*
SFO s317	• *parties to any agreement to acquire shares in the relevant share capital of the company, if (i) the agreement includes provisions imposing obligations or restrictions on the use, retention or disposal of their interest; (ii) the agreement provides for the making of a loan or the providing of security for a loan, by a controlling person or a director of the company to any person on the understanding or with the knowledge that such loan would be used for the acquisition of the interests; and (iii) any interest in the company's shares is in fact acquired by any of the parties pursuant to an agreement;*
SFO s323	• *a trust, if he or she is a trustee of the trust, other than a trust where he or she is a bare trustee;*
SFO s322(4)(b)	• *a discretionary trust, where he or she is the founder of the trust; or*
SFO s322(4)(a)	• *a trust, where he or she is a beneficiary, other than a discretionary trust.*
	Interests and short positions held by controlled companies on behalf of their customers in the ordinary course of their businesses as an investment manager, custodian or trustee are excluded, provided that specific conditions under section 316(5) of the SFO are met.
PN 5(3.4)(1) Note 3 GR 18.17B(1) Note 2	6. *The circumstances in which a long position arises under an equity derivative are set out in Note 5 to the previous section "Directors' and Chief Executives' Interests or Short Positions in Shares".*
PN 5(3.4)(2) Note 2 GR 18.17B(2) Note 2	7. *The circumstances in which a short position arises under a securities borrowing agreement or an equity derivative are set out in Note 6 to the previous section "Directors' and Chief Executives' Interests or Short Positions in Shares".*

Source	Presentation/Disclosure Requirement
	Other notifiable interests
App 16.13(3) PN 5(3.5) GR 18.16 GR 18.17C	A statement is required of other interests recorded in the register kept by the company under section 336 of the SFO.
	Note: Under the SFO, certain persons other than directors and chief executives, and substantial shareholders, are required to make notification of interests and short positions in shares and underlying shares of the company to the company and to the SEHK. To the extent that such interests and short positions are recorded in the company's register (kept under section 336 of the SFO), disclosures in the annual report are required. The disclosure requirements are the same as those set out in the previous section in relation to substantial shareholders.
	Share option schemes
	Notes:
LR 17.07 GR 23.07	*1. The information listed below is required to be disclosed in respect of each share option scheme of the company and any of its subsidiaries.*
LR 17.07 GR 23.07	*2. The information should be provided separately for (i) each of the directors, chief executives, substantial shareholders and, for GEM listed entities, management shareholders, and their respective associates; (ii) each participant with options granted in excess of the individual limit; (iii) aggregate figures for employees; (iv) aggregate figures for suppliers of goods or services; and (v) all other participants as an aggregate whole.*
	Summary of scheme(s)
LR 17.09 GR 23.09	The entity is required to include in its annual report a summary of each share option scheme approved by its shareholders, setting out: (a) the purpose of the scheme; (b) the participants of the scheme; (c) the total number of securities available for issue under the scheme, together with the percentage of the issued share capital that it represents as at the date of the annual report; (d) the maximum entitlement of each participant under the scheme; (e) the period within which the securities must be taken up under an option; (f) the minimum period, if any, for which an option must be held before it can be exercised; (g) the amount, if any, payable on application or acceptance of the option, and the period within which payments or calls must or may be made or loans for such purposes must be repaid; (h) the basis of determining the exercise price; and (i) the remaining life of the scheme.

Source	Presentation/Disclosure Requirement
	Details of options outstanding and movements in the period
LR 17.07 GR 23.07	The annual report should disclose the following information: (a) particulars of outstanding options at the beginning and at the end of the period, including the number of options, date of grant, vesting period, exercise period and exercise price; (b) particulars of options granted during the period, including the number of options, date of grant, vesting period, exercise period, exercise price and the closing price of the shares immediately before the date on which the options were granted; (c) the number of options exercised during the period, with the exercise price and the weighted average closing price of the securities immediately before the dates on which the options were exercised; (d) the number of options cancelled during the period, together with the exercise price of the cancelled options; and (e) the number of options which lapsed in accordance with the terms of the scheme during the period.
	Fair value of options granted in the period
LR 17.08 GR 23.08	The entity is encouraged to disclose in its annual report the value of options granted to participants during the period.
LR 17.08 Note 1 GR 23.08 Note 1	The entity should disclose a description of the model and significant assumptions used to estimate the value of the options, taking into account factors such as risk-free interest rate, expected life, expected volatility and expected dividend, if applicable.
LR 17.08 Note GR 23.08 Note	*Notes:* *1. In respect of the disclosure of the value of options in the annual report, the entity should use the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology to calculate the value of options.*
LR 17.08 Note 1(i) GR 23.08 Note 1(i)	*2. Where the calculation of the value is referable to a risk-free interest rate, such rate should be the rate prevailing on debt securities issued by the state, such as the Exchange Fund Notes in the case of Hong Kong based entities.*
LR 17.08 Note 2 GR 23.08 Note 2	The entity should disclose the measurement date, which should be the date on which the options were granted.
LR 17.08 Note 3 GR 23.08 Note 3	The entity should disclose the treatment of forfeiture prior to the expiry date.
LR 17.08 Note 4 GR 23.08 Note 4	The entity should disclose a warning statement with regard to the subjectivity and uncertainty of the values of options to the effect that such values are subject to a number of assumptions and with regard to the limitations of the model.
LR 17.08 Note 1(ii) GR 23.08 Note 1(ii)	The listed entity should set out the expected volatility used in calculating the value, with an explanation of any deviations from the historical volatility of the securities.
	Note: The listed entity may choose the period of time that it considers appropriate for calculating such historical volatility. However, such period may not be less than one year or, where securities have been listed for less than one year from the date of commencement of dealings in such securities, such period is to be from the date of commencement of such dealings to the date of the calculation.

Source	Presentation/Disclosure Requirement
LR 17.08 Note 1(iii) GR 23.08 Note 1(iii)	An explanation should be provided of any adjustments made to dividend estimates for publicly-available information indicating that future performance is reasonably expected to differ from past performance.
	Note: Expected dividends should generally be based on historical dividends.
LR 17.08 GR 23.08	Where the entity considers that disclosure of the value of options granted during the period as encouraged by LR 17.08/GR 23.08 (see above) is not appropriate, it should state the reason for such non-disclosure in its annual report.
LR 17.08 GR 23.08	The entity should disclose the accounting policy adopted for share options granted in the period.
	Equity issues under general mandate
App 16.11 GR 18.32	In the case of any issue of equity securities for cash made otherwise than to the company's shareholders in proportion to their shareholdings, and which has not been specifically authorised by the company's shareholders, the entity should disclose: (a) the reasons for making the issue; (b) the classes of equity securities issued; (c) in respect of each class of equity securities, the number being issued, and their aggregate nominal value; (d) the issue price of each security; (e) the net price to the company of each security; (f) the names of the allottees, if less than six in number, and, in cases of six or more allottees, a brief generic description of them; (g) the market price of the securities concerned on a named date, being the date on which the terms of the issue were fixed; and (h) the use of the proceeds.
	Directors' biographical details
App 16.12 GR 18.39	Brief biographical details should be provided in respect of the directors and senior managers of the entity. Such details will include name, age, positions held with the entity and other members of the Group, length of service with the entity and the group and such other information (which may include business experience) of which shareholders should be aware, pertaining to the ability or integrity of such persons.
	Notes:
App 16.12 GR 18.39	*1. Where any of the directors or senior managers are related, by having any one of the relationships with other director or senior manager set out below, that fact should be stated. The relationships are spouse; any person cohabiting with the director or senior manager as a spouse; and any relative, meaning a child or step-child regardless of age, a parent or step-parent, a brother, sister, step-brother or step-sister, a mother in-law, a father-in law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.*
App 16.12 GR 18.39	*2. Where any director of the company is a director or employee of a company which has an interest in the shares or underlying shares of the company which would fall to be disclosed to the company under Part XV of the Securities and Futures Ordinance, that fact should be stated.*
App 16 Note 12.1 GR 18.39	*3. It is the responsibility of the directors of the company to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries, heads of divisions, departments or other operating units within the group, in the opinion of the company's directors, as appropriate.*

Source	Presentation/Disclosure Requirement
App 16 Note 12.2	*4. If the company is incorporated or otherwise established in the PRC, references to directors and senior managers should also mean and include supervisors.*
	Directors' service contracts
App 16.14 GR 18.24(1)	A statement is required as to the unexpired period of any service contract of any director, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), who proposed for re-election at the forthcoming annual general meeting <u>or, if there are no such service contracts, a statement to that fact.</u>
App 16.14A LR 13.69 GR 18.24A GR 17.91	For any service contracts that are exempt from the shareholders' approval requirement under LR 13.69/GR17.91, the entity must include particulars of such service contracts in its annual report during the term of any such service contracts.
App 23.2(e) GR App 16.2(e)	The term of appointment of non-executive directors should be disclosed in the Corporate Governance Report (see below).
	Directors' interests in contracts
App 16.15 GR 18.25	Particulars are required of any contract of significance subsisting during or at the end of the financial year in which a director of the company is or was materially interested, either directly or indirectly, <u>or, if there has been no such contract, a statement of that fact.</u>
	Notes:
App 16 Note 15.2 GR 18.25 Note 1	*1. A "contract of significance" is one where any of the percentage ratios of the transaction is 1% or more.*
	2. The expression "percentage ratios" refers to the percentages resulting from each of the calculations of assets ratio, profits ratio, revenue ratio, consideration ratio and equity capital ratio set out in LR 14.04(9) and LR 14.07/GR 19.04(9) and GR 19.07.
App 16 Note 15.3 GR 18.25 Note 2	*3. Notwithstanding the percentage specified in Note 1 above, a contract is regarded as a "contract of significance" to the entity if the omission of information relating to that contract could have changed or influenced the judgement or decision of a person relying on the relevant information.*
	Controlling shareholders' interests in contracts
	The entity should disclose:
App 16.16(1) GR 18.26	(a) particulars of any contract of significance between the reporting entity (or one of its subsidiaries) and a controlling shareholder (or any of its subsidiaries); and
App 16.16(2) GR 18.27	(b) particulars of any contract of significance for the provision of services to the entity (or any of its subsidiaries) by a controlling shareholder (or any of its subsidiaries).
	Notes:
App 16 Note 16.1 GR 18.26 Note	*1. "Controlling shareholder" means any shareholder entitled to exercise, or to control the exercise of, 30% (or such other amounts as are specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the company, or one which is in a position to control the composition of a majority of the board of directors.*
	2. For this purpose, a contract of significance has the meaning set out in Note 1 to the previous section "Directors' interests in contracts" (see above).

Source	Presentation/Disclosure Requirement
	Waiver of dividend
App 16.17 GR 18.31	The entity should disclose particulars of any arrangement under which a shareholder has waived or agreed to waive any dividends.
App 16 Note 17.1 GR 18.31 Note	*Note: Where a shareholder has agreed to waive future dividends, particulars of such waiver should be given together with those relating to dividends which were payable during the past financial year. Waivers of dividends of a minor amount may be disregarded provided that some payment has been made on each share during the relevant calendar year.*
	Divergence from published forecasts
App 16.18 GR 18.18	The annual report should contain an explanation for the difference if net income shown in the financial statements differs materially from any profit forecast published by the entity.
	Five year summary
App 16.19 GR 18.33	A summary should accompany the financial statements, in the form of a comparative table, of the published results and of the assets and liabilities of the entity, for the previous five financial years. Where they have not been prepared on a consistent basis, that fact should be explained.
	Note: In consolidated financial statements, the information required need only be presented in relation to the group. Separate parent company details are not required.
	Pre-emptive rights
App 16.20	A statement is required, where applicable, that no pre-emptive rights exist in the jurisdiction in which the company is incorporated or otherwise established (overseas and PRC companies only).
GR 17.39 GR 17.27(2)	*Note: Subject to specified exemptions, all GEM listed entities are required to give their shareholders pre-emptive rights to protect their proportion of the total equity by having the opportunity to subscribe for any new issue of equity. The restrictions also apply to new issues of equity by a major subsidiary (a subsidiary where the value of its total assets, profits or revenue represents 5% or more under any of the percentage ratios as set out in Note 2 to the previous section "Directors' interests in contracts".*
	Tax relief for shareholders
App 16.21 GR 24.19 GR 25.31	The entity is required to disclose the information necessary to enable holders of listed securities to obtain any relief from taxation to which they are entitled by reason of their holding of such securities (overseas and PRC companies only).

Source	Presentation/Disclosure Requirement
	Details of properties
App 16.23 GR 18.23	Where any of the percentage ratios (as set out in Note 2 to the previous section "Directors' interests in contracts") of the entity's properties held for development and/or sale or for investment purposes exceeds 5%, the following information should be shown:
App 16.23(1) GR 18.23(1)	(i) in the case of property held for development and/or sale: • an address sufficient to identify the property, which generally must include the postal address, lot number and such further designation as is registered with the appropriate government authorities in the jurisdiction in which the property is located; • if in the course of construction, the stage of completion and the expected completion date; • the existing use (e.g. shops, offices, factories, residential etc.); • the site and gross floor area of the property; and • the percentage interest in the property.
App 16.23(2) GR 18.23(2)	(ii) in the case of property held for investment: • an address sufficient to identify the property, which generally must include the postal address, lot number and such further designation as is registered with the appropriate government authorities in the jurisdiction in which the property is located; • the existing use (e.g. shops, offices, factories, residential etc.); and • whether the property is held on short lease, medium term lease or long lease or, if situated outside Hong Kong, is freehold.
App 16.23(2) GR 18.23(3)	*Note: Where compliance with these disclosure requirements would result in particulars of excessive length being provided, disclosure is not required except in the case of properties which, in the opinion of the directors, are material.*
	Emolument policy
App 16.24B GR 18.29A	The entity should include the following details of its emolument policy: (a) a general description of the emolument policy and any long-term incentive schemes; and (b) the basis of determining the emolument payable to its directors.
	Pension schemes
	Note: The following disclosures may be combined with the disclosures mandated by HKAS 19 Employee Benefits, within the body of the financial statements.
App 16.26 GR 18.34	The following disclosures are required in respect of pension schemes: (a) the nature of the principal scheme or schemes operated by the entity (i.e. whether they are defined benefit plans or defined contribution plans); (b) a brief outline of how contributions are calculated or benefits are funded; (c) the employer's pension cost charged to the income statement for the financial year; (d) in the case of defined contribution schemes, details of whether forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the employer to reduce the existing level of contributions and, if so, the amounts so utilised in the course of the year and available at the balance sheet date for such use; and (e) in the case of defined benefit plans, an outline of the results of the most recent formal

Source	Presentation/Disclosure Requirement
	independent actuarial valuation (which should be as at a date not earlier than 3 years prior to the date to which the entity's financial statements are drawn up) or later formal independent review of the scheme on an ongoing basis. This should include disclosure of: (i) the name and qualifications of the actuary, the actuarial method used and a brief description of the main actuarial assumptions; (ii) the market value of the scheme assets at the date of their valuation or review (unless the assets are administered by an independent trustee, in which case this information may be omitted); (iii) the level of funding expressed in percentage terms; and (iv) comments on any material surplus or deficiency (including quantification of the deficiency) indicated by (iii) above.
	Valuation of properties
App 16.27 GR 18.35	If the entity has caused any property assets to be valued (in accordance with LR 5.01/GR 8.01) or has caused any valuation to be made of any other tangible assets and has included such a valuation in the prospectus relating to its initial public offering and those assets are not stated at such valuation (or at subsequent valuation) in its <u>first</u> annual financial statements published after listing, then the entity is required to disclose the following additional information in its first annual report published after listing: (a) the amount of such valuation of those properties or other tangible assets as included in the prospectus; and (b) the additional depreciation (if any) that would be charged against the income statement had those assets been stated at such valuation (or subsequent valuation).
	Application of Hong Kong companies ordinance disclosure requirements to overseas and PRC companies
App 16.28 GR 24.20 GR 25.32	The Listing Rules and the GEM Rules require that overseas and PRC incorporated companies should provide the additional disclosures required under the following provisions of the Companies Ordinance: (a) the Tenth Schedule; (b) s128 (details of subsidiaries); (c) s129 (details of investments); (d) s129A (details of ultimate holding company); (e) s129D (contents of the directors' report); (f) s161 (directors' remuneration); (g) s161A (corresponding figures); (h) s161B (loans to company officers); (i) s162 (directors' interests in contracts); and (j) s162A (management contracts).

Source	Presentation/Disclosure Requirement
	Statement of distributable reserves
App 16.29 GR 18.37 GR 24.21 GR 25.33	The entity should include a statement of the reserves available for distribution to shareholders by the listed entity as at the balance sheet date: (a) in the case of a Hong Kong entity, as calculated in accordance with section 79B of the Companies Ordinance; and (b) in other cases, as calculated in accordance with any statutory provisions applicable in the entity's place of incorporation or, in the absence of such provisions, with generally accepted accounting principles.
	Changes of auditors
App 16.30 GR 18.42	A statement is required of any change in auditors of the entity in any of the preceding three years.
	Major customers and suppliers
App 16.31 GR 18.40	The following information is required to be disclosed in respect of major customers and suppliers: (a) the percentage of purchases attributable to the entity's largest supplier; (b) the percentage of purchases attributable to the entity's five largest suppliers combined; (c) the percentage of turnover or sales attributable to the entity's largest customer; (d) the percentage of turnover or sales attributable to the entity's five largest customers combined; (e) the interests of any of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the company's share capital) in the suppliers or customers disclosed under (a) to (d) above or, <u>if there are no such interests, a statement to that effect</u>; (f) in the event that the percentage which would fall to be disclosed under (b) above is less than 30%, <u>a statement of that fact should be given</u> and the information required by (a), (b) and (e) (in respect of suppliers) may be omitted; and (g) in the event that the percentage which would fall to be disclosed under (d) above is less than 30%, <u>a statement of that fact should be given</u> and the information required by (c), (d) and (e) (in respect of customers) may be omitted.
	Notes:
App 16 Note 31.2 GR 18.40 Note 2	*1. 'Customer' for the purpose of this disclosure means, other than in relation to consumer goods or services, the ultimate customer and, in relation to consumer goods or services, the ultimate wholesaler or retailer. (If the entity's business incorporates the wholesaling or retailing operation, then customer refers to the ultimate customer.)*
App 16 Note 31.3 GR 18.40 Note 3	*2. 'Supplier' for the purpose of this disclosure means the ultimate supplier of items which are not of a capital nature. References to supplier are primarily to those who provide goods or services which are specific to the entity's business and which are required on a regular basis to enable the entity to continue to supply or service its customers. Suppliers of goods or services which are freely available from a range of suppliers at similar prices, or which are otherwise freely available (e.g. utilities), are excluded.*
	3. Disclosures under (e) above should specify if the interest disclosed is in the entity's single largest customer or supplier. Disclosure is required of the name of the interested director/associate/shareholder (which to the knowledge of the directors own more than 5% of the company's share capital), but not of the identity of the supplier or customer nor the percentage shareholding held.

Source	Presentation/Disclosure Requirement
	Corporate governance
	Notes: *1. On 19 November 2004, the SEHK announced amendments to the Listing Rules/GEM Rules to introduce the Code on Corporate Governance Practices (the Code) and the Rules on the Corporate Governance Report. Under the Listing Rules, the Code replaces the Code of Best Practice in Appendix 14 and the Rules on the Corporate Governance Report are inserted as a new Appendix 23. Under the GEM Rules, the Code is inserted as a new Appendix 15 and replaces existing GEM Rules 5.34 to 5.45. The Rules on the Corporate Governance Report are inserted into the GEM Rules as a new Appendix 16.* *2. The amendments to the Listing Rules/GEM Rules are effective for accounting periods beginning on or after 1 January 2005, except that disclosures relating to the entity's internal controls will be effective for accounting periods commencing on or after 1 July 2005.*
	3. The HKICPA has published its guideline on internal control entitled Internal Control and Risk Management – A Basic Framework (the "Guide") in order to provide guidance to entities on how to perform the review in relation to internal control. The Guide can be downloaded from the HKICPA's website at http://www.hkicpa.org.hk.
App 16.34 GR 18.44(2) App 23.1 GR App 16.1	The entity should include a report on corporate governance practices (the "Corporate Governance Report") in respect of the Group prepared by the board of directors in its annual report.
App 16.34 GR 18.44(2)	As a minimum, the Corporate Governance Report should contain the information required under Appendix 23 (GR Appendix 16) regarding the accounting period covered by the annual report, as follows:
App 23.2(a) GR App 16.2(a)	***Corporate governance practices*** (a) a narrative statement of how the entity has applied the principles in the Code, providing explanations which enables its shareholders to evaluate how the principles have been applied; (b) a statement as to whether the entity meets the code provisions in the Code. If the entity has adopted its own code that exceeds the code provisions set out in the Code, such entity may draw attention to such fact in its annual report; and (c) in the event of any deviation from the code provisions set out in the Code, details of such deviation during the financial year (including considered reasons for such deviations).
App 23.2(b) GR App 16.2(b)	***Directors' securities transactions*** (a) whether the entity has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code (GR 5.48 to 5.67); (b) having made specific enquiry of all directors, whether the directors of the entity have complied with, or whether there has been any non-compliance with, the required standard set out in the Mode Code (GR 5.48 to 5.67) and its code of conduct regarding directors' securities transactions; and (c) in the event of any non-compliance with the required standard set out in the Mode Code (GR 5.48 to 5.67), details of such non-compliance and an explanation of the remedial steps taken by the listed entity to address such non-compliance.

Source	Presentation/Disclosure Requirement
App 23.2(c) GR App 16.2(c)	***Board of directors*** (a) composition of the board, by category of directors, of the entity, including name of chairman, executive directors, non-executive directors and independent non-executive directors; (b) number of board meetings held during the financial year; (c) individual attendance of each director, on a named basis, at the board meetings; (d) a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management; (e) details of non-compliance (if any) with LR 3.10 (1) and (2) (GR 5.05(1) and (2)) and an explanation of the remedial steps taken by the entity to address such non-compliance relating to appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, respectively; *Note: Entities are reminded of their obligation to comply with LR 3.10(1) and (2) (GR 5.05(1) and (2)). Failure to comply with such requirements constitutes a breach of the Listing Rules/GEM Rules* (f) reasons why the entity considers an independent non-executive director to be independent where he/she fails to meet one or more of the guidelines for assessing independence set out in LR 3.13 (GR 5.09); and (g) relationship (including financial, business, family or other material/relevant relationship(s)), if any, among members of the board and in particular, between the chairman and the chief executive officer.
App 23.2(d) GR App 16.2(d)	***Chairman and chief executive officer*** (a) identity of the chairman and chief executive officer; and (b) whether the roles of the chairman and chief executive officer are segregated and are not exercised by the same individual.
App 23.2(e) GR App 16.2(e)	***Non-executive directors*** (a) the term of appointment of non-executive directors.
App 23.2(f) GR App 16.2(f)	***Remuneration of directors*** (a) the role and function of the remuneration committee (if any) or the reason(s) for not having a remuneration committee; (b) the composition of the remuneration committee (if any) (including names and identifying in particular the chairman of the remuneration committee); (c) the number of meetings held by the remuneration committee or the board of directors (if there is no remuneration committee) during the year to discuss remuneration related matters and the record of individual attendance of members, on a named basis, at meetings held during the year; (d) a summary of the work, including determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee or board of directors (if there is no remuneration committee) during the year. *Note: Under Appendix 16 (GR Chapter 18), listed entities are required to give a general description of the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to their directors.*

Source	Presentation/Disclosure Requirement
App 23.2(g) GR App 16.2(g)	***Nomination of directors*** In relation to the appointment and removal of directors: (a) the role and function of the nomination committee (if any); (b) the composition of the nomination committee (if any) (including names and identifying in particular the chairman of the nomination committee); (c) the nomination procedures and the process and criteria adopted by the nomination committee or the board of directors (if there is no nomination committee) to select and recommend candidates for directorship during the year; (d) a summary of the work, including determining the policy for the nomination of directors, performed by the nomination committee or the board of directors (if there is no nomination committee) during the year; and (e) the number of meetings held by the nomination committee or the board of directors (if there is no nomination committee) during the year and the record of individual attendance of members, on a named basis, at meetings held during the year.
App 23.2(h) GR App 16.2(h)	***Auditors' remuneration*** (a) an analysis of remuneration in respect of audit and non-audit services provided by the auditors (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the listed entity. Such analysis must include, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid.
App 23.2(i) GR App 16.2(i)	***Audit committee*** (a) its role, function and composition of the committee members (including names and identifying in particular the chairman of the audit committee); (b) the number of audit committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year; (c) a report on the work performed by the audit committee during the year in discharging its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results and system of internal control, and its other duties set out in the Code; and (d) details of non-compliance with LR 3.21 (GR 5.28) (if any) and an explanation of the remedial steps taken by the listed entity to address such non-compliance relating to establishment of an audit committee. *Note: Entities are reminded of their obligation to comply with LR 3.21 (GR 5.28). Failure to comply with such requirements constitutes a breach of the Listing Rule /GEM Rules.*
App 23.2 Note GR App 16.2 Note	In addition to the disclosure obligations set out in item L2055, the code provisions in Appendix 14 (GR Appendix 15) expect listed entities to make certain specified disclosures in the Corporate Governance Report. Where listed entities choose not to make the expected disclosures, they must give considered reasons for the deviation in accordance with paragraph 2(a)(iii) of Appendix 23 (GR Appendix 16). The specific disclosure expectations of the code provisions are set out below: (a) an acknowledgement from the directors of their responsibility for preparing the accounts and a statement by the auditors about their reporting responsibilities (C.1.2 of Appendix 14 (GR Appendix 15)); (b) report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the listed entity's ability to continue as a going concern (C.1.2 of Appendix 14 (GR Appendix 15)); (c) a statement that the board has conducted a review of the effectiveness of the system of internal

Source	Presentation/Disclosure Requirement
	control of the entity and its subsidiaries (C.2.1 of Appendix 14 (GR Appendix 15));
	(d) a statement from the audit committee explaining its recommendations and the reason(s) why the board has taken a different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of the external auditors (C.3.5 of Appendix 14 (GR Appendix 15)).
App 23.1 App 23.3 GR App 16.1 GR App 16.3	Entities are also encouraged to disclose the following information in their Corporate Governance Report: *Notes:* *1. The following disclosures are provided for entities' reference. They are not intended to be exhaustive or mandatory. They are rather intended to set out the areas which entities may comment on in their Corporate Governance Report. The level of details needed varies with the nature and complexity of listed entities' business activities.* *2. Entities may consider some of the following information is too lengthy and detailed to be included in the Corporate Governance Report. As an alterative to full disclosure in the Corporate Governance Report, entities may choose to include some or all of this information:* *(a) on its website and highlight to investors where they can:* *(i) access the soft copy of this information on its website by giving a hyperlink directly to the relevant webpage; and/or* *(ii) collect a hard copy of the relevant information free of charge; or* *(b) where the information is publicly available, by stating where the information can be found. Any hyperlink should be directly to the relevant webpage.*
App 23.3(a) GR App 16.3(a)	***Share interests of senior management*** (a) the number of shares held by senior management (i.e. those individuals whose biological details are disclosed in the annual report);
App 23.3(b) GR App 16.3(b)	***Shareholders' rights*** (a) the way in which shareholders can convene an extraordinary general meeting; (b) the procedures by which enquires may be put to the board together with sufficient contact details to enable such enquires to be properly directed; and (c) the procedures for putting forward proposals at shareholders' meetings with sufficient contact details.
App 23.3(c) GR App 16.3(c)	***Investor relations*** (a) any significant changes in the entity's articles of association during the year; (b) details of shareholders by type and aggregate shareholding; *Note: Entities are reminded of their obligation to comply with the requirements in Appendix 16 and PN 5 (GR Chapter 18) relating to the disclosure of interests in the entity. They may wish to mention such information in this section of the Corporate Governance Report.* (c) details of the last shareholders' meeting, including the time and venue, major items discussed and particulars as to voting; (d) indication of important shareholders' dates in the coming financial year; (e) public float capitalisation as at the end of the year.

Source	Presentation/Disclosure Requirement
App 23.3(d) GR App 16.3(d)	***Internal controls*** (a) where the entity includes a statement by the directors that they have conducted a review of its system of internal control in the annual report pursuant to paragraph C.2.1 of Appendix 14 (GR Appendix 15), the entity is encouraged to disclose the following details in such report: *(i) an explanation of how the system of internal control has been defined for the entity;* *(ii) procedures and internal controls for the handling and dissemination of price sensitive information;* *(iii) whether the entity has an internal audit function or the outcome of the review of the need for an internal audit function where the entity has no such function;* *(iv) how often internal controls are reviewed;* *(v) a statement that the directors have reviewed the effectiveness of the system of internal control and whether they consider the internal control systems effective and adequate;* *(vi) criteria for the directors to assess the effectiveness of the system of internal control;* *(vii) the period which the review covers;* *(viii) details of any significant areas of concern which may affect shareholders;* *(ix) significant views or proposals put forward by the audit committee; and* *(x) where the entity has not conducted a review of its internal control during the year, an explanation of why it has not done so;* (b) a narrative statement (including the terms under C.2.3 of App 14 (GR Appendix 15)) of how the entity has complied with the code provisions on internal control during the reporting period (C.2.3 of Appendix 14 (GR Appendix 15)); and (c) the outcome of the review conducted on an annual basis by the entity without an internal audit function of the need for one (C.2.5 of Appendix 14 (GR Appendix 15)).
App 23.3(e) GR App 16.3(e)	***Management functions*** (a) the division of responsibility between the board and management.
	Appointment of independent non-executive directors
App 16.12A GR 18.39A	In relation to an independent non-executive director appointed by the entity during the financial year, if he has failed to meet any of the independence guidelines set out in LR 3.13/GR 5.09, the entity should disclose the reasons why such an independent non-executive director was and is considered to be independent.
App 16.12B GR 18.39B	For each of the independent non-executive director, the entity should include in the annual report, the following information to confirm: (a) whether it has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to LR 3.13/GR 5.09; and (b) whether it still considers the independent non-executive directors to be independent.

Source	Presentation/Disclosure Requirement
	Sufficiency of public float
App 16.34A LR 13.35	Main Board listed entities should include a statement of sufficiency of public float.
	Note: The statement should be based on information that is publicly available to the entity and within the knowledge of the directors as at the latest practicable date prior to the issue of the annual report.
	Interests in competitors
	Main board listed entities
LR 8.10(2)(b)&(c)	Where any of the directors (other than the independent non-executive directors) is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the group, details of such interests as required by LR 8.10(1)(a)(ii) and (iii) and any changes therein should be prominently disclosed in the annual report.
	GEM listed entities
GR 18.45 GR 11.04 GR 11.04 Note 3	Disclosure is required of any directorship or ownership of an entity by any director, management shareholder or their respective associates of the entity, where that entity competes or may compete with the business of the entity and any other conflicts of interest which any such person has or may have with the entity. The disclosures made should include: (a) the name of each entity; (b) the nature of its business; and (c) details of the directorship and/or ownership of the entity's directors or management shareholders and their respective associates in such entity.
GR 11.04 Note 1	*Note: For this purpose, a controlling shareholder is deemed to be a management shareholder.*
	Connected transactions
App 16.8(1) LR 14A.45 GR 18.09(1) GR 20.45	In relation to connected transactions that are not exempt under LR 14A.31/GR 20.31, the following details of the transaction should be disclosed in the next annual report pursuant to LR 14A.45/GR 20.45: (a) the date of the transaction; (b) the parties thereto and a description of their connected relationship; (c) a brief description of the transaction and the purpose of the transaction; (d) the total consideration and the terms (including, where relevant, interest rates, length of repayment period and security, if any); and (e) the nature and extent of the interest of the connected person in the transaction.
App 16.8(2) LR 14A.46, LR 14A.45 GR 18.09(2) GR 20.46, GR 20.45	In relation to continuing connected transactions that are not exempt under LR 14A.33/GR 20.33, information as set out in the previous paragraph (see above) should be disclosed in the subsequent annual report for the financial years during which the entity undertakes the transaction under the written agreement entered into pursuant to LR 14A.35(1)/GR 20.35(1).

Source	Presentation/Disclosure Requirement
LR 14A.37 GR 20.37	The independent non-executive directors of the entity should include a statement in the annual report to confirm that the continuing connected transactions have been entered into: (a) in the ordinary and usual course of business of the entity; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the entity than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the entity as a whole.
LR 14A.39 LR 14A.38 GR 20.39 GR 20.38	The entity's board of directors should include in the annual report whether the auditors have confirmed that the continuing connected transactions: (a) have received the approval of the entity's board of directors; (b) are in accordance with the pricing policies of the entity if the transactions involve provision of goods or services by the entity; (c) have been entered into in accordance with the relevant agreement governing the transactions; and (d) have not exceeded the cap disclosed in previous announcement(s). *Note: Each year, the entity's auditors should provide a letter to the entity's board of directors (with a copy provided to the SEHK at least 10 business days prior to the bulk printing of the annual report), confirming the matters mentioned above.*
App 16.8(3) GR 18.09(3)	Where the entity includes in its annual report particulars of a connected transaction or continuing connected transaction (as the case may be) in accordance with HKAS 24 *Related Party Disclosures*, or applicable IFRS, it should: (a) specify whether or not the transaction falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules/Chapter 20 of the GEM Rules; and (b) confirm whether or not it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules/Chapter 20 of the GEM Rules.

Source	Presentation/Disclosure Requirement
	Exposure to borrowers and other specific circumstances that may require disclosure
	Notes:
	1. LR 13.13 to LR 13.22/GR 17.14 to GR 17.24 give guidance on specific circumstances (see below) that may require timely public disclosure under the general disclosure obligation placed on the entity under LR 13.09/GR 17.10. If any of the specified circumstances occurs, the entity is required to make a public announcement immediately. In addition, if the circumstances specified in LR 13.13 to LR 13.19/GR 17.15 to GR 17.21 continue to exist at the entity's financial year end, specific disclosures are required.
	2. The specific circumstances addressed by LR 13.13 to LR 13.19/GR 17.15 to GR 17.21:
LR 13.13, LR 13.14 GR 17.15, GR 17.16	• *advances to an entity amounting to more than 8% of any of the percentage ratios and any subsequent increase of such amount accounting for 3% or more of any of the percentage ratios;*
LR 13.16 GR 17.18	• *financial assistance and guarantees to affiliated companies together in aggregate amounting to more than 8% of any of the percentage ratios;*
LR 13.17 GR 17.19	• *pledging of shares by the controlling shareholder to secure debts of the entity or to secure guarantees or support other obligations of the entity;*
LR 13.18 GR 17.20	• *loan agreements which include conditions imposing specific performance obligations on a controlling shareholder where breaches of such obligations will cause a default in respect of loans that are significant to the operations of the entity; and*
LR 13.19 GR 17.21	• *breaches of the terms of a loan agreement by the entity such that the lender may demand immediate repayment of a significant loan.*
GR 17.43	*3. In addition, GR 17.43 imposes disclosure obligations on GEM listed entities in respect of the pledging or charging of any interests in securities of the entity by any initial management shareholder or significant shareholder. If the circumstances continue to exist, disclosure is required in subsequent annual reports.*
LR 13.11(2)(a) GR 1.01	*4. The expression "affiliated company" refers to a company which, in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is recorded using the equity method of accounting in the entity's financial statements. This includes associates and jointly controlled entities as defined in those Standards.*
LR 13.11(2)(b) GR 17.14 Note 2	*5. The expression "percentage ratios" has the meaning set out in LR 14.04(9) and LR 14.07/GR 19.04(9) and GR 19.07.*

Source	Presentation/Disclosure Requirement
	Advances to an entity
LR 13.20 LR 13.15 GR 18.36 GR 17.22 GR 17.17	Where the entity has been required to make disclosure during the period in respect of advances to an entity, and the circumstances giving rise to the disclosure continue to exist at the financial year end, the following information (as at the year end) should be included in the annual report: (a) details of the balances;
	Note: For GEM listed entity, disclosure of the details of the relevant advance to an entity is required.
	(b) the nature of events or transactions giving rise to the amounts; (c) the identity of the debtor group; and (d) interest rate, repayment terms and collateral.
LR 13.13 LR 13.11(2)(c) GR 17.15 GR 17.14 Note 2	*Note: A general disclosure obligation arises where the relevant advance to an entity exceeds 8% of any of the percentage ratios. The expression 'relevant advance to an entity' refers to the aggregate of amounts due from and all guarantees given on behalf of:*
	(a) an entity; *(b) the entity's controlling shareholders;* *(c) the entity's subsidiaries;* *(d) the entity's affiliated companies; and* *(e) for GEM listed entity only, any other entity with the same controlling shareholder as the entity in question.*
	Financial assistance and guarantees to affiliated companies of the entity
LR 13.22 GR18.36 GR 17.24	Where the entity has been required to make disclosure during the period in respect of financial assistance and guarantees to affiliated companies, and the circumstances giving rise to the disclosure continue to exist at the financial year end, the annual report should include a proforma combined balance sheet of the affiliated companies as of the latest practicable date.
	Notes:
LR 13.16 GR 17.18	*1. A general disclosure obligation arises where financial assistance given to affiliated companies of the entity, and guarantees given for facilities granted to affiliated companies, together in aggregate exceeds 8% of any of the percentage ratios.*
LR 13.22 GR 17.24	*2. The proforma combined balance sheet of the affiliated companies should include significant balance sheet classifications and state the attributable interest of the entity in the affiliated companies. In cases where it is not practicable to prepare the proforma combined balance sheet of the affiliated companies, the SEHK, on application from the entity, may consider accepting, as an alternative, a statement of the indebtedness, contingent liabilities and capital commitments as at the end of the period reported on by the affiliated companies.*

Source	Presentation/Disclosure Requirement
	Pledging of shares by the controlling shareholder
LR 13.21 LR 13.17 GR 18.36 GR 17.23 GR 17.19	Where the entity has been required to make disclosure during the period because the controlling shareholder has pledged its interest in shares of the entity to secure debts of the entity, and the circumstances continue to exist at the date of the annual report, the following disclosures should be made in the annual report: (a) the number and class of shares pledged; (b) the amount of debts, guarantees or other support for which the pledge is made; and (c) any other details that are considered necessary for an understanding of the arrangements.
	Note: A general disclosure obligation arises where the controlling shareholder of the entity has pledged its interest in shares of the entity to secure debts of the entity or to secure guarantees or support other obligations of the entity.
	Loan agreements imposing specific performance on controlling shareholder
LR 13.21 LR 13.18 GR 18.36 GR 17.23 GR 17.20	Where the entity has been required to make disclosure during the period in respect of loan agreements with covenants relating to specific performance of the controlling shareholder, and breaches of such obligations will cause a default in respect of loans that are significant to the operations of the entity, and the circumstances continue to exist at the date of the annual report, the following disclosures should be made in the annual report: (a) the aggregate level of the facilities that may be affected by such a breach; (b) the life of the facility; and (c) the specific obligation imposed on any controlling shareholder.
	Note: A general disclosure obligation arises where the entity (or any of its subsidiaries) has entered into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholder (e.g. a requirement to maintain a specified minimum holding in the share capital of the entity), and breach of such obligation will cause a default in respect of loans that are significant to the operations of the entity.
	Breaches of loan agreements – general
LR 13.21 LR 13.19 GR 18.36 GR 17.23 GR 17.21	If disclosure has been required during the period of a breach of terms of a loan agreement by the entity, and the circumstances continue to exist at the date of the annual report, disclosure of the circumstances is also required in the annual report.
	Note: A general disclosure obligation arises where there is a breach of the terms of a loan agreement by the entity for a loan that is significant to the operations of the entity, such that the lender may demand immediate repayment of the loan and where the lender has not issued a waiver in respect of the breach.

Source	Presentation/Disclosure Requirement
	Pledging of securities by an initial management shareholder or significant shareholder (GEM listed entities only)
GR 17.23 GR 17.43	Where a GEM listed entity has been required to make disclosure during the period because an initial management shareholder or a significant shareholder has pledged or charged its interest in the securities of the entity, and the circumstances continue to exist at the date of the annual report, the following disclosures should be included in the annual report: (a) the number and class of securities pledged or charged; (b) the purpose for which the pledge or charge is made; (c) any other relevant details; and (d) in the event that the pledgee or chargee has disposed of or intends to dispose of any securities, details of the same, including the number of securities affected or to be affected.
GR 17.43	*Note: A general disclosure obligation arises where an initial management shareholder or a significant shareholder has availed of the exemptions available under GR 13.18(1) or GR 13.18(4) to pledge or charge its interests in the securities of the entity at any time within the specified moratorium periods.*
	Additional disclosure requirements for GEM listed entities
	Statement of investment risk
GR 18.07 Note 2 GR 2.20	The annual report and accounts should contain, in a prominent position, and in bold type, a statement about the characteristics of GEM, as follows: *"Characteristics of the Growth Entity Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Exchange").* *GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligations to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.* *Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.* *The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers."*
	Progress of business plan
GR 18.43	In the case of the annual financial statements for the financial year in which the entity's securities are first admitted to listing on GEM, and the annual financial statements for the two financial years thereafter, a detailed statement by the directors is required as to the progress of the entity by comparison of actual business progress to the information provided in the statement of business objectives (as set out in its listing document) for the equivalent period, together with an explanation of any material differences (including as to its use of proceeds, as indicated in the listing document).

Source	Presentation/Disclosure Requirement
	Audit committee
GR 18.44	The entity should disclose the full name and professional qualifications (if any) of : a) the company secretary; b) the qualified accountant responsible for the financial reporting procedures and the internal controls; and c) the compliance officer responsible for compliance with the GEM Rules and liaison with the SEHK.
	Sponsor's interests
GR 18.45	Disclosure is required of the interests (if any) of the Sponsor, and of its directors, employees and associates, as notified to the entity pursuant to GR 6.36.
	Report of the auditors
	Auditor's report for overseas companies
SAS 010 (15)	Where the financial statements of an overseas entity are to be incorporated into Hong Kong financial statements, the audit of the overseas entity should conform to Hong Kong Auditing Standards.
SAS 010 (16)	Where a member of the HKICPA is carrying out an audit overseas for purposes other than Hong Kong reporting, the audit should conform to appropriate standards as follows: (a) where the local audit requirements and standards are properly codified and defined, the audit may conform to those standards; and (b) in the absence of such local requirements and standards, the audit should conform to Hong Kong Auditing Standards or to International Standards on Auditing.
LR 19.21, LR 19A.32 GR 24.14, GR 25.26	The accounts should be audited to a standard comparable to that required by the HKICPA or by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC).
LR 19.23, LR 19A.34 GR 24.16, GR 25.28	The report of the auditors should indicate the act, ordinance or other legislation in accordance with which the annual accounts have been drawn up and the authority or body whose auditing standards have been applied.
LR 19.52 LR 19A.36	If the entity's primary listing is or is to be on a stock exchange outside Hong Kong, an auditors' report which conforms to the requirements of the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of the IFAC is acceptable.
LR 19.25 LR 19A.37 GR 24.18 GR 25.30	An auditors' report in a different form may be applicable in the case of banking and insurance companies. The wording of such an auditors' report should make it clear whether or not profits have been stated before transfers to or from undisclosed reserves.

Source	Presentation/Disclosure Requirement
	Financial statements
	Accounting standards, accounting estimates, and true and fair view
App 16.5 GR 18.19	A statement is required indicating which body of accounting standards has been followed in the preparation of the financial statements.
	Notes: *1. Where the listed entity is a Hong Kong incorporated company, legal opinion has confirmed that the financial statements must comply with the requirements of Hong Kong GAAP. Therefore, the options to use IFRS or US GAAP set out in the Listing Rules/GEM Rules are not available to Hong Kong incorporated companies.*
App 16 Note 2.1 GR 18.04	*2. All entities with a primary listing, or in the process of obtaining a primary listing, on either the Main Board or the GEM are permitted to use either HKFRS or IFRS, provided that they applied the standards consistently.*
App 16 Note 2.4	*3. Overseas incorporated entities with a secondary listing, or in the process of obtaining a secondary listing, on the Main Board are permitted to use US GAAP.*
GR 18.05	*4. GEM registrants incorporated overseas and either already listed or being simultaneously listed on the New York Stock Exchange or the NASDAQ National Market are permitted to prepare their financial statements in accordance with US GAAP, subject to certain conditions.*
App 16 Note 2.1(b) App 16 Note 2.3	*5. Entities listed on the Main Board adopting IFRS are required to disclose and explain significant differences between the financial statements presented and those that would have been presented under HKFRS. A statement of the financial effect of material differences is required. However, this requirement for a reconciliation to HKFRS does not apply to entities incorporated or otherwise established in the PRC (H-share entities), which have always been permitted to use IFRS.*
App 16 Note 2.2 GR 18.04 Note	Where the entity changes from one basis of accounting to another, the reasons for such change should be disclosed in the financial statements.
	Note: The entity should not change from one basis of accounting to another unless there are reasonable grounds to justify such a change.
App 16.5 GR 18.20	The financial statements should include a statement by the directors as to the reasons for any significant departure from an applicable accounting standard.
App 16 Note 2.5 GR 18.07 Note 3	If an accounting estimate reported in a prior interim period of the current financial year is changed during a subsequent interim period of the same financial year and has a material effect in that subsequent interim period, the nature and amount of a change in an accounting estimate that has a material effect in the current financial year or which is expected to have a material effect in subsequent periods should be disclosed. If it is impracticable to quantify the amount, that fact should be disclosed.
App 16.3 GR 18.47	If the relevant annual financial statements do not show a true and fair view of the state of affairs, results of operations, or cash flows of the entity or the group, more detailed and/or additional information should be provided.
App 16 Note 3.1 GR 18.47 Note	*Note: If the entity is in doubt as to what more detailed and/or additional information should be provided, it should apply to the SEHK for guidance.*

Source	Presentation/Disclosure Requirement
	Segment information
App 16.7 GR 18.08	*Note: The SEHK requires the disclosure of segment information to comply with HKAS 14 or applicable IFRS or US GAAP.*
HKAS 14.50	The following disclosures should be made for each reportable segment based on an entity's primary reporting format:
HKAS 14.51	(a) segment revenue, separately distinguishing segment revenue from sales to external customers and segment revenue from transactions with other segments;
HKAS 14.52	(b) segment result presenting the result from continuing operations separately from the result from discontinued operations;
HKAS 14.52A	*Note: Segment results in prior periods should be restated so that the disclosure required above relating to discontinued operations relate to all operations that had been identified as discontinued at the balance sheet date of the latest period presented.*
HKAS 14.55	(c) the total carrying amount of segment assets;
HKAS 14.56	(d) the segment liabilities;
HKAS 14.57	(e) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets);
	Note: This information should be presented on an accrual basis, not a cash basis.
HKAS 14.58	(f) the total amount of expense included in segment result for depreciation and amortisation of segment assets for the period;
HKAS 14.61	(g) the total amount of significant non-cash expenses, other than depreciation and amortisation, that are included in segment expense and, therefore, deducted in measuring segment result;
HKAS 14.64	(h) the aggregate of the entity's share of the net profit or loss of associates, joint ventures or other investments accounted for under the equity method, if substantially all of those operations are within that single segment; and
HKAS 14.66	(i) where the group's share of results of associates, joint ventures on other investments accounted for under the equity method is disclosed under (h) above, the aggregate investments in those associates and joint ventures.
	Notes:
HKAS 14.59	*1. Entities are encouraged, but not required, to disclose the nature and amount of any items of segment revenue and segment expense that are of such size, nature or incidence that their disclosure is relevant to explain the performance of each reportable segment for the period.*
HKAS 14.62	*2. Entities are encouraged, but not required to make the cash flow disclosures for its reportable segments that are encouraged by HKAS 7 Cash Flow Statements; and to separately disclose significant non-cash revenues that were included in segment revenue and, therefore, added in measuring segment result.*
HKAS 14.63	*3. The entity that provides the segment cash flow disclosures that are encouraged by HKAS 7 need not also disclose depreciation and amortisation expenses nor non-cash expenses pursuant to (f) and (g) above.*
HKAS 36.130	The entity should disclose the following for each reportable segment based on its primary format:
	(a) the amount of impairment losses recognised in the income statement and directly in equity

Source	Presentation/Disclosure Requirement
	during the period; and (b) the amount of reversals of impairment losses recognised in the income statement and directly in equity during the period.
HKAS 14.67	The entity should present a reconciliation between the information disclosed for reportable segments and the aggregated information in the consolidated or entity financial statements, including: (a) segment revenue reconciled to entity revenue from external customers (including disclosure of the amount of entity revenue from external customers not included in any segment's revenue); (b) segment result from continuing operations reconciled to a comparable measure of entity operating profit or loss as well as to entity profit or loss from continuing operations; (c) segment result from discontinued operations to entity profit or loss from discontinued operations; (d) segment assets reconciled to entity assets; and (e) segment liabilities reconciled to entity liabilities.
HKAS 14.69	If an entity's primary format for reporting segment information is business segments, it should also report the following information: (a) segment revenue from external customers, by geographical area, based on the geographical location of its customers, for each geographical segment whose revenue from sales to external customers is 10% or more of total entity revenue from sales to all external customers; (b) the total carrying amount of segment assets, by geographical location of assets, for each geographical segment whose segment assets are 10% or more of the total assets of all geographical segments; and (c) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets), by geographical location of assets, for each geographical segment whose segment assets are 10% or more of the total assets of all geographical segments.
HKAS 14.70	If an entity's primary format for reporting segment information is geographical segments (whether based on location of assets or location of customers), it should also report the following segment information for each business segment whose revenue from sales to external customers is 10% or more of total entity revenue from sales to all external customers or whose segment assets are 10% or more of the total assets of all business segments: (a) segment revenue from external customers; (b) the total carrying amount of segment assets; and (c) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets).
HKAS 14.71	If an entity's primary format for reporting segment information is geographical segments that are based on location of assets, and if the location of its customers is different from the location of its assets, then it should also report revenue from sales to external customers for each customer-based geographical segment whose revenue from sales to external customers is 10% or more of total entity revenue from sales to all external customers.
HKAS 14.72	If the entity's primary format for reporting segment information is geographical segments that are based on location of customers, and if the entity's assets are located in different geographical areas from its customers, then it should also report the following segment information for each asset-based geographical segment whose revenue from sales to external customers or segment assets are 10% or more of related consolidated or total entity amounts: (a) the total carrying amount of segment assets by geographical location of the assets; and (b) the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (property, plant, equipment, and intangible assets) by location of the assets.

Source	Presentation/Disclosure Requirement
HKAS 14.74	If a business segment or geographical segment for which information is reported to the board of directors and chief executive officer is not a reportable segment because it earns a majority of its revenue from sales to other segments, but nonetheless its revenue from sales to external customers is 10% or more of total entity revenue from sales to all external customers, the entity should disclose: (a) the fact that these circumstances exist; (b) the amount of revenue from sales to external customers; and (c) the amount of revenue from internal sales to other segments.
HKAS 14.75	The basis of pricing inter-segment transfers and any change therein should be disclosed.
HKAS 14.76	Where changes in accounting policies are adopted for segment reporting that have a material effect on segment information: (a) prior period segment information presented for comparative purposes should be restated unless it is impracticable to do so; and (b) details of the change should be disclosed, including: (i) a description of the nature of the change; (ii) the reasons for the change; (iii) the fact that comparative information has been restated or that it is impracticable to do so; and (iv) the financial effect of the change, if it is reasonably determinable.
HKAS 14.76	If an entity changes the identification of its segments and it does not restate prior period segment information on the new basis because it is impracticable to do so then, for the purpose of comparison, the entity should report segment data for both the old and the new bases of segmentation in the year in which it changes the identification of its segments.
HKAS 14.81	If not otherwise disclosed in the financial statements or elsewhere in the financial report, the entity should indicate, for both primary and secondary segments: (a) the types of products and services included in each reported business segment; and (b) the composition of each reported geographical segment.
	Borrowings
App 16.22(1) GR 18.21	A statement is required, showing: (a) bank loans and overdrafts, and (b) other borrowings, analysed over the following repayment terms: (i) on demand or within a period not exceeding one year; (ii) within a period of more than one year but not exceeding two years; (iii) within a period of more than two years but not exceeding five years; and (iv) within a period of more than five years.

Source	Presentation/Disclosure Requirement
	Interest capitalised
App 16.22(2) GR 18.22	A statement is required showing the amount of interest capitalised by the group during the year.
	Directors' emoluments
App 16.24 GR 18.28	The entity should disclose the following details of directors' and past directors' emoluments, on a named basis: (a) the directors' fees for the financial year; (b) the directors' basic salaries, housing allowances, other allowances and benefits in kind;
App 16 Note 24.2 GR 18.28 Note 3	*Note: Where a director is contractually entitled to bonus payments which are fixed in amount, such payments are more in the nature of basic salary and, accordingly, should be disclosed under this heading.*
	(c) the contributions to pension schemes for directors or past directors for the financial year; (d) the bonuses paid or receivable by directors which are discretionary or are based on the entity's, the group's or any member of the group's performance for the financial year;
App 16 Note 24.3 GR 18.28 Note 4	*Note: In addition to discretionary bonus payments, all bonus payments to which a director is contractually entitled and which are not fixed in amount together with the basis upon which they are determined, should be disclosed under this heading.*
	(e) the amounts paid during the financial year or receivable by directors as an inducement to join or upon joining the company; and (f) the compensation paid during the financial year or receivable by directors or past directors for loss of office as a director of any member of the group or of any other office in connection with the management of the affairs of any member of the group, distinguishing between contractual and other payments.
App 16 Note 24.4 GR 18.28 Note 1	*Note: If the entity is incorporated or otherwise established in the PRC, references to directors or past directors should also mean and include supervisors and past supervisors, as appropriate.*
GR 18.28(7)	For GEM listed entities, information on share options held by directors as required under GR 23.07 should be disclosed.
App 16.24A GR 18.29	The entity should disclose particulars of any arrangement under which a director has waived or agreed to waive any emoluments.
App 16 Note 24A.1 GR 18.29 Note	*Note: Where a director has agreed to waive future emoluments, particulars of such waiver should be disclosed together with those relating to emoluments which accrued during the past financial year. This applies in respect to emoluments from the entity or any of its subsidiaries or other person.*

Source	Presentation/Disclosure Requirement
	Emoluments of the five highest paid individuals
App 16.25 GR 18.30	The entity should disclose information in respect of the five individuals whose emoluments (excluding amounts paid or payable by way of commissions on sales generated by the individual) were the highest in the entity or the group during the year.
App 16.25 GR 18.30	Where all five of the five highest-paid individuals are directors of the entity and the information required to be disclosed by this paragraph has been disclosed in directors' emoluments above, a statement of that fact should be made and no additional disclosure is required. Where the details of one or more of the individuals whose emoluments were the highest have not been included in directors' emoluments above, the following information should be disclosed: (a) the aggregate of basic salaries, housing allowances, other allowances and benefits in kind for the financial year; (b) the aggregate of contributions to pension schemes for the financial year; (c) the aggregate of bonuses paid or receivable which are discretionary or are based on the entity 's, the group's or any member of the group's performance for the financial year; (d) the aggregate of amounts paid during the financial year or receivable as an inducement to join or upon joining the entity or the group; (e) the aggregate of compensation paid during the financial year or receivable for loss of any office in connection with the management of the affairs of any member of the group, distinguishing between contractual payments and other payments; and (f) an analysis showing the number of individuals whose remuneration (being amounts paid under (a) to (e) above) fell within bands from HK$nil up to HK$1,000,000 or into higher bands (where the higher limit of the band is an exact multiple of HK$500,000 and the range of the band is HK$499,999).
App 16 Note 25.1 GR 18.30 Note 1	*Note: It is not necessary to disclose the identity of the highest paid individuals, unless any of them are directors of the entity.*
	Earnings per share
HKAS 33.66 HKAS 33.67 App 16.4(1)(g) GR 18.50B(1)(m)	The entity should present earnings per share information (see detailed requirements below) separately for each class of ordinary shares that has a different right to share in profit for the period. The entity should present on the face of the income statement: (a) basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity; and (b) basic and diluted earnings per share for profit or loss for the period attributable to the ordinary equity holders of the parent entity. *Note: Earnings per share is presented for every period for which an income statement is presented. If diluted earnings per share are reported for at least one period, it should be reported for all periods presented, even if it equals basic earnings per share. If basic and diluted earnings per share are equal, dual presentation can be accomplished in one line on the income statement.*
HKAS 33.68	The entity that reports a discontinued operation should disclose the basic and diluted amounts per share for the discontinued operation on the face of the income statement or in the notes to the financial statements.

Source	Presentation/Disclosure Requirement
HKAS 33.70	The entity should disclose the following: (a) the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period; (b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of those denominators to each other; (c) instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per shares because they are antidilutive for the period(s) presented; and (d) a description of ordinary share transactions or potential ordinary share transactions, other than those accounted for in accordance with paragraph 64 of HKAS 33, that occur after the balance sheet date and that would have changed is significantly that number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.
HKAS 33.73	If the entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the income statement other than one required by HKAS 33: (a) such amounts should be calculated using the weighted average number of ordinary shares determined in accordance with HKAS 33; (b) basic and diluted per share amounts should be disclosed with equal prominence; (c) the amounts should be presented in the notes to the financial statements; (d) the entity should indicate the basis on which the numerator(s) is (are) determined, including whether amounts per share are before or after tax; and (e) if a component of the income statement is used that is not reported as a line item in the income statement, a reconciliation should be provided between the component used and a line item that is reported in the income statement.
HKAS 33.64	The calculation of the basic and diluted earnings per share for all periods presented should be adjusted retrospectively for: (a) any increases in the number of shares or potential ordinary shares outstanding during the period as a result of a capitalisation or bonus issue or share split; (b) any decreases in the number of shares or potential ordinary shares outstanding during the period as a result of a reverse share split; (c) any such increases or decreases that occur after the balance sheet date but before the issue of the financial statements; and (d) the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.
HKAS 33.64	Where applicable, the fact that per share calculations have been adjusted retrospectively to reflect increases/decreases in the number of ordinary or potential ordinary shares outstanding arising from capitalisation issues or share splits/reverse share splits should be disclosed.

Source	Presentation/Disclosure Requirement
	Subsidiaries
App 16.9(1) GR 18.10(1)	A statement is required showing: (a) the name of every subsidiary; (b) its principal country of operation; (c) its country of incorporation or other establishment; and (d) in the case of a subsidiary established in the PRC, the kind of legal entity it is registered as under PRC law (e.g. contractual or cooperative joint venture).
	Note: For GEM listed entities, the requirement to disclose the form of legal entity applies to all subsidiaries, not just PRC subsidiaries.
App 16.9(2) GR 18.10(2)	Particulars should be disclosed of the issued share capital and debt securities of every subsidiary.
GR 18.10(3)	For GEM listed entities, the nature of the business of every subsidiary should also be disclosed.
App 16 Note 9.2 GR 18.10	*Note: If the entity has an excessive number of subsidiaries, the statement need only include details for subsidiaries which, in the opinion of the directors, materially contribute to the net income of the group or hold a material portion of the assets or liabilities of the group.*
	Accounts receivable
App 16.4(2)(b)(ii) GR 18.50B(2)(b)(ii)	The financial statements should disclose the credit policy followed in respect of accounts receivable, and an aged analysis of accounts receivable.
	Accounts payable
App 16.4(2)(c)(ii) GR 18.50B(2)(c)(ii)	The financial statements should disclose an aged analysis of accounts payable.

Source	Presentation/Disclosure Requirement
	Additional disclosure requirements for financial conglomerates
	Notes:
App 16.36 GR 18.37B	*1. The following disclosures relate only to financial conglomerates. A financial conglomerate is defined as an entity that:* ● *any of the percentage ratios (as defined under LR 14.04(9) and LR 14.07/GR 19.04(9) and GR 19.07) of its financial business exceeds 5%. For the avoidance of doubt, the entity must compare the total assets of its financial business to that of the group as at the end of the period for the purpose of the assets ratio under LR 14.07/GR 19.07. The entity must compare the revenue and profits of its financial business during the period under review to that of the entity for the purpose of the revenue ratio and profits ratio under LR 14.07/GR 19.07.* ● *as at the end of the period, its financial business has total assets of over HK$1 billion or has customer deposits plus financial instruments held by the public of over HK$300 million.*
App 16 Note 36.1 GR 18.37B Note	*2. For the purpose of these disclosure requirements," financial business" includes, but is not limited to, the business of securities trading; giving advice in connection with securities; commodities trading; leveraged foreign exchange trading; insurance activities; and money lending.*
App 16.35 GR 18.37A	*3. The information required by App 16.35(1)-(3)/GR 18.37A(1)-(3) (see below), to be presented either on the face of the primary statements or in the notes, is considered to be part of the financial statements and therefore, where applicable, will be subject to audit. The information required by App 16.35(4)/GR 18.37A(4) (see below) will be presented outside the financial statements, generally as part of the directors' business review.*
App 16.35(1) GR 18.37A(1)	The following items should be disclosed in the income statement of a financial conglomerate: (a) interest income; (b) interest expense; (c) gains less losses arising from dealing in foreign currencies; (d) gains less losses on trading securities or other investments in securities; (e) gains less losses from other dealing activities; (f) gains less losses arising from derivative products; (g) charge for bad and doubtful debts; (h) gains less losses from disposal of investment securities or non-trading securities; (i) provisions relating to held-to-maturity securities and investment securities, or provisions relating to held-to-maturity securities and non-trading securities; and (j) operating profit by products and divisions.
App 16.35(2) GR 18.37A(2)	The following items should be disclosed in the balance sheet of a financial conglomerate: (a) cash and short-term funds (with an analysis between cash and balances with banks and other financial institutions, money at call and short notice and treasury bills where applicable); (b) trading securities or other investments in securities (the analysis of investments in securities should distinguish between equities and debt securities and they should also be analysed between those that are listed and those that are unlisted. The analysis should be provided separately for held-to-maturity securities, investment securities, other investments in securities, trading securities and non-trading securities where applicable. The market value for the listed securities as at the balance sheet date should also be disclosed); (c) advances and other accounts (with an analysis between advances to customers, advances to banks and other financial institutions, accrued interest and other accounts, provisions for bad and

Source	Presentation/Disclosure Requirement
	doubtful debts and the related collateral security);
	(d) held-to-maturity securities and investment securities or held-to-maturity securities and non-trading securities (with an analysis of held-to-maturity securities, investment securities, other investments in securities, trading securities and non-trading securities separately into those issued by central governments and central banks, public sector entities, banks and other financial institutions; corporate entities; and others. The market value of listed securities as at the balance sheet date should also be disclosed);
	(e) issued debt securities;
	(f) other accounts and provisions such as obligations under leases, sale and repurchase agreements, and forward contracts (with an analysis where material); and
	(g) a maturity profile of the following assets and liabilities unless immaterial:
	Assets -
	● advances to customers
	● placements with banks and other financial institutions
	● certificates of deposit held
	● debt securities (with an analysis into those included in held-to-maturity securities, trading securities or other investments in securities and investment securities or non-trading securities)
	Liabilities -
	● deposits and balances of banks and other financial institutions
	● current, fixed savings and other deposits of customers
	● certificates of deposit issued
	● issued debt securities
App 16.35(3) GR 18.37A(3)	The following should be disclosed in respect of the off-balance sheet exposures of a financial conglomerate:
	(a) contingent liabilities and commitments;
	(b) derivatives (with an analysis into those related to exchange rate contracts and interest rate contracts. The aggregate notional amounts of each significant class of derivative instruments should also be analysed into those entered into for trading or hedging purposes);
	(c) where applicable, the aggregate credit risk weighted amounts of its contingent liabilities and commitments, exchange rate contracts, interest rate contracts and other derivatives, if any; and
	(d) the aggregate replacement costs of its exchange rate contracts, interest rate contracts and other derivative contracts, if any.
App 16.35(4) GR 18.37A(4)	The following supplementary information is required in respect of financial conglomerates:
	(a) Management of risks
	A description of the main types of risk arising out of its business, including, where appropriate, credit, interest rate, foreign exchange and market risks arising out of its trading book. It should also include a description of the policies, procedures (including hedging policies) and controls used for measuring, monitoring and controlling those risks and managing the capital required to support them.
	(b) Segmental information
	Where a geographical segment of the financial business represents 10% or more of the entity's whole business, then that segment should be further analysed by industry sector.

Source	Presentation/Disclosure Requirement
	Preliminary announcements of annual results
	Main board listed entities
App 16.45 LR 13.49(1)	On the next business day after the date of board approval of the preliminary results (and in any event, not later than 4 months after the end of the financial year), the entity is required to publish in the newspapers a preliminary announcement in respect of its results for the financial year.
	Notes:
LR 13.49(2)	*1. The preliminary announcement of result should be based on the entity's financial statements which have been agreed by the auditors.*
LR 13.50	*2. If the entity fails to publish the periodic financial information on time, the SEHK will normally require suspension of trading in the entity's securities.*
LR 13.49(3)(i)	In circumstances where the entity is unable to make such a preliminary announcement of results, the entity is required to make an announcement within 4 months after the end of the financial year containing: (a) a full explanation for its inability to make an announcement based on financial statements which have been agreed with the auditors; (b) the expected date of announcement of the financial results for the financial year which should have been agreed with the auditors; and (c) so far as the information is available, results for the financial year based on financial results which have yet to be agreed with the auditors.
	Note: If the entity's audit committee has reviewed and, however, disagreed with an accounting treatment, disclose full details of such disagreement.
LR 13.49(5)	*Note: The entity is required to supply the SEHK immediately on publication with the names of the relevant newspapers and the date of publication.*
LR 13.49(3)(ii)	If the entity makes an announcement in accordance with item L7002 above, then, as soon as the financial results for the financial year have been agreed with the auditors, the entity should: (a) make a preliminary announcement of results based on the financial statements which have been agreed by the auditors; and (b) set out full particulars of, and reasons for any material difference between the results agreed with the auditors and the one published in accordance with the rule set out in LR 13.49(3)(i) (see above)
	Information to accompany preliminary announcement of annual results
LR 2.14	The entity should include in the announcement, the name of each director at the date of the announcement of annual results.
App 16.45	The following details, as extracted from the financial statements, should be included in the preliminary announcement of annual results:
App 16.45(1)	(a) the disclosures specified for the balance sheet and the income statement (Note 1 to 3 below), with comparative figures for the immediately preceding financial year, including the notes relating to turnover, taxation, earnings per share, dividends and any other notes that the directors consider necessary for a reasonable appreciation of the results for the year;

Source	Presentation/Disclosure Requirement
	Notes:
App 16.4(2)	*1. Disclosures specified for the balance sheet:* *(a) fixed assets;* *(b) current assets:* *(i) inventories;* *(ii) debtors, including credit policy and aged analysis of accounts receivable;* *(iii) cash at bank and in hand; and* *(iv) other current assets;* *(c) current liabilities:* *(i) borrowings and debts; and* *(ii) aged analysis of accounts payable;* *(d) net current assets (liabilities);* *(e) total assets less current liabilities;* *(f) non-current liabilities - borrowings and debts;* *(g) capital and reserves; and* *(h) minority interests.*
App 16.4(1)	*2. Disclosures specified for the income statement:* *(a) turnover;* *(b) profit (or loss) before taxation, including the share of the profit (or loss) of associates and jointly controlled entities, with separate disclosure of any items included therein which are exceptional because of size, and incidence;* *(c) taxation on profits (Hong Kong and overseas), in each case indicating the basis of computation, with separate disclosure of the taxation on share of profits of associates and jointly controlled entities;* *(d) profit (or loss) attributable to minority interests;* *(e) profit (or loss) attributable to shareholders;* *(f) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);* *(g) earnings per share;* *(h) investment and other income;* *(i) cost of goods sold;* *(j) interest on borrowings;* *(k) depreciation/amortisation; and* *(l) profit (or loss) on sale of investments or properties.*
App 16.4(3)	*3. Segment information required by HKAS 14, IAS 14 or relevant accounting standards under US GAAP (where applicable) for the balance sheet and income statement.*
	4. The directors should ensure the information contained in the preliminary announcement of results is consistent with the information to be contained in the annual report.
App 16.45(2)	(b) particulars of any purchase, sale or redemption by the entity, or any of its subsidiaries, of its listed securities during the relevant year, or an appropriate negative statement;

Source	Presentation/Disclosure Requirement
App 16.45(3)	(c) a business review which should cover the following information: (i) a fair review of the development of the business of the entity and its subsidiaries during the financial year and of their financial position at the end of the year; (ii) details of important events affecting the entity and its subsidiaries which have occurred since the end of the financial year; and (iii) an indication of likely future developments in the business of the entity and its subsidiaries;
App 16.45(4)	(d) any supplementary information which in the opinion of the directors of the entity is necessary for a reasonable appreciation of the results for the relevant year;
App 16.45(5)	(e) a statement as to whether the entity meets the code provisions set out in the Code on Governance Practices contained in App 14. The entity should also disclose any deviations from the code provisions and give considered reasons for such deviations. To the extent that it is reasonable and appropriate, such information may be given by reference to the immediately preceding interim report or to the Corporate Governance Report in the immediately preceding annual report, and summarising any changes since that report. Any such references must be clear and unambiguous.
	Note: Transitional arrangements have been provided by the SEHK. In relation to the first annual results announcement for the accounting period commencing on or after 1 January 2005, the entities are not required to give considered reasons for deviations. The entities are only required to give a summary of the major areas of deviation. Details of the transitional arrangements are set out in the Exposure Conclusion Report available on the SEHK website at www.hkex.com.hk/consul/conclusion/expocon.pdf.
App 16.45(6)	(f) a statement as to whether or not the annual results have been reviewed by the audit committee of the entity;
App 16.45(7)	(g) where the auditors' report on the entity's annual financial statements is likely to be qualified or modified (whether or not it is also likely to be qualified), details of the qualification or modification; and
App 16.45(8)	(h) where there are any significant changes in accounting policies, a statement to that fact must be made.
App 16 Note 45.2	*Note: The entity should apply the same accounting policies consistently except where the change in accounting policy is required by an accounting standard which came into effect during the financial year.*
	GEM listed entities
GR 18.49	On the next business day after the date of board approval of the preliminary result for the financial year (and in any event, not later than 3 months after the end of the financial year), the entity is required to publish on the GEM website a preliminary announcement in respect of its results for the year.
	Note: The preliminary announcement of result should have been agreed with the entity's auditors.

Source	Presentation/Disclosure Requirement
	Information to accompany preliminary announcement of annual results
GR 18.50	The following details, as extracted from the financial statements, should be included in the preliminary announcement of annual results:
GR 18.50(1)	(a) the disclosures specified for the balance sheet and the income statement (see Notes 1 to 3 to the previous subsection "Information to accompany preliminary announcement of annual results (applicable to Main Board listed entities)", with comparative figures for the immediately preceding financial year, including the notes relating to turnover, taxation, earnings per share, dividends and any other notes that the directors consider necessary for a reasonable appreciation of the results for the year;
	Note: The directors should ensure the information contained in the preliminary announcement of results is consistent with the information to be contained in the annual report.
GR 18.50B(1)(l)	(b) the movement of profit (loss) to and from any reserve;
GR 18.50(2)	(c) a business review which should cover the following information: (i) a fair review of the development of the business of the entity and its subsidiaries during the financial year and of their financial position at the end of the year; (ii) details of important events affecting the entity and its subsidiaries which have occurred since the end of the financial year; and (iii) an indication of likely future developments in the business of the entity and its subsidiaries;
GR 18.50(4)	(d) particulars of any purchase, sale or redemption by the entity, or any of its subsidiaries, of its listed securities during the financial year as required by GR18.14 (see above) or an appropriate negative statement;
GR 18.50(5)	(e) any supplementary information which in the opinion of the directors of the entity is necessary for a reasonable appreciation of the results for the relevant year;
GR 18.50(6)	(f) particular of compliance with GR 5.34 to GR 5.45 concerning board practices and procedures during the financial year;
GR 18.50(7)	(g) a statement as to whether the annual results have been reviewed by the audit committee of the entity;
GR 18.50(8)	(h) where the auditors' report on the entity's annual financial statements is likely to be qualified or modified (whether or not it is also likely to be qualified), details of the qualification or modification; and
GR 18.50(9)	(i) where there are any significant changes in accounting policies, a statement to that fact must be made.
GR 18.50(9) Note 1	*Note: The entity should apply the same accounting policies consistently except where the change in accounting policy is required by an accounting standard, which came into effect during the financial year.*

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