

Hong Kong Financial  
Reporting Standards  
Illustrative Annual Financial  
Statements 2011





# **Hong Kong Financial Reporting Standards**

**Illustrative Annual Financial Statements 2011**

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## Foreword

Welcome to our new edition of Hong Kong Financial Reporting Standards – Illustrative Annual Financial Statements 2011.

There are a number of new and revised Standards and Interpretations that are mandatorily effective for 2011, including HKAS 24 (as revised in 2009) *Related Party Disclosures* and a number of amendments arising from the annual improvements project.

In addition, a number of new and revised Standards were recently issued by Hong Kong Institute of Certified Public Accountants, including a package of five new and revised Standards on consolidation, joint arrangements, associates and disclosures. These new and revised Standards allow early application. The application of these new and revised Standards may have significant impact on entities' financial statements.

Therefore, this publication includes the followings:

- Section 1 – Accounting and regulatory updates in Hong Kong for 2011.
- Section 2 - A set of Illustrative annual financial statements for the year ended 31 December 2011 issued by a Hong Kong listed company, *Hong Kong GAAP Limited*. This set of illustrative financial statements shows the impact of the presentation and disclosure requirements of a number of new and revised Standards and Interpretations that are mandatorily effective on 1 January 2011. It assumes that the reporting entity has not applied any of the new or revised Standards or Interpretations in advance of their effective dates.
- Section 3 - A number of appendices that give examples of the application of the presentation and disclosure requirements of a number of new and revised Standards that are not yet mandatorily effective on 1 January 2011 (e.g. amendments to HKAS 12 titled *Deferred Tax – Recovery of Underlying Assets*, a package of five new and revised Standards on consolidation, joint arrangements, associates and disclosures issued in June 2011).

Suggested disclosures are cross-referenced to the underlying requirements in the texts of the relevant Standards and Interpretations.

We hope that this publication will help you navigate through the increasingly complex and changing financial reporting requirements in Hong Kong. In addition, please continue to keep up to date with the new international developments that will shape Hong Kong financial reporting in the future via our IAS Plus website ([www.iasplus.com](http://www.iasplus.com)).

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## Abbreviations

AG	=	Accounting Guideline issued by the HKICPA
Alt	=	Alternative
App	=	Appendix to the Listing Rules
EPS	=	Earnings per Share
GEM	=	Growth Enterprise Market of the SEHK
GR	=	Rules Governing the Listing of Securities on the GEM (the GEM Rules)
HKAS(s)	=	Hong Kong Accounting Standard(s) issued by the HKICPA
HKFRS(s)	=	Hong Kong Financial Reporting Standard(s) issued by the HKICPA
HIBOR	=	Hong Kong Inter-Bank Offer Rate
HKICPA	=	Hong Kong Institute of Certified Public Accountants
HK-Int	=	HK Interpretation
HK (IFRIC)-Int	=	HK (IFRIC) Interpretation
HKSA(s)	=	Hong Kong Standard(s) on Auditing issued by the HKICPA
HK (SIC)-Int	=	HK (SIC) Interpretation
IAS(s)	=	International Accounting Standard(s)
IASB	=	International Accounting Standards Board
IFRS(s)	=	International Financial Reporting Standard(s)
IFRIC	=	International Financial Reporting Interpretations Committee (renamed as IFRS Interpretations Committee)
Preface	=	Preface to Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services
LR	=	Rules Governing the Listing of Securities on the SEHK (the Listing Rules)
MD&A	=	Management Discussion and Analysis
PN	=	Practice Note to the Listing Rules
s	=	Section Reference, Hong Kong Companies Ordinance
Sch 10	=	Companies Ordinance, Tenth Schedule
SFO	=	Securities and Futures Ordinance



## Section 1 - What's new for 2011 annual financial statements and beyond?

### 1A. Accounting update in Hong Kong

This section covers the followings:

- an overview of new and revised Hong Kong Financial Reporting Standards (HKFRSs) that are mandatorily effective for the year ended 31 December 2011; and
- an overview of new and revised HKFRSs that are not yet mandatorily effective but allow early application for the year ended 31 December 2011. For this purpose, the discussion below reflects a cut-off date of 30 September 2011. The potential impact of the application of any new and revised HKFRSs issued by the HKICPA after 30 September 2011 but before the financial statements are issued should also be considered and disclosed.

#### New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2011

Revised Standard	Effective for annual periods beginning on or after	Application
HKAS 24 (as revised in 2009) <i>Related Party Disclosures</i>	1 January 2011	Retrospective application

Amendments to Standards	Effective for annual periods beginning on or after	Application
Amendments to HKFRS 1 <i>Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>	1 July 2010	Retrospective application, with specific transitional provisions
Amendments to HKAS 32 <i>Classification of Rights Issues</i>	1 February 2010	Retrospective application
<i>Improvements to HKFRSs</i> (issued in 2010)	1 July 2010 or 1 January 2011, as appropriate	Retrospective or prospective application, as appropriate

New Interpretation	Effective for annual periods beginning on or after	Application
HK (IFRIC) – Int 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010	Retrospective application (from the beginning of the earliest comparative period presented)

Amendments to Interpretation	Effective for annual periods beginning on or after	Application
Amendments to HK (IFRIC) – Int 14 <i>Prepayments of a Minimum Funding Requirement</i>	1 January 2011	Retrospective application (from the beginning of the earliest comparative period presented)

## Section 1

### ***HKAS 24 (as revised in 2009) Related Party Disclosures (Effective for annual periods beginning on or after 1 January 2011)***

The revised version of HKAS 24 simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarifies the definition of a related party.

The previous version of HKAS 24 contained no specific exemption for government-related entities. Many entities, particularly those in an environment where government control is pervasive, found it problematic in practice to identify all government-related entities, and to quantify all related party transactions and balances with those entities.

As a result, the revised version of HKAS 24 provides a partial exemption from the disclosure requirements of HKAS 24 for government-related entities. Specifically, a government-related entity is exempt from the general disclosure requirements set out in paragraph 18 of HKAS 24 in relation to related party transactions and outstanding balances (including commitments) with:

- a government that has control, joint control or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Instead, such a government-related entity is required to make disclosures set out in paragraph 26 of HKAS 24 (e.g. the name of the government and the nature of its relationship with the reporting entity, information in sufficient detail about the nature and amount of each individually significant transaction, and information in sufficient detail about other transactions that are collectively but not individually significant).

The revised version of HKAS 24 also simplifies the definition of a related party, clarifies the intended meaning and eliminates a number of inconsistencies. Some important changes and/or clarifications in relation to the definition of a related party are as follows:

- two entities that are both subject to control or joint control by the same party, are related to each other;
- if one party controls or jointly controls an entity and at the same time has significant influence over another entity, the entities are related to each other; and
- if two entities are both subject to significant influence by the same entity, such a relationship on its own is not sufficient to conclude that the entities are related to each other.

Retrospective application is required.

### ***Amendments to HKFRS 1 Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters (Effective for annual periods beginning on or after 1 July 2010)***

The amendments to HKFRS 7 titled *Improving Disclosures about Financial Instruments* were issued in 2009. These amendments expanded the disclosures required, for each class of financial instruments, in respect of fair value measurements recognised in the statement of financial position, introduced a three-level fair value hierarchy and clarified the scope of items to be included in the maturity analyses required under HKFRS 7. The transitional provisions set out in the amendments to HKFRS 7 provided relief in the first year of application from providing comparative information for the disclosures required by the amendments. However, no consequential amendments were made to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* to accommodate the relief at that time.

Therefore, in 2010, the amendments to HKFRS 1 titled *Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* was issued to relieve first-time adopters of HKFRSs from providing comparative period disclosures required by the amendments to HKFRS 7 issued in 2009.

**Amendments to HKAS 32 Classification of Rights Issues**  
**(Effective for annual periods beginning on or after 1 February 2010)**

The amendments to HKAS 32 address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments to HKAS 32, rights, options and warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

Before the amendments to HKAS 32, rights, options or warrants to acquire a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

**Improvements to HKFRSs (issued in 2010)**  
**(Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate)**

The Improvements include amendments to seven HKFRSs that are summarised below.

Standard	Subject of amendment	Details
HKFRS 1	Accounting policy changes in the year of adoption (effective for annual periods beginning on or after 1 January 2011)	Amendment to clarify that if a first-time adopter changes its accounting policies or its use of the exemptions in HKFRS 1 after it has published an interim financial report in accordance with HKAS 34 <i>Interim Financial Reporting</i> but before its first HKFRS financial statements are issued, it should explain those changes and update the reconciliations between previous GAAP and HKFRSs. The requirements in HKAS 8 do not apply to such changes.
	Revaluation basis as deemed cost (effective for annual periods beginning on or after 1 January 2011)	Clarification that a first-time adopter is permitted to use an event driven fair value as 'deemed cost' at the measurement date for measurement events that occurred after the date of transition to HKFRSs but during the period covered by the first HKFRS financial statements. Any resulting adjustment should be recognised directly in equity at the measurement date.
	Use of deemed cost for operations subject to rate regulation (effective for annual periods beginning on or after 1 January 2011)	Amendment to specify that a first time adopter may elect to use the previous GAAP carrying amount of items of property, plant and equipment or intangibles that are, or were, used in operations subject to rate regulations. This election is available on an item by item basis.
HKFRS 3 (as revised in 2008)	Measurement of non-controlling interests (effective for annual periods beginning on or after 1 July 2010)	Amendment to specify that the option to measure non-controlling interests either at fair value or at the proportionate share of the acquiree's net identifiable assets at the acquisition date under HKFRS 3 (as revised in 2008) applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other types of non-controlling interests should be measured at their acquisition date fair value, unless there is another measurement basis required by other HKFRSs.
	Un-replaced and voluntary replaced share-based payment awards (effective for annual periods beginning on or after 1 July 2010)	Amendment to specify that the current requirement to measure awards of the acquirer that replace acquiree share-based payment transactions in accordance with HKFRS 2 <i>Share-based Payment</i> at the acquisition date ('market-based measure') applies also to share-based payment transactions of the acquiree that are not replaced.  Amendment to specify that the current requirement to allocate the market-based measure of replacement awards between the consideration transferred for the business combination and post-combination remuneration applies to all replacement awards regardless of whether the acquirer is obliged to replace the awards or does so voluntarily.

## Section 1

Standard	Subject of amendment	Details
	Transitional requirements for contingent consideration from a business combination that occurred before the effective date of HKFRS 3(as revised in 2008) (effective for annual periods beginning on or after 1 July 2010)	Amendment to clarify that HKAS 32 <i>Financial Instruments: Presentation</i> , HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> and HKFRS 7 <i>Financial Instruments: Disclosures</i> do not apply to contingent consideration that arose from business combinations whose acquisition dates preceded the application of HKFRS 3 (as revised in 2008).
HKFRS 7	Clarification of disclosures (effective for annual periods beginning on or after 1 January 2011)	Amendment to encourage qualitative disclosures in the context of the quantitative disclosures required to help users to form an overall picture of the nature and extent of risks arising from financial instruments.  Amendment to clarify the required level of disclosure around credit risk and collateral held and to provide relief from disclosure of renegotiated loans.
HKAS 1	Clarification of presentation of items of other comprehensive income in the statement of changes in equity (effective for annual periods beginning on or after 1 January 2011)	Amendment to clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.
HKAS 27	Transitional requirements for consequential amendments as a result of HKAS 27 <i>Consolidated and Separate Financial Statements</i> (as revised in 2008) to HKAS 21, HKAS 28 and HKAS 31 (effective for annual periods beginning on or after 1 July 2010)	Amendment to clarify that the amendments made to HKAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> , HKAS 28 <i>Investments in Associates</i> and HKAS 31 <i>Interests in Joint Ventures</i> as a result of HKAS 27 (as revised in 2008) should be applied prospectively (with the exception of paragraph 35 of HKAS 28 and paragraph 46 of HKAS 31, which should be applied retrospectively).
HKAS 34	Significant events and transactions (effective for annual periods beginning on or after 1 January 2011)	Amendment to emphasise the principle in HKAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report.  Amendment to clarify how to apply this principle in respect of financial instruments and their fair values.
HK (IFRIC)-Int 13	Fair value of award credit (effective for annual periods beginning on or after 1 January 2011)	Amendment to clarify that the 'fair value' of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale, and any expected forfeitures.

***HK (IFRIC) – Int 19 Extinguishing Financial Liabilities with Equity Instruments  
(Effective for annual periods beginning on or after 1 July 2010)***

HK (IFRIC)-Int 19 addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as "debt for equity swaps"). HK (IFRIC)-Int 19 concludes that equity instruments issued to extinguish an obligation constitute "consideration paid" in the context of paragraph 41 of HKAS 39. The equity instruments issued should be measured at the fair value at the date of extinguishment of the liabilities, unless that fair value of the equity instruments is not readily determinable, in which case the equity instruments should be measured at the fair value of the liabilities extinguished.

When the application of the Interpretation results in a change in the accounting policy, entities should apply the change in accounting policy in accordance with HKAS 8 from the beginning of the earliest comparative period presented.

***Amendments to HK (IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement  
(Effective for annual periods beginning on or after 1 January 2011)***

HK (IFRIC) – Int 14 has been amended to remedy an unintended consequence of HK (IFRIC) – Int 14 where entities in some circumstances are not permitted to recognise prepayments of minimum funding contributions, as an asset.

HK (IFRIC) – Int 14 (as originally issued) did not consider that a plan surplus may result from a prepayment of future minimum funding contributions and therefore, unintentionally reduced the economic benefits available in accordance with paragraph 58 of HKAS 19 arising from voluntary prepayments of minimum funding contributions. If an entity is subject to minimum funding requirements for contributions relating to future benefits, paragraph 20 of HK (IFRIC) – Int 14 (as originally issued) limited the economic benefits available in the form of reductions in future contributions to the present value of:

- (a) the estimated future service cost in each year; less
- (b) the estimated minimum funding contributions required in respect of the future accrual of benefits in that year.

Under the amended paragraph 20 of HK (IFRIC) – Int 14, if there is a minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions (and, therefore, the surplus that should be recognised as an asset) is comprised of:

- (a) any amount that reduces future minimum funding requirement contributions for future services because the entity made a prepayment (i.e. any amount that the entity has paid before being required to do so); and
- (b) the estimated future service cost in each period less the estimated minimum funding requirement contributions that would be required for future service in that period if there were no prepayment of those contributions as described in (a).

Further, HK (IFRIC) – Int 14 clarifies that while the amount calculated under (b) above may be negative for a given period (i.e. the estimated minimum funding requirement contribution for that period exceeds the estimated future service cost for that same period), the total amount calculated under (b) can never be less than zero. Accordingly, the economic benefits available as a reduction in future contributions will correspond, as a minimum, to the amount of the prepayment, if any.

## Section 1

### New and revised HKFRSs that are available for early application

The following new and revised HKFRSs are not mandatorily effective for the year ended 31 December 2011. However, they are available for early application. Paragraph 30 of HKAS 8 requires entities to consider and disclose the potential impact of new and revised HKFRSs that are in issue but are not yet effective.

The list below reflects a cut off date of 30 September 2011. The potential impact of the application of any new and revised HKFRSs issued by the HKICPA after 30 September 2011 but before the financial statements are issued should also be considered and disclosed.

New standard on financial instruments	Effective for annual periods beginning on or after	Application
HKFRS 9 <i>Financial Instruments</i> (as revised in 2010)	1 January 2013	Retrospective application, with specific transitional provisions.

New and revised standards on consolidation, joint arrangements, associates and disclosures	Effective for annual periods beginning on or after	Application
HKFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013	Retrospective application, with specific transitional provisions. Earlier application is permitted if HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) are early applied at the same time.
HKFRS 11 <i>Joint Arrangements</i>	1 January 2013	Retrospective application, with specific transitional provisions. Earlier application is permitted if HKFRS 10, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) are early applied at the same time.
HKFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013	Earlier application is encouraged with specific transitional provisions. Entities are encouraged to provide information required by HKFRS 12 earlier than annual periods beginning on or after 1 January 2013.
HKAS 27 (as revised in 2011) – <i>Separate Financial Statements</i>	1 January 2013	Retrospective application. Earlier application is permitted if HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) are early applied at the same time.
HKAS 28 (as revised in 2011) – <i>Investments in Associates and Joint Ventures</i>	1 January 2013	Retrospective application. Earlier application is permitted if HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 27 (as revised in 2011) are early applied at the same time.



New standard on fair value measurement	Effective for annual periods beginning on or after	Application
HKFRS 13 <i>Fair Value Measurement</i>	1 January 2013	Prospective application. The disclosure requirements of HKFRS 13 need not be applied in comparative information provided for periods before initial application of HKFRS 13.

Revised standard on employee benefits	Effective for annual periods beginning on or after	Application
HKAS 19 (as revised in 2011) <i>Employee Benefits</i>	1 January 2013	Retrospective application, with specific transitional provisions.

Amendments to Standards	Effective for annual periods beginning on or after	Application
Amendments to HKFRS 1 <i>Severe Hyperinflation</i>	1 July 2011	Retrospective application.
Amendments to HKFRS 1 <i>Removal of Fixed Dates for First-time Adopters</i>	1 July 2011	Retrospective application
Amendments to HKFRS 7 <i>Disclosures – Transfers of Financial Assets</i>	1 July 2011	Entities need not provide the disclosures required by the amendments for any period presented that begins before the date of initial application of the amendments.
Amendments to HKAS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012	Retrospective application.
Amendments to HKAS 12 <i>Deferred Tax - Recovery of Underlying Assets</i>	1 January 2012	Retrospective application.

***New standard on financial instruments***  
***HKFRS 9 Financial Instruments (as revised in 2010)***  
***(Effective for annual periods beginning on or after 1 January 2013)***

HKFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets. In 2010, a revised version of HKFRS 9 was issued. The revised version of HKFRS 9 mainly adds the requirements for the classification and measurement of financial liabilities and derecognition requirements.

Under HKFRS 9, all recognised financial assets that are currently within the scope of HKAS 39 will be subsequently measured at either amortised cost or fair value. A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortised cost. All other debt instruments must be measured at fair value through profit or loss (FVTPL). A fair value option is available (provided that certain specified conditions are met) as an alternative to amortised cost measurement.

## Section 1

All equity investments within the scope of HKFRS 9 are to be measured in the statement of financial position at fair value, with the gains and losses recognised in profit or loss. Only if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at fair value through other comprehensive income (FVTOCI), with only dividend income generally recognised in profit or loss.

Regarding financial liabilities, one major change from HKAS 39 relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective from 1 January 2013, with early application permitted. HKFRS 9 contains a number of transitional provisions.

*Note: In August 2011, the IASB issued an exposure draft titled Mandatory Effective Date of IFRS 9. HKFRS 9 is equivalent to IFRS 9. The exposure draft proposes to change the effective date of IFRS 9 from 1 January 2013 to 1 January 2015. The IASB has not yet finalised the proposal at the date of issue of this publication.*

### ***New and revised standards on consolidation, joint arrangements, associates and disclosures (Effective for annual periods beginning on or after 1 January 2013)***

In 2011, the HKICPA issued a package of five standards on consolidation, joint arrangements, associates and disclosures, including HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosures of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*.

These five standards are effective for annual periods beginning on or after 1 January 2013, with early application permitted. In general, if an entity wishes early application, it should apply all of the five standards early at the same time.

#### ***HKFRS 10 Consolidated Financial Statements***

HKFRS 10 replaces part of HKAS 27 *Consolidated and Separate Financial Statements* that deals with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*.

Headline changes brought about by HKFRS 10 are explained below:

- A more robust definition of control has been developed in HKFRS 10 in order to capture unintentional weaknesses of the definition of control set out in the previous version of HKAS 27. The definition of control in HKFRS 10 includes three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns.
  - HKFRS 10 requires an investor to focus on activities that significantly affect the returns of an investee ("relevant activities") in assessing whether it has control over the investee (not merely financial and operating policies as set out in the previous version of HKAS 27).
  - HKFRS 10 replaces the term 'benefits' with the term 'returns' so as to clarify that an investor's returns could have the potential to be positive, negative or both.
  - HKFRS 10 makes it clear that there must be a linkage between 'power' and 'returns from the investee'.
  - HKFRS 10 requires that, in assessing control, only substantive rights (i.e. rights that their holder has the practical ability to exercise) are considered. For a right to be substantive, the



right needs to be currently exercisable by the time when decisions about the relevant activities need to be made.

- HKFRS 10 adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios, including:
  - application guidance on when an investor that has less than 50 per cent of the voting rights of an investee has control over the investee for reasons other than contractual arrangements and potential voting rights (commonly referred to as "de facto control").
  - application guidance on whether a decision maker is acting as a principal or an agent for another party. A decision maker that has decision-making authority over the relevant activities of an investee does not have control over the investee when it is merely an agent acting on behalf of its principal.
  - application guidance on when a particular set of assets and liabilities of an investee (i.e. a portion of an investee) can be deemed as a separate entity for the purposes of determining whether that portion is a subsidiary of the investor. HKFRS 10 states that a portion of an investee is treated as a separate entity for consolidation purposes when that portion is economically 'ring-fenced' from the rest of the investee.

HKFRS 10 does not contain "bright lines" as to when an investor should or should not consolidate an investee. Overall, the application of HKFRS 10 requires significant judgement on a number of aspects.

HKFRS 10 requires investors to reassess whether or not they have control over their investees on transition to HKFRS 10. In general, HKFRS 10 requires retrospective application, with certain limited transitional provisions.

Regarding the requirements for the preparation of consolidated financial statements, most of the requirements have been moved unchanged from the previous version of HKAS 27 to HKFRS 10.

### HKFRS 11 Joint Arrangements

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

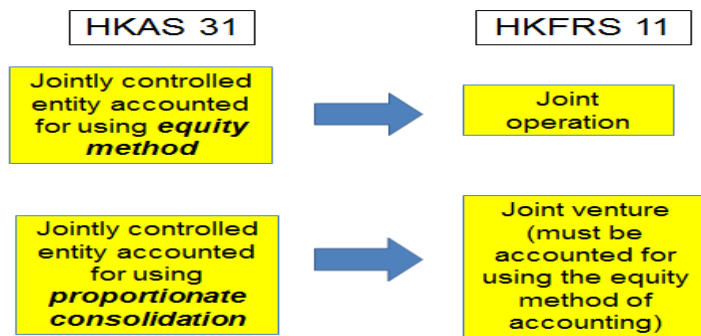
HKFRS 11 deals with how a joint arrangement of which two or more parties have *joint control* should be classified. There are two types of joint arrangements under HKFRS 11: *joint operations* and *joint ventures*. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements.

Type of joint arrangement	Features	Accounting under HKFRS 11
Joint venture	Joint venturers have rights to the <i>net assets</i> of the arrangement	Equity method of accounting – proportionate consolidation is not allowed
Joint operation	Joint operators have <i>rights to the assets and obligations for the liabilities</i> of the arrangement	Each joint operator recognises its share of the assets, liabilities, revenues and expenses

Under HKFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under HKAS 31, the establishment of a separate legal vehicle is the key factor in determining the existence of a jointly controlled entity.

## Section 1

Therefore, upon application of HKFRS 11, the following changes may happen:



HKFRS 11 requires retrospective application with specific transitional provisions.

### HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a disclosure standard and is applicable to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

HKFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of HKFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with their interests in other entities and the effects of those interests on their financial statements.

The disclosure requirements set out in HKFRS 12 are more extensive than those in the current standards.

### HKAS 28 Investments in Associates and Joint Ventures

HKAS 28 (as revised in 2011) is to be applied by entities that are investors with joint control of, or significant influence over, an investee. HKAS 28 (as revised in 2011) addresses the followings:

- Entities should apply HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale should be accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.
- If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

### New standard on fair value measurement

#### HKFRS 13 Fair Value Measurement

(Effective for annual periods beginning on or after 1 January 2013)

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements.

HKFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. HKFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of HKFRS 13 need not be applied in comparative information provided for periods before initial application of the Standard.

***Revised standard on employee benefits***  
***HKAS 19 (as revised in 2011) Employee Benefits***  
***(Effective for annual periods beginning on or after 1 January 2013)***

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

***Other amendments***

***Amendments to HKFRS 1 Severe Hyperinflation***  
***(Effective for annual periods beginning on or after 1 July 2011)***

The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting HKFRS financial statements or to present HKFRS financial statements for the first time.

***Amendments to HKFRS 1 Removal of Fixed Dates for First-time Adopters***  
***(Effective for annual periods beginning on or after 1 July 2011)***

The amendments regarding the removal of fixed dates provide relief for first-time adopters of HKFRSs from having to reconstruct transactions that occurred before their date of transition to HKFRSs.

***Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets***  
***(Effective for annual periods beginning on or after 1 July 2011)***

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***  
***(Effective for annual periods beginning on or after 1 July 2012)***

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that might be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

Retrospective application is required.

***Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets***  
***(Effective for annual periods beginning on or after 1 January 2012)***

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

Retrospective application is required.

## Section 1

### 1B. Regulatory update in Hong Kong

#### Changes to Listing Rules in Hong Kong

##### *Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong*

The Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong was published by the Hong Kong Exchanges and Clearing Limited ("HKEx") on 10 December 2010. The related changes to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") became effective on 15 December 2010.

A summary of the key requirements are set out below:

- Allow Mainland incorporated issuers to prepare their financial statements using Mainland accounting standards ("PRC GAAP");
- Allow Mainland audit firms vetted, nominated and endorsed by the Central Government's Ministry of Finance and the China Securities Regulatory Commission to service these issuers using Mainland auditing standards; and
- Provide for a reciprocal arrangement to allow companies incorporated or registered in Hong Kong and listed on the Mainland to prepare their financial statements using Hong Kong Financial Reporting Standards or International Financial Reporting Standards and be audited by Hong Kong audit firms that are vetted, nominated, endorsed and registered with the Hong Kong Institute of Certified Public Accountants (HKICPA) and use Hong Kong Standards on Auditing or International Standards on Auditing for the audits.

Currently, there are 12 Mainland Audit Firms that are eligible to act as reporting accountants and/or auditors for Mainland incorporated companies listed in Hong Kong.

Four Mainland incorporated issuers have changed to PRC GAAP in preparing their financial statements for the year ended 31 December 2010. The market expects more Mainland incorporated issuers will switch to PRC GAAP in the next few years.

#### *Minimum number of shareholders for market capitalisation/revenue test*

On 21 January 2011, HKEx published consultation conclusions on a proposed change to the Market Capitalisation/Revenue Test under the Listing Rules for the Main Board. Under the amendments, the minimum shareholder requirement for the Market Capitalisation/ Revenue Test is reduced from 1,000 to 300 shareholders. The amendments became effective on 1 February 2011.

#### *Changes to requirements for qualified property acquisitions and formation of joint ventures*

On 21 January 2011, HKEx published Consultation Conclusions on proposed changes to requirements for issuers' Qualified Property Acquisitions and formations of joint ventures. Qualified Property Acquisitions (before the amendment) refer to acquisitions of government land by listed property developers through public auctions or tenders in Hong Kong. The amendments became effective on 1 February 2011. The salient points of the amendments to the Listing Rules are:

- (a) Expand the scope of the Qualified Property Acquisition exemption to cover government land acquisitions in the Mainland through public auctions or tenders (the current exemption applies to land acquisitions in Hong Kong only). For government land acquisitions in other jurisdictions, individual waiver applications will be considered if they meet the criteria described in the new rules.

- (b) Remove the exemption conditions that are considered to be impractical or burdensome, including: (i) the restrictions on the joint venture's financing and profit distribution arrangements when the Qualified Property Acquisition is undertaken on a joint basis; and (ii) the requirements for the issuer to obtain an annual general mandate from shareholders before it engages in any Qualified Property Acquisition on a joint basis with a Qualified Connected Person (as defined in Chapter 14A Connected Transactions of the Listing Rules).
- (c) Accelerate the disclosure of information relating to the formation of joint ventures for Qualified Property Acquisitions in the annual report to the announcement and circular published at the time of the transaction.
- (d) Exempt Qualified Property Acquisitions from the property valuation requirement.
- (e) Exempt the formation of a joint venture from being treated as a transaction under the rules on notifiable transactions if it is engaging in a single-purpose project of a revenue nature to the issuer and in its ordinary and usual course of business.

### **Changes to the Corporate Governance Code and associated Listing Rules**

#### *Background information*

HKEx issued the Consultation Conclusions on Review of the Corporate Governance Code and the amendments to the Listing Rules and GEM Rules in October 2011. The Code on Corporate Governance Practices, renamed the Corporate Governance Code (the "Code"), forms Appendix 14 of the Listing Rules and Appendix 15 of the GEM Rules (collectively referred to as the "Rules"). The Code set out (a) principles of good corporate governance; (b) code provisions ("CPs"); and (c) recommended best practices ("RBPs").

To provide a sound regulatory framework and to give flexibility to issuers to tailor-made the corporate governance structure that best suits its organisation, HKEx has adopted an approach which combines the application of Rules, CPs and RBPs.

- Rules - where the required standard of corporate governance is mandatory for all issuers and breaches may lead to sanctions.
- CPs - where an issuer is allowed the flexibility to either adopt or if it does not, explain the reasons for its decision in the Corporate Governance Report. If the issuer does not comply with the CP, it is not a breach of the Rules and there is no sanction.
- RBPs - where the standard of corporate governance is set by specifying desirable best practices and an issuer is encouraged to comply. If it does not comply, an issuer does not need to explain.

Most of the changes introduced by the HKEx are CPs, changes to Rules and RBPs only form a small percentage.

## Section 1

### Implementation dates

Key implementation dates are:

- most amendments to the Rules will be effective on 1 January 2012;
- Code and certain Rules will be effective on 1 April 2012;
- new Rules requiring the issuer to appoint independent non-executive directors (INEDs) representing at least one-third of the board must be complied with by 31 December 2012; and
- new Rules requiring company secretary training will be staggered according to the date of appointment of an individual as company secretary of an issuer.

The issuer must state, in its first interim/half year or annual report covering a period after 1 April 2012, whether it has, for that period, complied with the CPs in the revised Code as well as with the former Code. Issuers may adopt the revised Code at an earlier date than 1 April 2012.

### Significant changes

The following table provides a list of the key changes affecting reporting and disclosure and other corporate governance requirements introduced by the revised Rules and the Code (excluding RBPs):

Subject	Key requirements	New or revised	Implementation date
Directors duties	<ul style="list-style-type: none"><li>• requires directors to take an active interest in the issuer's affairs and obtain a general understanding of its business and follow up anything untoward that comes to their attention</li><li>• directors failing to discharge their duties and responsibilities may be disciplined by the HKEx and may attract civil and/or criminal liabilities</li></ul>	Rules	1 January 2012
Directors' time commitment	<ul style="list-style-type: none"><li>• the board should regularly review the contribution by a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them</li></ul>	Code	1 April 2012
Directors training	<ul style="list-style-type: none"><li>• directors should provide records of training they received to issuers</li><li>• issuer must disclose in its Corporate Governance Report how directors complied with the CP on training</li></ul>	Code	1 April 2012
INED	<ul style="list-style-type: none"><li>• at least one-third of an issuer's board should be INEDs</li></ul>	Rules	By 31 December 2012
INED	<ul style="list-style-type: none"><li>• shareholders vote on a separate resolution to retain an INED who has served on the board for more than nine years</li></ul>	Code	1 April 2012
Board Committees	<ul style="list-style-type: none"><li>• Remuneration committee and nomination committee with a majority of INED members</li><li>• Issuers should establish terms of reference on duties that should be performed by the board or committees delegated by the board</li><li>• issuers must disclose the corporate governance policy and duties performed in the Corporate Governance Report</li></ul>	Rules/Code	1 April 2012



Subject	Key requirements	New or revised	Implementation date
Audit committee	<ul style="list-style-type: none"> <li>terms of reference should include arrangements for employees to raise concerns about financial reporting improprieties</li> <li>should meet the external auditor at least twice a year</li> </ul>	Code	1 April 2012
Senior management	<ul style="list-style-type: none"> <li>disclose remuneration of senior management by band</li> </ul>	Code	1 April 2012
Chairman and chief executive	<ul style="list-style-type: none"> <li>upgrade all RBPs in A.2 of the Code to CPs with minor amendments and greater emphasis on the roles and responsibility of the chairman</li> <li>disclose remuneration of chief executive who is not a director</li> </ul>	Code  Rules	1 April 2012  1 January 2012
Change in directorship	<ul style="list-style-type: none"> <li>disclose information on the retirement or removal of a director or supervisor</li> <li>disclose information on the appointment, resignation, re-designation, retirement or removal of a chief executive</li> <li>disclose director's information on all civil judgments of fraud, breach of duty, or other misconduct involving dishonesty</li> </ul>	Rules	1 January 2012
Monthly information	<ul style="list-style-type: none"> <li>management should provide monthly updates to board members giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable them to discharge their duties</li> <li>monthly updates may include information such as monthly management accounts and management updates</li> </ul>	Code	1 April 2012
Disclosure on long term basis	<ul style="list-style-type: none"> <li>the annual report should include an explanation of the basis on which the company generates or preserves value over the longer term and the strategy for delivering the objectives of the company</li> </ul>	Code	1 April 2012
Appoint or remove auditor	<ul style="list-style-type: none"> <li>require shareholders' approval at a general meeting of any proposal to appoint or remove an auditor before the term of his office</li> <li>the issuer must send a circular containing any written representation from the auditor to shareholders and the auditor must be allowed to make a written and/or verbal representation at the general meeting to remove him</li> </ul>	Rules	1 January 2012
Attendance of directors	<ul style="list-style-type: none"> <li>issuers must disclose details of the attendance at general meetings of each director by name in its Corporate Governance Report</li> </ul>	Code	1 April 2012
Auditor's attendance at AGM	<ul style="list-style-type: none"> <li>issuer's management should ensure the external auditors attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, accounting policies and auditor independence</li> </ul>	Code	1 April 2012

## Section 1

<b>Subject</b>	<b>Key requirements</b>	<b>New or revised</b>	<b>Implementation date</b>
Shareholders' rights	<ul style="list-style-type: none"> <li>• must disclose the following in the Corporate Governance Report               <ul style="list-style-type: none"> <li>(i) the way in which shareholders can convene an extraordinary general meeting</li> <li>(ii) the procedures for sending enquiries to the board (with sufficient contact details)</li> <li>(iii) the procedures for making proposals at shareholders' meetings (with sufficient contact details)</li> </ul> </li> </ul>	Code	1 April 2012
Constitutional documents	<ul style="list-style-type: none"> <li>• publish constitutional documents on issuer's own website and the HKEx website</li> <li>• publish the procedures that the issuer's shareholders can use to propose a person for election as a director on its website</li> <li>• disclose changes to the issuer's constitutional documents in its Corporate Governance Report</li> </ul>	Rules  Code	1 April 2012
Company secretary	<ul style="list-style-type: none"> <li>• no longer required to be ordinarily resided in Hong Kong</li> <li>• have 15 hours' professional training in a financial year</li> <li>• new section to the Code setting out the roles and responsibilities of company secretary</li> </ul>	Rules  Code	1 January 2012



## **Changes to the Securities and Futures Ordinance**

### *The Securities and Futures (Amendment) Bill 2011 (the "2011 Bill" or "Bill")*

The main objectives of the 2011 Bill are to oblige listed corporations to disclose price sensitive information (PSI), to allow the Securities and Futures Commission ("SFC") to institute proceedings before the Market Misconduct Tribunal (MMT), and to enable the SFC to establish an Investor Education Council.

Under the 2011 Bill, a listed corporation is required to disclose PSI as soon as reasonably practicable after it has become aware of the information. If a listed corporation has breached the disclosure requirement, an "officer" will also be in breach if the corporation's breach is a result of his intentional, reckless or negligent conduct; or he has not taken all reasonable measures to ensure that proper safeguards exist to prevent the breach. An example of such safeguards is the establishment of internal control systems in his listed corporations.

In defining PSI, the 2011 Bill applies the concept of "relevant information" currently used in the "insider dealing" regime in the Securities and Futures Ordinance (SFO). The Bill proposes imposing civil sanctions on listed corporations and their "officers" if they breach the statutory PSI disclosure requirement, and that alleged breaches be handled by the MMT.

The Bill also enables the SFC to establish a cross-sectoral Investor Education Council to oversee the needs of investor education and delivery of related initiatives.

Alongside with the issuance of the Bill, the SFC published a revised draft of the Guidelines on Disclosure of Insider Information to provide guidance on the interpretation and application of the relevant provisions as set out in the Bill.

Other salient changes introduced by the 2011 Bills are:

- a) Proposes an alternative civil route to deal with all types of market misconduct, not just for insider dealings;
- b) Set insider dealing as a crime as well as being punishable civilly, and the sanctions available will be consistent with those available for other forms of market misconduct;
- c) Introduces a statutory civil right of action for those who have suffered financial loss on a fair, just and reasonable basis; and
- d) Stricter disclosure requirement for anyone who acquires, or disposes of, an interest in 5% or more of the issued voting share capital of a listed company within three business days.

## **Changes to the Companies Ordinance**

### *Companies Ordinance Rewrite*

The rewrite of the Companies Ordinance started in mid-2006. Three public consultations have been conducted in 2007 and 2008. A draft bill was presented to public in two phases in 2009 and 2010 for further consultation.

The Companies Bill was gazetted on 14 January 2011 and was introduced into the Legislative Council for its first reading on January 26, 2011. Currently, the Companies Bill was being reviewed by the Bills Committee formed by the Legislative Council.

One of the objectives of the Companies Bill is to enhance corporate governance in the context of transparency and accountability of companies and their operations, which it aims to achieve by:

- codifying the standard of directors' duty of care, skill and diligence;
- restricting the appointment of corporate directors;
- improving disclosure of company information by requiring public companies and larger private companies to furnish a more analytical and forward-looking business review as part of the directors' report;

## Section 1

- strengthening auditors' rights to obtain information in performing their duties;
- enhancing shareholders' engagement in the decision-making process and facilitating their participation through the use of information technology; and
- fostering shareholder protection by strengthening rules on directors' self-dealing and connected transactions, providing for multiple derivative actions and extending the scope of the unfair prejudice remedy.

The Companies Bill is also designed to ensure that the regulatory regime is effective and business-friendly, and accordingly:

- introduces electronic incorporation and an expedited company name approval process to enable companies to be incorporated within one day;
- empowers the Registrar of Companies to tackle 'shadow companies';
- enhances the powers of the Registrar of Companies to help ensure that the information on the public register is accurate and up-to-date and to obtain necessary information for enforcement of the law;
- streamlines those regulations which are outdated and no longer serve any purpose (e.g. removing the share qualification requirement for directors);
- streamlines and updates the regime of registration of charges; and
- improves the enforcement regime by updating the provisions on company investigations, offences and penalties.

To save compliance and business costs, particularly of small and medium-sized entities, the Companies Bill:

- allows more companies to take advantage of simplified accounting and reporting requirements;
- allows companies to dispense with annual general meetings by unanimous members' consent;
- introduces cheaper and less time-consuming court-free procedures for the reduction of share capital and intra-group amalgamation; and
- streamlines the buy-back rules for all companies subject to a solvency test.

Finally, in order to modernise the law to meet the needs of modern business, the Companies Bill:

- abolishes the par value regime and adopts a mandatory system of no-par for all companies with a share capital;
- removes the requirement for authorised capital;
- enables scripless holding and trading of shares and debentures;
- allows electronic communications between a company and its members; and
- modernises the language and rearranges the sequence of the provisions of the Companies Ordinance in a more logical and user-friendly order.

## **Section 2 - HKFRS Illustrative Annual Financial Statements for the year ended 31 December 2011**

### **(No early application of any new and revised HKFRSs)**

The illustrative financial statements of Hong Kong GAAP Limited for the year ended 31 December 2011 are intended to illustrate the presentation and disclosure requirements of Hong Kong Financial Reporting Standards (HKFRSs), the Hong Kong 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 in a specific Standard.

Hong Kong GAAP Limited is assumed to be a Bermuda incorporated company listed on the Main Board of The Stock Exchange of Hong Kong Limited. 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 illustrative financial statements.

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.

The illustrative financial statements do not include separate financial statements for the parent, which may be required by local laws or regulations, or may be prepared voluntarily. Where an entity presents separate financial statements that comply with HKFRSs, it should apply HKAS 27 *Consolidated and Separate Financial Statements*. A statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for the parent will generally be required, together with supporting notes.

In these 2011 illustrative financial statements, we have illustrated the impact of the application of a number of new and revised Standards and Interpretations that are mandatorily effective on 1 January 2011 (see note 2 to the financial statements for details). These financial statements have not illustrated the impact of the application of new and revised Standards and Interpretations that are not yet mandatorily effective on 1 January 2011 (e.g. Amendments to HKAS 12 *Deferred Tax – Recovery of Underlying Assets*).

For the purposes of presenting the statement of comprehensive income and statement of cash flows, the various alternatives allowed under HKFRSs for those statements have been illustrated. Preparers should select the alternatives most appropriate to their circumstances and apply the chosen presentation method consistently.

Note that in these illustrative financial statements, we have frequently included line items for which a nil amount is shown, so as to illustrate items that, although not applicable to Hong Kong GAAP Limited, are commonly encountered in practice. This does not mean that we have illustrated all possible disclosures. Nor should it be taken to mean that, in practice, entities are required to display line items for such 'nil' amounts.

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Source	Hong Kong GAAP Limited
	<p data-bbox="363 235 707 271"><b>Corporate information</b></p> <div data-bbox="363 286 576 313"> <p><b>Board of directors</b></p> <p>Gary D.K. Wong, Chairman Daniel D.D. Lee Derek S.Y. Wong Tiara Cheung Florence K.Y. Tang John Banks</p> </div> <div data-bbox="868 286 1066 313"> <p><b>Registered office</b></p> <p>35<sup>th</sup> Floor, The Pacific Tower 33 Front Street Hamilton HM12 Bermuda</p> </div> <div data-bbox="363 564 592 591"> <p><b>Company secretary</b></p> <p>William Y.S. Lee</p> </div> <div data-bbox="868 564 991 591"> <p><b>Registrars</b></p> <p>Hong Kong Registrars Limited Central Hong Kong</p> </div> <div data-bbox="363 840 568 866"> <p><b>Principal bankers</b></p> <p>Admiralty Banking Corporation Kowloon Bank Limited</p> </div> <div data-bbox="363 1115 453 1142"> <p><b>Auditor</b></p> <p>Deloitte Touche Tohmatsu</p> </div> <div data-bbox="363 1391 478 1417"> <p><b>Solicitors</b></p> <p>Kwan, Lee &amp; Wong</p> </div>

Source	Hong Kong GAAP Limited
<p>App 16.32 GR 18.41</p>	<p><b>Directors' business review</b></p> <p>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 their performance during the year and the material factors underlying their results and financial position.</p> <p>Both the Listing Rules and the GEM Rules set out a number of matters on which, at a minimum, the directors should comment in their review, including:</p> <ul style="list-style-type: none"> <li>• the group's liquidity and financial resources;</li> <li>• the capital structure of the group;</li> <li>• the state of the group's order book;</li> <li>• significant investments held and their performance;</li> <li>• details of material acquisitions and disposals during the year;</li> <li>• comments on segmental information;</li> <li>• the number and remuneration of employees;</li> <li>• details of charges on group assets;</li> <li>• details of future plans for material investments or capital assets and sources of funding;</li> <li>• gearing ratio;</li> <li>• foreign exchange exposure and any related hedges; and</li> <li>• details of contingent liabilities.</li> </ul> <p>There is no 'model' for such a review. The analysis should focus on the key issues for the particular reporting entity.</p>



Source	Hong Kong GAAP Limited
<p>App 16.34 App 23.1 App 23.2 GR18.44(2) GR App 16.1 GR App 16.2</p> <p>App 23.3 GR App 16.3</p>	<p><b>Corporate governance report</b></p> <p>Listed entities, whether listed on the Main Board or GEM, are required to include a report on corporate governance practices in their annual reports.</p> <p>The report should contain, at a minimum, information about the following matters:</p> <ul style="list-style-type: none"> <li>• corporate governance practices;</li> <li>• directors' securities transactions;</li> <li>• board of directors;</li> <li>• chairman and chief executive officer;</li> <li>• non-executive directors;</li> <li>• remuneration of directors;</li> <li>• nomination of directors;</li> <li>• auditors' remuneration; and</li> <li>• audit committee.</li> </ul> <p>In addition, the report should include disclosures regarding details of the following matters:</p> <ul style="list-style-type: none"> <li>• share interests of senior management;</li> <li>• shareholders' rights;</li> <li>• investor relations;</li> <li>• internal controls; and</li> <li>• management functions.</li> </ul> <p>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.</p>

Source	Hong Kong GAAP Limited	
App 16.12 GR 18.39	<b>Profiles of directors and senior management</b>	
	<p><b>Executive directors</b></p> <p><b>Gary D.K. Wong, Chairman and Managing Director</b></p> <p>Mr. Gary D.K. Wong, 54, is a design engineer. He has been with the Group since its formation, holding a number of Board positions before becoming Managing Director in 1999. He has been with the Group for more than 15 years.</p> <p><b>Daniel D.D. Lee, Finance Director</b></p> <p>Mr. Daniel D.D. Lee, 50, is a chartered accountant and holds a business degree from the University of Ontario. He joined the Board as Finance Director in 2003, having previously held senior positions in a number of manufacturing entities. He has been with the Group for 8 years.</p> <p><b>Derek S.Y. Wong</b></p> <p>Mr. Derek S.Y. Wong, 45, 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 2006 and has over 5 year experiences in product development. Derek S.Y. Wong is a brother of Gary D.K. Wong.</p>	<p><b>Independent non-executive directors</b></p> <p><b>Tiara Cheung</b></p> <p>Ms. Tiara Cheung, 42, was appointed as an independent non-executive director in March 2000 and serves on the Audit Committee of the Company. She worked for a number of years in marketing and public relations positions with Secor Toys Limited before establishing a consultancy practice in 2000.</p> <p><b>Florence K.Y. Tang</b></p> <p>Ms. Florence K.Y. Tang, 55, is one of Hong Kong's leading residents with a distinguished record in the business community. She joined the Board as an independent non-executive director in 2007 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.</p> <p><b>John Banks</b></p> <p>Mr. John Banks, 46, was appointed as an independent non-executive director in April 2008 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.</p>
GR 18.44	<p><b>Senior management</b></p> <p><b>Mr. Bruno Gimeli</b></p> <p>Mr. Bruno Gimeli, 47, 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 2004.</p> <p><b>Mr. Richard W.L. Chan</b></p> <p>Mr. Richard W. L. Chan, 48, is the head of the production department (in relation to leisure goods). He joined the Company in 2008. Before he joined the Company, he held senior positions in a number of large leisure goods manufacturing companies in Hong Kong and the PRC.</p>	
	<p><b>Mr. William Y.S. Lee</b></p> <p>William Y.S. Lee, 43, 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 of Hong Kong Limited. He joined the Company in 2003. He is an associate of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Company Secretaries.</p> <p><b>Mr. David K.K. Cheung</b></p> <p>David K.K. Cheung, 46, is the head of the production department (in relation to electronic equipment) and is primarily responsible for production and product development. He joined the Company in 2004. Before he joined the Company, he held senior positions in a number of large electronic equipment manufacturing companies in Hong Kong.</p>	

Source	Hong Kong GAAP Limited
	<b>Directors' report</b>
s129D(1)	The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.
s129D(3)(a)	<b>Principal activities</b>
	The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 59, 24 and 25 respectively to the consolidated financial statements.
	In prior years, the Group was also engaged in the manufacture of toys and bicycles. These operations were discontinued in the current year (see notes 11 and 12).
s129D(3)(b) s129D(3)(c)	<b>Results and appropriations</b>
	The results of the Group for the year ended 31 December 2011 are set out in the consolidated [income statement and] statement of comprehensive income on pages 35-36/37-38.
	The directors now recommend the payment of a final dividend of HK23.31 cents per share to the shareholders on the register of members on 25 May 2012, amounting to approximately HK\$4.154 million and the retention of the remaining profit for the year of approximately HK\$23.416 million.
s129D(3)(f)	<b>Fixed assets</b>
	Details of the movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 18 and 20 respectively to the consolidated financial statements.
s129D(3)(g) App 16.10(4) GR 18.14 LR 10.06(4)(b) GR 13.13(2)	<b>Share capital</b>
	Details of the movements during the year in the share capital of the Company are set out in note 44 to the consolidated financial statements.
	During the year, the Company repurchased certain of its own ordinary shares through The Stock Exchange of Hong Kong Limited, details of which are set out in note 44 to the consolidated financial statements. The directors considered that, as the Company's ordinary shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.
App 16.29 GR 18.37 GR 24.21 GR 25.33	<b>Distributable reserves of the Company</b>
	The Company's reserves available for distribution to shareholders as at 31 December 2011 amounted to approximately HK\$90 million (31 December 2010: HK\$87 million).

Source	Hong Kong GAAP Limited																																		
	<p><b>Directors' report - continued</b></p> <p><b>Directors</b></p>																																		
s129D(3)(i)	<p>The directors of the Company during the year and up to the date of this report were:</p> <p><b>Executive directors</b></p> <p>Gary D.K. Wong Daniel D.D. Lee Derek S.Y. Wong</p> <p><b>Independent non-executive directors</b></p> <p>Tiara Cheung Florence K.Y. Tang John Banks</p> <p>In accordance with the provisions of the Company's Articles of Association, Messr. Daniel D.D. Lee retires by rotation and, being eligible, offers himself for re-election.</p> <p><b>Directors' service contracts</b></p>																																		
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)	<p><b>Directors' and chief executive's interests in shares and share options</b></p>																																		
PN 5(3.2),(3.3) GR18.15(1),(2) GR 18.17 GR 18.17A	<p>At 31 December 2011, the interests of certain directors and Mr. Bruno Gimeli, the chief executive of the Company and their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:</p> <p><b>Long positions</b></p> <p>(a) Ordinary shares of HK\$1 each of the Company</p> <table><tr><th>Name</th><th>Capacity</th><th>Number of issued ordinary shares held</th><th>Percentage of the issued share capital of the Company</th></tr><tr><td colspan="4"><b>Directors</b></td></tr><tr><td rowspan="4">Mr. Gary D.K. Wong</td><td>Beneficial owner</td><td>45,000</td><td>0.3%</td></tr><tr><td>Held by spouse</td><td>35,000</td><td>0.2%</td></tr><tr><td>Held by controlled corporations (Note 1)</td><td>10,570,000</td><td>59.3%</td></tr><tr><td></td><td>10,650,000</td><td>59.8%</td></tr><tr><td rowspan="4">Mr. Daniel D.D. Lee</td><td>Beneficial owner</td><td>124,000</td><td>0.7%</td></tr><tr><td>Held by spouse</td><td>4,000</td><td>0.02%</td></tr><tr><td>Held by controlled corporations (Note 2)</td><td>249,000</td><td>1.4%</td></tr><tr><td></td><td>377,000</td><td>2.12%</td></tr></table>	Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	<b>Directors</b>				Mr. Gary D.K. Wong	Beneficial owner	45,000	0.3%	Held by spouse	35,000	0.2%	Held by controlled corporations (Note 1)	10,570,000	59.3%		10,650,000	59.8%	Mr. Daniel D.D. Lee	Beneficial owner	124,000	0.7%	Held by spouse	4,000	0.02%	Held by controlled corporations (Note 2)	249,000	1.4%		377,000	2.12%
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Source	Hong Kong GAAP Limited			
SFOs 308 GR 18.45	<b>Directors' report - continued</b>			
	(b) Share options			
	<u>Name</u>	<u>Capacity</u>	<u>Number of options held</u>	<u>Number of underlying shares</u>
	<u>Directors</u>			
	Mr. Gary D.K. Wong	Beneficial owner	60,000	60,000
	Mr. Daniel D.D. Lee	Held by spouse	60,000	60,000
			<u>120,000</u>	<u>120,000</u>
	<u>Chief executive</u>			
	Mr. Bruno Gimeli	Beneficial owner	<u>60,000</u>	<u>60,000</u>
	Notes:			
App 16.13(1),(2) GR 18.15(1),(2)	1. Mr. Gary D.K. Wong is deemed to be interested in 10,570,000 ordinary shares of the Company through his beneficial interests in the following corporations:			
			<u>Percentage of the issued share capital of the corporation</u>	<u>Number of shares of the Company held by the corporation</u>
	ABC Inc.		35%	55,000
	XYE Company Limited		35%	106,000
	Group Holdings Limited		<u>60%</u>	<u>10,409,000</u>
				<u>10,570,000</u>
	2. 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 249,000 ordinary shares of the Company.			
	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 debentures of the Company or any of its associated corporations as at 31 December 2011.			



Source	Hong Kong GAAP Limited																																																																																																																																																				
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LR 17.07(2) GR 23.07(2)	The closing price of the Company's shares immediately before 31 March 2011, the date of grant of the 2011 options, was HK\$3.15.																																																																																																																																																				
LR 17.07(3) GR 23.07(3)	The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK\$2.47.																																																																																																																																																				
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LR 17.09 GR 23.09	Particulars of the share option schemes of Kowloon Limited and Subsix Limited, subsidiaries of the Company are set out in notes 47.2.1 and 47.2.2 respectively to the consolidated financial statements.																																																																																																																																																				
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LR 17.07 GR 23.07	<p>The following table discloses movement in Subsix Limited's share options during the year.</p> <table><tr><th></th><th>Option type</th><th>Outstanding at the acquisition date of Subsix Limited</th><th>Granted during year</th><th>Exercised during year</th><th>Forfeited during year</th><th>Expired during year</th><th>Outstanding at end of year</th></tr><tr><td>Employees</td><td>2010</td><td>5,000</td><td>-</td><td>-</td><td>-</td><td>-</td><td>5,000</td></tr></table>		Option type	Outstanding at the acquisition date of Subsix Limited	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at end of year	Employees	2010	5,000	-	-	-	-	5,000				
	Option type	Outstanding at the acquisition date of Subsix Limited	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at end of year														
Employees	2010	5,000	-	-	-	-	5,000														
s129D(3)(k)	<b>Arrangements to purchase shares or debentures</b> <p>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, a 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.</p>																				
s129D(3)(j) App 16.15 GR 18.25	<b>Directors' interests in contracts of significance</b> <p>No contract of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a 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.</p>																				
s162A(1)(a) s129D(3)(ia)	<b>Management contract</b> <p>A.B. Consultant Company Limited has a management services contract with the Group for a period of three years starting from 1 January 2010. Mr. Gary D.K. Wong is a director and controlling shareholder of that company which received management service fees amounting to HK\$240,000 (2010: HK\$240,000) during the year.</p>																				
App 16.13(3) PN 5(3.2), (3.4) GR 18.16 GR 18.17 GR 18.17B	<b>Substantial shareholders</b> <p>As at 31 December 2011, 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 the chief executive, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.</p> <b>Long positions</b> <p>(a) Ordinary shares of HK\$1 each of the Company</p> <table><tr><th>Name of shareholder</th><th>Capacity</th><th>Number of issued ordinary shares held</th><th>Percentage of the issued share capital of the Company</th></tr><tr><td>Mr. Francis F.G. Chan</td><td>Beneficial owner</td><td>2,263,000</td><td>12.7%</td></tr><tr><td>Group Holdings Limited</td><td>Beneficial owner</td><td>10,409,000</td><td>58.4%</td></tr></table> <p>(b) Share options</p> <table><tr><th>Name of shareholder</th><th>Capacity</th><th>Number of share options</th><th>Number of underlying shares</th></tr><tr><td>Mr. Francis F.G. Chan</td><td>-</td><td>-</td><td>-</td></tr></table> <p>Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2011.</p>	Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	Mr. Francis F.G. Chan	Beneficial owner	2,263,000	12.7%	Group Holdings Limited	Beneficial owner	10,409,000	58.4%	Name of shareholder	Capacity	Number of share options	Number of underlying shares	Mr. Francis F.G. Chan	-	-	-
Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company																		
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Name of shareholder	Capacity	Number of share options	Number of underlying shares																		
Mr. Francis F.G. Chan	-	-	-																		

Source	Hong Kong GAAP Limited
	<b>Directors' report - continued</b>
App 16.12B GR 18.39B	<b>Independent non-executive directors</b>  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.
App 16.8(1)&(2) LR 14A.45 LR 14A.46 GR 18.09(1),(2) GR 20.45 GR 20.46	<b>Connected transaction</b>  [Describe connected transactions, if any]
LR 8.10(2)(b)&(c) GR 11.04	<b>Interests in competitors</b>  Mr. Derek S.Y. Wong holds an 80% interest in MNO Ltd., a company engaged in the manufacture of electronic equipment. MNO Ltd., therefore, competes with the Group in certain aspects of its business.
App 16.24B GR 18.29A	<b>Emolument policy</b>  The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.  The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group'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 consolidated financial statements.
App 16.20 GR 17.39	<b>Pre-emptive rights</b>  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 GR17.38A	<b>Sufficiency of public float</b>  The Company has maintained a sufficient public float throughout the year ended 31 December 2011.
s129D(3)(d),(e)	<b>Charitable donations</b>  During the year, the Group made charitable donations amounting to HK\$250,000.  <b>Major customers and suppliers</b>  Details of the Group's transactions with its major suppliers and customers during the year are set out below:
App 16.31(1),(2) GR 18.40(1),(2)	The Group has continued to search for suitable suppliers to source its raw materials. The Group has successfully reduced purchases from its largest supplier from 20% of total purchases in 2010 to 10% in the current year. In 2011, the five largest suppliers comprised 34% (2010: 45%) of the Group's total purchases, evidencing the purchasing department's commitment to ensuring that the Group is not dependent on any one supplier, and that our purchases are at a fair market price.
App 16.31(3),(4) GR 18.40(3),(4)	In 2011, the Group's largest customer accounted for 11% (2010: 13%) of its turnover. The five largest customers remain the same as 2010, although their combined contribution to total sales has decreased slightly from 25% in 2010 to 20% in the current year.
App 16.31(5) GR 18.40(5)	At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.



Source	Hong Kong GAAP Limited
	<b>Directors' report - continued</b>
s129D(3)(l)	<b>Events after the reporting period</b>
	Details of significant events occurring after the reporting period are set out in note 61 to the consolidated financial statements.
	<b>Auditor</b>
	A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.
s129D(2)	On behalf of the Board
	<u>Gary D.K. Wong</u>
	Chairman
	10 February 2012

Source	Hong Kong GAAP Limited
Clarified HKSA 700(21)	<b>INDEPENDENT AUDITOR'S REPORT</b>  
Clarified HKSA 700(22)	TO THE [MEMBERS/SHAREHOLDERS] OF HONG KONG GAAP LIMITED (incorporated in Bermuda with limited liability)
Clarified HKSA 700(23)	We have audited the consolidated financial statements of Hong Kong GAAP Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 155, which comprise the consolidated statement of financial position as at 31 December 2011, and the [consolidated income statement,] consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.
Clarified HKSA 700(25) Clarified HKSA 700(26), (27)	<b>Directors' Responsibility for the Consolidated Financial Statements</b> <p>The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.</p>
Clarified HKSA 700(28) Clarified HKSA 700(29) Clarified HKSA 700(30) Professional Risk Management Bulletin No. 2	<b>Auditor's Responsibility</b> <p>Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.</p>
Clarified HKSA 700(31), (32)	An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.
Clarified HKSA 700(33)	We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Clarified HKSA 700(34) Clarified HKSA 700(35)	<b>Opinion</b> <p>In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.</p>
Clarified HKSA 700(40), (A37)	Deloitte Touche Tohmatsu Certified Public Accountants
Clarified HKSA 700(42) Clarified HKSA 700(41)	Hong Kong 10 February 2012

Source	Hong Kong GAAP Limited			
HKAS 1.10(b), 81(a), 51(b),(c)	<b>Consolidated statement of comprehensive income for the year ended 31 December 2011</b>			<b>[Alt 1]</b>
HKAS 1.113		<u>Notes</u>	<u>Year ended 31/12/11</u>	<u>Year ended 31/12/10</u>
HKAS 1.51(d),(e)			<u>HK\$'000</u>	<u>HK\$'000</u>
	<b>Continuing operations</b>			
HKAS 1.82(a)	Revenue	5	140,918	151,840
HKAS 1.85, 99	Cost of sales		<u>(87,897)</u>	<u>(91,840)</u>
HKAS 1.85	Gross profit		53,021	60,000
HKAS 1.85	Investment and other income	7	3,608	2,351
HKAS 1.85	Other gains and losses	8	(1,128)	(173)
HKAS 1.99	Distribution and selling expenses		(11,520)	(10,055)
HKAS 1.99	Administrative expenses		(9,380)	(13,570)
HKAS 1.82(b)	Finance costs	9	(4,178)	(6,313)
HKAS 1.99	Other expenses		(1,280)	(1,711)
HKAS 1.82(c)	Share of profits of associates	24	1,186	1,589
HKAS 1.85	Gain recognised on disposal of an associate	24	<u>581</u>	<u>-</u>
HKAS 1.85	Profit before tax		30,910	32,118
HKAS 1.82(d)	Income tax expense	10	<u>(11,650)</u>	<u>(11,885)</u>
HKAS 1.85	Profit for the year from continuing operations	13	19,260	20,233
	<b>Discontinued operations</b>			
HKAS 1.82(e)	Profit for the year from discontinued operations	11	<u>8,310</u>	<u>9,995</u>
HKAS 1.82(f)	<b>Profit for the year</b>		<u>27,570</u>	<u>30,228</u>
	<b>Other comprehensive income, net of income tax</b>			
HKAS 1.82(g)	Exchange differences on translating foreign operations		(191)	177
HKAS 1.82(g)	Net (loss)/gain on available-for-sale financial assets		(300)	57
HKAS 1.82(g)	Net gain on hedging instruments in cash flow hedges		36	36
HKAS 1.82(h)	Share of other comprehensive income of associates		<u>-</u>	<u>-</u>
HKAS 1.85	Other comprehensive income for the year, net of income tax		<u>(455)</u>	<u>270</u>
HKAS 1.82(i)	<b>Total comprehensive income for the year</b>		<u>27,115</u>	<u>30,498</u>
	Profit attributable to:			
HKAS 1.83(a)(ii)	Owners of the Company		23,570	27,465
HKAS 1.83(a)(i)	Non-controlling interests		<u>4,000</u>	<u>2,763</u>
			<u>27,570</u>	<u>30,228</u>
	Total comprehensive income attributable to:			
HKAS 1.83(b)(ii)	Owners of the Company		23,115	27,735
HKAS 1.83(b)(i)	Non-controlling interests		<u>4,000</u>	<u>2,763</u>
			<u>27,115</u>	<u>30,498</u>
<p><i>Note: The format outlined above aggregates expenses according to their function. See next page for discussion of the format of the statement of comprehensive income.</i></p>				

Source	Hong Kong GAAP Limited			
	Consolidated statement of comprehensive income for the year ended 31 December 2011 – continued		[Alt 1] continued	
		Note	Year ended 31/12/11	Year ended 31/12/10
App 16.4(1)(g) GR 18.50B(1)(m)	Earnings per share	17		
	From continuing and discontinued operations			
HKAS 33.66	Basic (HK cents per share)		105.0	119.4
HKAS 33.66	Diluted (HK cents per share)		99.4	118.6
	From continuing operations			
HKAS 33.66	Basic (HK cents per share)		68.0	75.9
HKAS 33.66	Diluted (HK cents per share)		64.3	75.3
HKAS 1.90&94	<p><i>Note: Alt 1 above illustrates the presentation of comprehensive income in one statement. Alt 2 (see next pages) illustrates the presentation of comprehensive income in two statements.</i></p> <p><i>Whichever presentation is selected, the distinction is retained between items recognised in profit or loss and items recognised in other comprehensive income. The only difference between the one-statement and the two-statement approaches is that, for the latter, a total is struck in the separate income statement at 'profit for the year' (this is the same amount as is presented as a sub-total under the one-statement approach). This 'profit for the year' is then the starting point for the statement of comprehensive income, which is required to be presented immediately following the income statement. Under the two-statement approach, the analysis of 'profit for the year' between the amount attributable to the owners of the parent and the amount attributable to non-controlling interests is presented at the end of the separate income statement.</i></p> <p><i>Irrespective of whether the one-statement or the two-statement approach is followed, for the components of other comprehensive income, additional presentation options are available, as follows.</i></p> <ul style="list-style-type: none"><li><i>The individual components of other comprehensive income may be presented net of tax in the statement of comprehensive income (as illustrated on the previous page), or they may be presented gross with a single line deduction for tax (see Alt 2). Whichever option is selected, the income tax relating to each component of other comprehensive income must be disclosed, either in the statement of comprehensive income or in the notes (see note 45).</i></li><li><i>For reclassification adjustments, an aggregated presentation can be adopted, with separate disclosure of the current year gain or loss and reclassification adjustments in the notes (see the previous page and note 45). Alternatively, using a disaggregated presentation, the current year gain or loss and reclassification adjustments are shown separately in the statement of comprehensive income (see Alt 2).</i></li></ul>			

Source	Hong Kong GAAP Limited			
HKAS 1.10(b), 81(b), 51(b),(c)	<b>Consolidated income statement for the year ended 31 December 2011</b>			<b>[Alt 2]</b>
HKAS 1.113		<u>Notes</u>	Year ended 31/12/11	Year ended 31/12/10
HKAS 1.51(d),(e)			HK\$'000	HK\$'000
	<b>Continuing operations</b>			
HKAS 1.82(a)	Revenue	5	140,918	151,840
HKAS 1.85	Investment and other income	7	3,608	2,351
HKAS 1.85	Other gains and losses	8	(1,128)	(173)
HKAS 1.99	Changes in inventories of finished goods and work in progress		(7,134)	2,118
HKAS 1.99	Raw materials and consumables used		(67,625)	(84,037)
HKAS 1.99	Depreciation and amortisation expenses	13	(12,412)	(13,878)
HKAS 1.99	Employee benefits expense	13	(9,815)	(11,563)
HKAS 1.82(b)	Finance costs	9	(4,178)	(6,313)
HKAS 1.99	Other expenses		(13,091)	(9,816)
HKAS 1.82(c)	Share of profits of associates	24	1,186	1,589
HKAS 1.85	Gain recognised on disposal of an associate	24	581	-
HKAS 1.85	Profit before tax		30,910	32,118
HKAS 1.82(d)	Income tax expense	10	(11,650)	(11,885)
HKAS 1.85	Profit for the year from continuing operations	13	19,260	20,233
	<b>Discontinued operations</b>			
HKAS 1.82(e)	Profit for the year from discontinued operations	11	8,310	9,995
HKAS 1.82(f)	<b>Profit for the year</b>		<b>27,570</b>	<b>30,228</b>
	Attributable to:			
HKAS 1.83(a)(ii)	Owners of the Company		23,570	27,465
HKAS 1.83(a)(i)	Non-controlling interests		4,000	2,763
			<b>27,570</b>	<b>30,228</b>
App 16.4(1)(g) GR18.50B(1)(m)	<b>Earnings per share</b>	17		
	From continuing and discontinued operations			
HKAS 33.66, 67A	Basic (cents per share)		105.0	119.4
HKAS 33.66, 67A	Diluted (cents per share)		99.4	118.6
	From continuing operations			
HKAS 33.66, 67A	Basic (cents per share)		68.0	75.9
HKAS 33.66, 67A	Diluted (cents per share)		64.3	75.3
<p><i>Note: The format outlined above aggregates expenses according to their nature.</i></p> <p><i>See the previous page for a discussion of the format of the statement of comprehensive income. Note that where the two-statement approach is adopted (above and on the next page), as required by HKAS 1.12, the income statement must be displayed immediately before the statement of comprehensive income.</i></p>				

## Section 2

Source	Hong Kong GAAP Limited	
HKAS 1.10(b), 81(b), 51(b),(c)	<b>Consolidated statement of comprehensive income for the year ended 31 December 2011</b>	<b>[Alt 2] continued</b>
HKAS 1.113		Year ended 31/12/11 Year ended 31/12/10
HKAS 1.51(d),(e)		HK\$'000 HK\$'000
HKAS 1.82(f)	<b>Profit for the year</b>	<b>27,570 30,228</b>
	<b>Other comprehensive income</b>	
HKAS 1.82(g)	Exchange differences on translating foreign operations	
	Exchange differences arising during the year	(71) 177
	Reclassification adjustments relating to foreign operations disposed of during the year	(120) -
		(191) 177
HKAS 1.82(g)	Available-for-sale financial assets	
	Net (loss)/gain arising on revaluation of available-for-sale financial assets during the year	(400) 76
	Reclassification upon impairment	- -
	Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	- -
		(400) 76
HKAS 1.82(g)	Cash flow hedges	
	Gains arising during the year	406 316
	Reclassification adjustments for amounts recognised in profit or loss	(355) (287)
		51 29
HKAS 1.82(h)	Share of other comprehensive income of associates	- -
	Income tax relating to components of other comprehensive income	85 (12)
HKAS 1.82(i)	<b>Total comprehensive income for the year</b>	<b>27,115 30,498</b>
	Total comprehensive income attributable to:	
HKAS 1.83(b)(ii)	Owners of the Company	23,115 27,735
HKAS 1.83(b)(i)	Non-controlling interests	4,000 2,763
		27,115 30,498

Source	Hong Kong GAAP Limited		
HKAS 1.10(b), 81(b), 51(b),(c)	<b>Consolidated statement of financial position at 31 December 2011</b>		
HKAS 1.113 HKAS 1.51(d),(e)	<u>Notes</u>	<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000
HKAS 1.60	<b>Non-current assets</b>		
HKAS 1.54(a)	Property, plant and equipment	18	111,583
HKAS 1.55	Prepaid lease payments	19	2,300
HKAS 1.54(b)	Investment properties	20	2,086
HKAS 1.55	Goodwill	21	20,285
HKAS 1.54(c)	Other intangible assets	23	9,739
HKAS 1.54(e)	Interests in associates	24	7,319
HKAS 1.54(d), 55	Held-to-maturity investments	26	2,059
HKAS 1.54(d), 55	Available-for-sale investments	27	5,600
HKAS 1.54(o)	Deferred tax assets	42	1,714
HKAS 1.55	Finance lease receivables	28	830
HKAS 1.54(d)	Other financial assets	41	212
		<u>163,727</u>	<u>192,603</u>
HKAS 1.60	<b>Current assets</b>		
HKAS 1.54(g)	Inventories	29	18,367
HKAS 1.54(h)	Trade and other receivables	30	20,995
HKAS 1.55	Finance lease receivables	28	198
HKAS 1.55	Amounts due from directors	32	656
HKAS 1.55	Amounts due from customers for contract work	31	240
HKAS 1.54(d), 55	Held-to-maturity investments	26	4,804
HKAS 1.54(d), 55	Held-for-trading investments	33	12,480
HKAS 1.55	Pledged bank deposits	34	2,000
HKAS 1.54(d)	Other financial assets	41	316
HKAS 1.54(n)	Current tax assets		125
HKAS 1.54(i)	Cash and bank balances	34	20,836
		<u>81,017</u>	<u>72,169</u>
HKAS 1.54(j)	Assets classified as held for sale	12	22,336
		<u>103,353</u>	<u>72,169</u>
HKAS 1.60	<b>Current liabilities</b>		
HKAS 1.54(k)	Trade and other payables	35	12,087
	Amounts due to customers for contract work	31	36
HKAS 1.55			15
HKAS 1.54(m),55	Borrowings	36	22,446
HKAS 1.54(m),55	Loan from government	37	2,798
HKAS 1.54(m)	Other financial liabilities	41	116
HKAS 1.54(n)	Current tax liabilities		5,270
HKAS 1.54(l)	Provisions	40	3,356
HKAS 1.55	Deferred revenue	43	355
HKAS 1.55	Obligations under finance leases	39	9
HKAS 1.54(m),55	Bank overdrafts	34	538
		<u>47,011</u>	<u>55,856</u>
HKAS 1.54(p)	Liabilities directly associated with assets classified as held for sale	12	3,684
		<u>50,695</u>	<u>55,856</u>
App 16.4(2)(d) GR 18.50B(2)(d)	<b>Net current assets</b>	<u>52,658</u>	<u>16,313</u>
App 16.4(2)(e) GR 18.50B(2)(e)	<b>Total assets less current liabilities</b>	<u>216,385</u>	<u>208,916</u>

## Section 2

Source	Hong Kong GAAP Limited			
	Consolidated statement of financial position at 31 December 2011			
		Notes	31/12/11 HK\$'000	31/12/10 HK\$'000
	Capital and reserves			
HKAS 1.55	Share capital	44	17,819	23,005
HKAS 1.55	Share premium and reserves	45	128,467	122,757
HKAS 1.54(r)	Equity attributable to owners of the Company		146,286	145,762
HKAS 1.54(q)	Non-controlling interests	45	25,511	21,200
	Total equity		171,797	166,962
HKAS 1.60	Non-current liabilities			
HKAS 1.54(m),55	Borrowings	36	31,178	31,713
HKAS 1.54(m),55	Loan from government	37	-	2,610
HKAS 1.54(m),55	Convertible notes	38	4,144	-
HKAS 1.55	Retirement benefit obligations	46	508	352
HKAS 1.54(o)	Deferred tax liabilities	42	6,360	4,716
HKAS 1.54(l)	Provisions	40	2,294	2,231
HKAS 1.55	Deferred revenue	43	24	297
HKAS 1.55	Obligations under finance leases	39	5	35
HKAS 1.54(m)	Other financial liabilities	41	75	-
			44,588	41,954
			216,385	208,916
HKAS 10.17 s129B(1)	The consolidated financial statements on pages 35 to 155 were approved and authorised for issue by the Board of Directors on 10 February 2012 and are signed on its behalf by:			
	Gary D.K.Wong (Chairman and Managing Director)		Daniel D.D. Lee (Director)	



Source	Hong Kong GAAP Limited											
HKAS 1.10(c), 51(b),(c) HKAS 1.106	Consolidated statement of changes in equity for the year ended 31 December 2011											
	Attributable to owners of the Company											
HKAS 1.51(d),(e)		Share capital HK\$'000	Share premium HK\$'000	Investments revaluation reserve HK\$'000	Share options reserve HK\$'000	Cash flow hedging reserve HK\$'000	Foreign currency translation reserve HK\$'000	Convertible notes equity reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000	Attributable to non- controlling interests HK\$'000	Total HK\$'000
	Balance at 1 January 2010	23,005	26,474	470	-	242	140	-	73,837	124,168	18,437	142,605
	Profit for the year	-	-	-	-	-	-	-	27,465	27,465	2,763	30,228
	Other comprehensive income for the year	-	-	57	-	36	177	-	-	270	-	270
	Total comprehensive income for the year	-	-	57	-	36	177	-	27,465	27,735	2,763	30,498
	Recognition of equity-settled share-based payments	-	-	-	246	-	-	-	-	246	-	246
	Payment of dividends	-	-	-	-	-	-	-	(6,387)	(6,387)	-	(6,387)
-	Balance at 31 December 2010	23,005	26,474	527	246	278	317	-	94,915	145,762	21,200	166,962
	Profit for the year	-	-	-	-	-	-	-	23,570	23,570	4,000	27,570
	Other comprehensive income (expense) for the year	-	-	(300)	-	36	(191)	-	-	(455)	-	(455)
	Total comprehensive income (expense) for the year	-	-	(300)	-	36	(191)	-	23,570	23,115	4,000	27,115
	Non-controlling interests arising on the acquisition of Subsix Limited (see note 50)	-	-	-	-	-	-	-	-	-	132	132
	Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 59)	-	-	-	-	-	-	-	-	-	179	179
	Difference arising on disposal of interest in Subone Limited (see note 59)	-	-	-	-	-	-	-	34	34	-	34
	Recognition of equity-settled share-based payments	-	-	-	218	-	-	-	-	218	-	218
	Issue of ordinary shares under employee share option plan	314	433	-	(285)	-	-	-	-	462	-	462
	Recognition of the equity component of convertible notes	-	-	-	-	-	-	834	-	834	-	834
	Transaction costs attributable to issue of new ordinary shares	-	(6)	-	-	-	-	-	-	(6)	-	(6)
	Repurchase of ordinary shares	(5,500)	(11,247)	-	-	-	-	-	(555)	(17,302)	-	(17,302)
	Transaction costs attributable to repurchase of ordinary shares	-	(227)	-	-	-	-	-	-	(227)	-	(227)
	Income tax relating to transactions with owners of the Company	-	-	-	-	-	-	(208)	-	(208)	-	(208)
	Payment of dividends	-	-	-	-	-	-	-	(6,396)	(6,396)	-	(6,396)
	Balance at 31 December 2011	17,819	15,427	227	179	314	126	626	111,568	146,286	25,511	171,797

## Section 2

Source	Hong Kong GAAP Limited		
HKAS 1.10(d), 51(b),(c)	<b>Consolidated statement of cash flows for the year ended 31 December 2011</b>		<b>[Alt 1]</b>
HKAS 1.113		<u>Notes</u>	<u>Year ended 31/12/11</u> <u>HK\$'000</u>
HKAS 1.51(d),(e) HKAS 7.10	<b>Cash flows from operating activities</b>		<u>Year ended 31/12/10</u> <u>HK\$'000</u>
HKAS 7.18(a)	Receipts from customers		208,302
	Payments to suppliers		(154,675)
	Payments to employees		(9,300)
	Net cash outflow from held-for-trading investments		(4,032)
	Cash generated from operations		40,295
HKAS 7.31	Interest paid		(3,945)
HKAS 7.35	Income taxes paid		(13,123)
	Net cash generated by operating activities		23,227
HKAS 7.10	<b>Cash flows from investing activities</b>		
	Purchase of held-to-maturity investments		(5,601)
	Redemption of held-to-maturity investments		4,000
	Purchase of available-for-sale investments		(783)
HKAS 7.31	Interest received		2,563
	Other investment income received		889
HKAS 7.37, 38	Dividends received from associates		113
HKAS 7.31	Other dividends received		156
	Amounts advanced to related parties		(5,637)
	Repayments by related parties		5,088
	Payments for property, plant and equipment		(20,183)
	Proceeds from disposal of property, plant and equipment		10,262
	Payments for investment properties		(100)
	Proceeds from disposal of investment properties		-
	Payments for intangible assets		(6)
	(Additions)/repayments of finance lease receivables		(123)
HKAS 7.39	Net cash outflow on acquisition of subsidiaries	50	(877)
HKAS 7.39	Net cash inflow on disposal of a subsidiary	51	7,566
	Net cash (used in)/generated by investing activities		(2,673)
HKAS 7.10	<b>Cash flows from financing activities</b>		
	Proceeds from issue of equity shares		462
	Proceeds from issue of convertible notes		4,950
	Payment for transaction costs attributable to issue of new ordinary shares		(6)
	Payment for repurchase of ordinary shares		(17,302)
	Payment for transaction costs attributable to repurchase of ordinary shares		(227)
	Proceeds from borrowings		20,122
	Repayment of borrowings		(23,811)
	Proceeds from a government loan		-
HKAS 7.42A	Proceeds on disposal of partial interest in a subsidiary (without losing control)		213
	Repayment of obligations under finance leases		(75)
HKAS 7.31	Dividends paid to owners of the Company		(6,396)
	Net cash used in financing activities		(22,070)
	<b>Net (decrease) increase in cash and cash equivalents</b>		(1,516)
	<b>Cash and cash equivalents at the beginning of year</b>		22,010
HKAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(21)
	<b>Cash and cash equivalents at the end of year</b>	52	20,473
			22,010
	<i>Note: The above illustrates the direct method of reporting cash flows from operating activities.</i>		

Source	Hong Kong GAAP Limited		
HKAS 1.10(d), 51(b),(c)	<b>Consolidated statement of cash flows for the year ended 31 December 2011</b>		<b>[Alt 2]</b>
HKAS 1.113		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
HKAS 1.51(d),(e) HKAS 7.10	<b>Cash flows from operating activities</b>		
HKAS 7.18(b)	Profit for the year	27,570	30,228
	Adjustments for:		
	Income tax expense recognised in profit or loss	14,659	14,883
	Share of profits of associates	(1,186)	(1,589)
	Finance costs recognised in profit or loss	4,178	6,313
	Investment and other income recognised in profit or loss	(3,608)	(2,351)
	Gain on disposal of property, plant and equipment	(6)	(67)
	Gain arising on change in fair value of investment properties	(50)	(298)
	Gain on disposal of a subsidiary	(1,789)	-
	Gain recognised on disposal of an associate	(581)	-
	(Gain)/loss on sale of available-for-sale financial assets	-	-
	Impairment loss on available-for-sale financial assets	-	-
	Impairment loss recognised on trade receivables	63	430
	Reversal of impairment loss on trade receivables	(103)	-
	Depreciation and amortisation of non-current assets	14,179	17,350
	Impairment loss on non-current assets	1,439	-
	Net foreign exchange (gain)/loss	(78)	116
	Expense recognised in respect of equity-settled share- based payments	218	246
	Gain arising on effective settlement of legal claim against Subseven Limited	(40)	-
		54,865	65,261
	Movements in working capital		
	Increase in trade and other receivables	(8,551)	(2,951)
	Decrease / (increase) in amount due from customers for contract work	11	(7)
	Decrease in inventories	1,728	5,017
	Increase in held-for-trading investments	(4,032)	(2,247)
	Decrease in trade and other payables	(3,792)	(31,514)
	Increase/(decrease) in provisions	224	(911)
	(Decrease)/increase in deferred revenue	(158)	433
	Cash generated from operations	40,295	33,081
HKAS 7.31	Interest paid	(3,945)	(6,340)
HKAS 7.35	Income taxes paid	(13,123)	(12,816)
	Net cash generated by operating activities	23,227	13,925

## Section 2

Source	Hong Kong GAAP Limited			
	Consolidated statement of cash flows for the year ended 31 December 2011		[Alt 2] continued	
		Notes	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
HKAS 7.10	Cash flows from investing activities			
	Purchase of held-to-maturity investments		(5,601)	(4,850)
	Redemption of held-to-maturity investments		4,000	3,000
	Purchase of available-for-sale investments		(783)	(1,378)
HKAS 7.31	Interest received		2,563	1,153
	Other investment income received		889	1,044
HKAS 7.37, 38	Dividends received from associates		113	25
HKAS 7.31	Other dividends received		156	154
	Amounts advanced to related parties		(5,637)	(4,311)
	Repayments by related parties		5,088	4,286
	Payments for property, plant and equipment		(20,183)	(11,552)
	Proceeds from disposal of property, plant and equipment		10,262	21,245
	Payments for investment properties		(100)	(1,532)
	Proceeds from disposal of investment properties		-	58
	Payments for intangible assets		(6)	(358)
	(Additions)/repayments of finance lease receivables		(123)	16
HKAS 7.39	Net cash outflow on acquisition of subsidiaries	50	(877)	-
HKAS 7.39	Net cash inflow on disposal of a subsidiary	51	7,566	-
	Net cash (used in)/generated by investing activities		(2,673)	7,000
HKAS 7.10	Cash flows from financing activities			
	Proceeds from issue of equity shares		462	-
	Proceeds from issue of convertible notes		4,950	-
	Payment for transaction costs attributable to issue of new ordinary shares		(6)	-
	Payment for repurchase of ordinary shares		(17,302)	-
	Payment for transaction costs attributable to repurchase of ordinary shares		(227)	-
	Proceeds from borrowings		20,122	26,798
	Repayment of borrowings		(23,811)	(31,117)
	Proceeds from a government loan		-	3,000
HKAS 7.42A	Proceeds on disposal of partial interest in a subsidiary (without losing control)		213	-
	Repayment of obligations under finance leases		(75)	(34)
HKAS 7.31	Dividends paid to owners of the Company		(6,396)	(6,387)
	Net cash used in financing activities		(22,070)	(7,740)
	Net (decrease) increase in cash and cash equivalents		(1,516)	13,185
	Cash and cash equivalents at the beginning of year		22,010	8,770
HKAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(21)	55
	Cash and cash equivalents at the end of year	52	20,473	22,010
Note: The above illustrates the indirect method of reporting cash flows from operating activities.				

Source	Hong Kong GAAP Limited
HKAS 1.10(e), 51(b),(c)	<b>Notes to the consolidated financial statements for the year ended 31 December 2011</b>
	<b>1. General information</b>
HKAS 1.138(a), (c) HKAS 24.13	<p>Hong Kong GAAP Limited (the Company) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent and ultimate holding company is Group Holdings Limited (incorporated in the British Virgin Islands). Its ultimate controlling party is Mr. Gary D.K. Wong. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.</p>
HKAS 1.138(b)	<p>The principal activities of the Company and its subsidiaries (the Group) are described in note 6.</p>
HKAS 21.53	<p>The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the same as the functional currency of the Company.</p>
	<b>2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")</b>
HKAS 8.28	<p>The following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements. The application of these new and revised HKFRSs has had no impact on the Group's financial performance and positions for the current and prior years, except as described below.</p>
HKAS 1.139F	<p><u><a href="#">Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)</a></u></p> <p>The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the notes to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change (see the consolidated statement of changes in equity).</p>
HKAS 24.28	<p><u><a href="#">HKAS 24 Related Party Disclosures (as revised in 2009)</a></u></p> <p>HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.</p> <p>The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in note 58 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.</p>

Source	Hong Kong GAAP Limited
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>
HKAS 8.28(a) HKAS 8.28(c)	<p><u>Amendments to HKFRS 3 Business Combinations</u></p> <p>As part of <i>Improvements to HKFRSs</i> issued in 2010, HKFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, HKFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with HKFRS 2 <i>Share-based Payment</i> at the acquisition date ('market-based measure').</p>
HKAS 8.28(f)(i)	<p>Such amendments to HKFRS 3 have affected the accounting for the acquisition of Subsix Limited in the current year. All outstanding share options held by the employees of Subsix Limited had vested before the date of the acquisition and were not replaced by the Group. As required by the amendments, all outstanding vested share options held by the employees of Subsix Limited have been measured at their market-based measure in accordance with HKFRS 2 at the acquisition date and included as part of non-controlling interests. The market-based measure of these outstanding options at the acquisition date is HK\$5,000. The application of the amendments has resulted in an additional amount of HK\$1,000 (being the difference between the market-based measure of HK\$5,000 and the grant-date measure of HK\$4,000) being recognised in the non-controlling interests in Subsix Limited, with the corresponding adjustment being made against goodwill. The application of the amendments has had no impact on profit or loss of the Group for the current and prior years. However, the result of the Group in future periods may be affected by future impairment losses on the increased goodwill.</p>

Source	Hong Kong GAAP Limited	
HKAS 8.28(a) HKAS 8.28(c)	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>	
	<b><i>New and revised HKFRSs applied with no material effects on the consolidated financial statements</i></b>	
	The following new and revised HKFRSs have also been adopted in preparing the current year's consolidated financial statements. The application of these new and revised HKFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.	
	Amendments to HKAS 32 <i>Classification of Rights Issues</i>	<p>The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to HKAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.</p> <p>The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.</p>
	Amendments to HK (IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>	<p>The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of HKAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.</p>
	HK (IFRIC)-Int 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	<p>The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under HK (IFRIC)-Int 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.</p> <p>The application of HK (IFRIC)-Int 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.</p>
Improvements to HKFRSs issued in 2010	Except for the amendments to HKFRS 3 and HKAS 1 described earlier, the application of <i>Improvements to HKFRSs</i> issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.	



Source	Hong Kong GAAP Limited																						
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>																						
	<p><b><i>New and revised HKFRSs in issue but not yet effective</i></b></p>																						
	<p><i>Note: Entities are required to disclose in their financial statements the potential impact of new and revised HKFRSs that have been issued but are not yet effective. The disclosures below reflect a cut off date of 30 September 2011. The potential impact of the application of any new and revised HKFRSs issued by the HKICPA after 30 September 2011 should also be considered and disclosed.</i></p>																						
<p>HKAS 8.30 HKAS 8.31 Sch 10:17(6)(b)</p>	<p>The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:</p> <table border="0"> <tr> <td>Amendments to HKFRS 7</td><td><i>Disclosures – Transfers of Financial Assets<sup>1</sup></i></td></tr> <tr> <td>HKFRS 9</td><td><i>Financial Instruments<sup>2</sup></i></td></tr> <tr> <td>HKFRS 10</td><td><i>Consolidated Financial Statements<sup>2</sup></i></td></tr> <tr> <td>HKFRS 11</td><td><i>Joint Arrangements<sup>2</sup></i></td></tr> <tr> <td>HKFRS 12</td><td><i>Disclosure of Interests in Other Entities<sup>2</sup></i></td></tr> <tr> <td>HKFRS 13</td><td><i>Fair Value Measurement<sup>2</sup></i></td></tr> <tr> <td>Amendments to HKAS 1</td><td><i>Presentation of Items of Other Comprehensive Income<sup>3</sup></i></td></tr> <tr> <td>Amendments to HKAS 12</td><td><i>Deferred Tax – Recovery of Underlying Assets<sup>4</sup></i></td></tr> <tr> <td>HKAS 19 (as revised in 2011)</td><td><i>Employee Benefits<sup>2</sup></i></td></tr> <tr> <td>HKAS 27 (as revised in 2011)</td><td><i>Separate Financial Statements<sup>2</sup></i></td></tr> <tr> <td>HKAS 28 (as revised in 2011)</td><td><i>Investments in Associates and Joint Ventures<sup>2</sup></i></td></tr> </table> <p><sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.  <sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.  <sup>3</sup> Effective for annual periods beginning on or after 1 July 2012.  <sup>4</sup> Effective for annual periods beginning on or after 1 January 2012.</p> <p><i>Note: In August 2011, the IASB issued an exposure draft titled Mandatory Effective Date of IFRS 9. The exposure draft proposes to change the effective date of IFRS 9, which is equivalent to HKFRS 9, from 1 January 2013 to 1 January 2015. The IASB has not yet finalised the proposal up to the date of issue of this publication.</i></p>	Amendments to HKFRS 7	<i>Disclosures – Transfers of Financial Assets<sup>1</sup></i>	HKFRS 9	<i>Financial Instruments<sup>2</sup></i>	HKFRS 10	<i>Consolidated Financial Statements<sup>2</sup></i>	HKFRS 11	<i>Joint Arrangements<sup>2</sup></i>	HKFRS 12	<i>Disclosure of Interests in Other Entities<sup>2</sup></i>	HKFRS 13	<i>Fair Value Measurement<sup>2</sup></i>	Amendments to HKAS 1	<i>Presentation of Items of Other Comprehensive Income<sup>3</sup></i>	Amendments to HKAS 12	<i>Deferred Tax – Recovery of Underlying Assets<sup>4</sup></i>	HKAS 19 (as revised in 2011)	<i>Employee Benefits<sup>2</sup></i>	HKAS 27 (as revised in 2011)	<i>Separate Financial Statements<sup>2</sup></i>	HKAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures<sup>2</sup></i>
Amendments to HKFRS 7	<i>Disclosures – Transfers of Financial Assets<sup>1</sup></i>																						
HKFRS 9	<i>Financial Instruments<sup>2</sup></i>																						
HKFRS 10	<i>Consolidated Financial Statements<sup>2</sup></i>																						
HKFRS 11	<i>Joint Arrangements<sup>2</sup></i>																						
HKFRS 12	<i>Disclosure of Interests in Other Entities<sup>2</sup></i>																						
HKFRS 13	<i>Fair Value Measurement<sup>2</sup></i>																						
Amendments to HKAS 1	<i>Presentation of Items of Other Comprehensive Income<sup>3</sup></i>																						
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HKAS 19 (as revised in 2011)	<i>Employee Benefits<sup>2</sup></i>																						
HKAS 27 (as revised in 2011)	<i>Separate Financial Statements<sup>2</sup></i>																						
HKAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures<sup>2</sup></i>																						
<p>HKAS 8.30(a) HKAS 8.30(b)</p>	<p>The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.</p>																						
	<p>The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.</p>																						
<p>HKAS 8.30(a) HKAS 8.30(b)</p>	<p>HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.</p>																						



Source	Hong Kong GAAP Limited
	<p data-bbox="363 248 935 302"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="363 333 963 360">Key requirements of HKFRS 9 are described as follows:</p> <ul data-bbox="363 394 1447 1010" style="list-style-type: none"> <li data-bbox="363 394 1447 674">• HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.</li> <li data-bbox="363 707 1447 1010">• The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.</li> </ul> <p data-bbox="363 1041 1447 1095">HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.</p> <p data-bbox="363 1126 1447 1346">The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in credit risk of financial liabilities designated as at fair value through profit or loss are disclosed in note 49.</p> <p data-bbox="151 1375 304 1429">HKAS 8.30(a) HKAS 8.30(b)</p> <p data-bbox="363 1375 1447 1458">In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).</p> <p data-bbox="363 1487 1034 1514">Key requirements of these five standards are described below.</p> <p data-bbox="363 1545 1447 1711">HKFRS 10 replaces the parts of HKAS 27 <i>Consolidated and Separate Financial Statements</i> that deal with consolidated financial statements and HK (SIC)-Int 12 <i>Consolidation – Special Purpose Entities</i>. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.</p> <p data-bbox="363 1742 1447 1935">HKFRS 11 replaces HKAS 31 <i>Interests in Joint Ventures</i> and HK (SIC)-Int 13 <i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i>. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.</p> <p data-bbox="363 1964 1447 2047">In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
	<p>HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.</p>
	<p>These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.</p>
	<p>The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). In addition, the application of HKFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under HKFRS 11, those jointly controlled entities will be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.</p>
HKAS 8.30(a) HKAS 8.30(b)	<p>HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 <i>Financial Instruments: Disclosures</i> will be extended by HKFRS 13 to cover all assets and liabilities within its scope.</p>
	<p>HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.</p>
	<p>The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.</p>
HKAS 8.30(a) HKAS 8.30(b)	<p>The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.</p>
	<p>The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.</p>
HKAS 8.30(a) HKAS 8.30(b)	<p>The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 <i>Investment Property</i> are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
<p>HKAS 8.30(a) HKAS 8.30(b)</p>	<p>The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.</p> <p>The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.</p>
<p>HKAS 8.30(a) HKAS 8.30(b)</p>	<p>The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.</p> <p>[Describe the potential impact of the application of other new and revised HKFRSs, if any.]</p>

Source	Hong Kong GAAP Limited
HKAS 1.112(a) HKAS 1.117 App 16.5 GR 18.19	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b>3. Significant accounting policies</b></p> <p><i>Note: The following are <u>examples</u> of the types of accounting policies that might be disclosed in this entity's financial statements. Entities are required to disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. An accounting policy may be significant because of the nature of the entity's operations even if amounts for the current and prior periods are not material.</i></p> <p><i>In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in HKFRSs.</i></p> <p><i>Each entity considers the nature of its operations and the policies that users of its financial statements would expect to be disclosed for that type of entity. It is also appropriate to disclose each significant accounting policy that is not specifically required by HKFRSs, but that is selected and applied in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</i></p> <p><i>For completeness, in these illustrative financial statements, accounting policies have been provided for some immaterial items, although this is not required under HKFRSs.</i></p>
HKAS 1.16	<p>The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated 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 Hong Kong Companies Ordinance.</p>
HKAS 1.17(b)	<p>The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.</p> <p>The principal accounting policies are set out below.</p> <p><b><i>Basis of consolidation</i></b></p> <p>The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.</p> <p>Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated [statement of comprehensive income/income statement] from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).</p> <p>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.</p> <p>All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.</p>

Source	<p data-bbox="359 156 1449 2121"><b>Hong Kong GAAP Limited</b></p> <p data-bbox="359 241 1449 297"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="359 324 1449 353"><u><i>Changes in the Group's ownership interests in existing subsidiaries</i></u></p> <p data-bbox="359 380 1449 548">Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.</p> <p data-bbox="359 575 1449 990">When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.</p> <p data-bbox="359 1016 1449 1046"><b><i>Business combinations</i></b></p> <p data-bbox="359 1072 1449 1209">Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.</p> <p data-bbox="359 1236 1449 1292">At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:</p> <ul data-bbox="359 1319 1449 1675" style="list-style-type: none"> <li>• deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 <i>Income Taxes</i> and HKAS 19 <i>Employee Benefits</i> respectively;</li> <li>• liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 <i>Share-based Payment</i> at the acquisition date (see the accounting policy below); and</li> <li>• assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> are measured in accordance with that Standard.</li> </ul> <p data-bbox="359 1702 1449 1926">Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.</p>
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Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p>Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.</p> <p>When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.</p> <p>The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, as appropriate, with the corresponding gain or loss being recognised in profit or loss.</p> <p>When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.</p> <p>If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.</p> <p>The policy described above is applied to all business combinations that take place on or after 1 January 2010.</p> <p><b>Goodwill</b></p> <p>Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.</p> <p>For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.</p> <p>A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, 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 on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated [statement of comprehensive income/income statement]. An impairment loss recognised for goodwill is not reversed in subsequent periods.</p> <p>On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.</p> <p>The Group's policy for goodwill arising on the acquisition of an associate is described below.</p>



Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b><i>Investments in associates</i></b></p> <p>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.</p> <p>The results and assets and liabilities of associates are incorporated in these consolidated 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 in accordance with HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds 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), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.</p> <p>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 an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.</p> <p>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.</p> <p>The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 <i>Impairment of Assets</i> as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.</p> <p>Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.</p> <p>When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.</p> <p><b><i>Interests in joint ventures</i></b></p> <p>A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).</p>

Source	Hong Kong GAAP Limited
HKAS 31.57	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p>When 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.</p> <p>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.</p> <p>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 in accordance with HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.</p> <p>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 in a business combination (see the accounting policy above).</p> <p>When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.</p> <p><b>Non-current assets held for sale</b></p> <p>Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current 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.</p> <p>When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.</p> <p>Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.</p>
	<p><b>Revenue recognition</b></p> <p>Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.</p> <p>Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:</p> <ul style="list-style-type: none"> <li>• the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;</li> <li>• the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;</li> <li>• the amount of revenue can be measured reliably;</li> <li>• it is probable that the economic benefits associated with the transaction will flow to the Group; and</li> </ul>



Source	Hong Kong GAAP Limited
HKAS 11.39(b), (c)	<p data-bbox="363 248 935 302"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <ul data-bbox="363 331 1374 360" style="list-style-type: none"> <li>the costs incurred or to be incurred in respect of the transaction can be measured reliably.</li> </ul> <p data-bbox="363 389 1453 582">Sales of goods that result in award credits for customers, under the Group's Maxi-Points Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.</p> <p data-bbox="363 611 1441 665">Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:</p> <ul data-bbox="363 694 1453 943" style="list-style-type: none"> <li>installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;</li> <li>servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and</li> <li>revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.</li> </ul> <p data-bbox="363 972 1347 1025">The Group's policy for recognition of revenue from construction contracts is described at the accounting policy below.</p> <p data-bbox="363 1066 1453 1149">Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).</p> <p data-bbox="363 1178 1453 1314">Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 on initial recognition.</p> <p data-bbox="363 1344 1414 1397">The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy below.</p> <p data-bbox="363 1426 633 1453"><b>Construction contracts</b></p> <p data-bbox="363 1482 1436 1644">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 end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative 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 the amount can be measured reliably and its receipt is considered probable.</p> <p data-bbox="363 1673 1406 1756">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 expenses in the period in which they are incurred.</p> <p data-bbox="363 1785 1420 1839">When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.</p> <p data-bbox="363 1868 1453 2085">Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b><i>Leasing</i></b></p> <p>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.</p> <p><u><i>The Group as lessor</i></u></p> <p>Amounts due from lessees under finance leases are recognised 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.</p> <p>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.</p> <p><u><i>The Group as lessee</i></u></p> <p>Assets held under finance leases are initially 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 consolidated statement of financial position as a finance lease obligation.</p> <p>Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in 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 the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.</p> <p>Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.</p> <p>In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.</p> <p><u><i>Leasehold land for own use</i></u></p> <p>When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.</p> <p>To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.</p>

Source	Hong Kong GAAP Limited
Sch 10:12(14)	<p data-bbox="363 248 935 302"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="363 331 584 360"><b><i>Foreign currencies</i></b></p> <p data-bbox="363 389 1437 577">In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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.</p> <p data-bbox="363 607 1422 660">Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:</p> <ul data-bbox="363 689 1437 996" style="list-style-type: none"> <li>• exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;</li> <li>• exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and</li> <li>• exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.</li> </ul> <p data-bbox="363 1025 1445 1243">For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).</p>

Source	Hong Kong GAAP Limited
HKAS 20.39(a)	<p data-bbox="363 248 935 304"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="363 331 1442 499">On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.</p> <p data-bbox="363 526 1442 689">In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.</p> <p data-bbox="363 716 1406 828">Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of foreign currency translation reserve.</p> <p data-bbox="363 855 558 882"><b><i>Borrowing costs</i></b></p> <p data-bbox="363 909 1449 1021">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.</p> <p data-bbox="363 1048 1382 1104">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.</p> <p data-bbox="363 1131 1386 1158">All other borrowing costs are recognised in profit or loss in the period in which they are incurred.</p> <p data-bbox="363 1184 590 1211"><b><i>Government grants</i></b></p> <p data-bbox="363 1238 1445 1294">Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.</p> <p data-bbox="363 1321 1425 1485">Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.</p> <p data-bbox="363 1512 1425 1599">Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.</p> <p data-bbox="363 1626 1442 1713">The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
HKAS 19.120A(a)	<p><b><i>Retirement benefit costs</i></b></p> <p>Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.</p> <p>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 the end of each reporting period. 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 as at the end of the prior year 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.</p> <p>The retirement benefit obligation recognised in the consolidated statement of financial position 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.</p>
LR 17.08 GR 23.08	<p><b><i>Share-based payment arrangements</i></b></p> <p><u><i>Share-based payment transactions of the Company</i></u></p> <p>For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).</p> <p>At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.</p> <p>For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.</p> <p>When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.</p>

Source	Hong Kong GAAP Limited
Sch 10:12(15)	<p data-bbox="363 248 935 304"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="363 331 1206 360"><u><i>Share-based payment transactions of the acquiree in a business combination</i></u></p> <p data-bbox="363 387 1449 663">When share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with HKFRS 2 <i>Share-based Payment</i> ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.</p> <p data-bbox="363 689 1449 797">However, when the acquiree awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with HKFRS 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for post-combination service.</p> <p data-bbox="363 824 1449 1099">At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.</p> <p data-bbox="363 1126 467 1155"><b><i>Taxation</i></b></p> <p data-bbox="363 1182 1281 1211">Income tax expense represents the sum of the tax currently payable and deferred tax.</p> <p data-bbox="363 1238 1441 1377">The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated [statement of comprehensive income/income statement] because of items of income or expense that are taxable or deductible in other years and 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 end of the reporting period.</p> <p data-bbox="363 1404 1449 1653">Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.</p> <p data-bbox="363 1680 1441 1872">Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.</p> <p data-bbox="363 1899 1401 1982">The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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.</p>

Source	Hong Kong GAAP Limited
HKAS 16.73(a), (b)	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p>Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.</p> <p>Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.</p>
	<p><b><i>Property, plant and equipment</i></b></p> <p>Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.</p> <p>Properties in the course of construction for production, supply 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. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.</p> <p>Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.</p> <p>Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.</p> <p>An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any 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.</p>
HKAS 40.75(a)	<p><b><i>Investment properties</i></b></p> <p>Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.</p> <p>An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.</p>



Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
	<p><b><i>Intangible assets</i></b></p>
	<p><u><i>Intangible assets acquired separately</i></u></p>
HKAS 38.118(b)	<p>Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.</p>
	<p><u><i>Internally-generated intangible assets - research and development expenditure</i></u></p>
	<p>Expenditure on research activities is recognised as an expense in the period in which it is incurred.</p>
	<p>An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:</p>
	<ul style="list-style-type: none"> <li>• the technical feasibility of completing the intangible asset so that it will be available for use or sale;</li> <li>• the intention to complete the intangible asset and use or sell it;</li> <li>• the ability to use or sell the intangible asset;</li> <li>• how the intangible asset will generate probable future economic benefits;</li> <li>• the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and</li> <li>• the ability to measure reliably the expenditure attributable to the intangible asset during its development.</li> </ul>
	<p>The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.</p>
HKAS 38.118(b)	<p>Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.</p>
	<p><u><i>Intangible assets acquired in a business combination</i></u></p>
	<p>Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).</p>
HKAS 38.118(b)	<p>Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.</p>
	<p><u><i>Derecognition of intangible assets</i></u></p>
	<p>An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.</p>



Source	Hong Kong GAAP Limited
	<p data-bbox="363 248 935 302"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="363 331 1107 358"><b><i>Impairment of tangible and intangible assets other than goodwill</i></b></p> <p data-bbox="363 387 1445 497">At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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).</p> <p data-bbox="363 526 1437 577">Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.</p> <p data-bbox="363 607 1445 770">Recoverable amount is the higher of fair value less costs to sell and value in use. When 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.</p> <p data-bbox="363 799 1445 963">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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.</p> <p data-bbox="363 992 1422 1128">When an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.</p> <p data-bbox="150 1158 304 1184">HKAS 2.36(a)</p> <p data-bbox="363 1158 496 1184"><b><i>Inventories</i></b></p> <p data-bbox="363 1214 1437 1292">Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.</p> <p data-bbox="363 1321 491 1348"><b><i>Provisions</i></b></p> <p data-bbox="363 1377 1445 1456">Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.</p> <p data-bbox="363 1485 1445 1621">The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).</p> <p data-bbox="363 1650 1366 1729">When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.</p> <p data-bbox="363 1758 564 1785"><u><i>Onerous contracts</i></u></p> <p data-bbox="363 1814 1437 1924">Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.</p>

Source	Hong Kong GAAP Limited
HKFRS 7.21	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
	<p><u><i>Restructurings</i></u></p> <p>A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.</p>
	<p><u><i>Warranties</i></u></p> <p>Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.</p>
	<p><u><i>Contingent liabilities acquired in a business combination</i></u></p> <p>Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 <i>Revenue</i>.</p>
	<p><u><i>Financial instruments</i></u></p> <p>Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.</p> <p>Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.</p> <p><u><i>Financial assets</i></u></p> <p>Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.</p> <p><u><i>Effective interest method</i></u></p> <p>The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.</p> <p>Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.</p> <p><u><i>Financial assets at FVTPL</i></u></p> <p>Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.</p>

Source	Hong Kong GAAP Limited
HKFRS 7.B5(e)	<p data-bbox="363 248 935 302"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="363 331 895 358">A financial asset is classified as held for trading if:</p> <ul data-bbox="363 387 1377 555" style="list-style-type: none"> <li data-bbox="363 387 1246 414">• it has been acquired principally for the purpose of selling it in the near term; or</li> <li data-bbox="363 443 1377 499">• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or</li> <li data-bbox="363 528 1230 555">• it is a derivative that is not designated and effective as a hedging instrument.</li> </ul> <p data-bbox="363 584 1418 640">A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:</p> <ul data-bbox="363 669 1444 974" style="list-style-type: none"> <li data-bbox="363 669 1444 725">• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or</li> <li data-bbox="363 754 1444 866">• the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or</li> <li data-bbox="363 893 1444 974">• it forms part of a contract containing one or more embedded derivatives, and HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> permits the entire combined contract (asset or liability) to be designated as at FVTPL.</li> </ul> <p data-bbox="363 1003 1449 1137">Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated [statement of comprehensive income/income statement]. Fair value is determined in the manner described in note 49.</p> <p data-bbox="363 1167 675 1193"><i>Held-to-maturity investments</i></p> <p data-bbox="363 1223 1444 1357">Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).</p> <p data-bbox="363 1386 967 1413"><i>Available-for-sale financial assets (AFS financial assets)</i></p> <p data-bbox="363 1442 1412 1523">AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.</p> <p data-bbox="363 1552 1431 1720">AFS financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).</p> <p data-bbox="363 1749 1437 1883">AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><i>Loans and receivables</i></p> <p>Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including [trade and other receivables, bank balances and cash, and other [describe]]) are measured at amortised cost using the effective interest method, less any impairment.</p> <p>Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.</p> <p><i>Impairment of financial assets</i></p> <p>Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.</p> <p>For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.</p> <p>For all other financial assets, objective evidence of impairment could include:</p> <ul style="list-style-type: none"> <li>• significant financial difficulty of the issuer or counterparty; or</li> <li>• breach of contract, such as a default or delinquency in interest or principal payments; or</li> <li>• it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or</li> <li>• the disappearance of an active market for that financial asset because of financial difficulties.</li> </ul> <p>For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.</p> <p>For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.</p> <p>For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).</p> <p>The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.</p> <p>When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
	<p>For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.</p> <p>In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.</p>
HKFRS 7.21	<p><u><i>Financial liabilities and equity instruments</i></u></p>
	<p>Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.</p>
HKFRS 7.21	<p><u><i>Equity instruments</i></u></p>
	<p>An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.</p>
	<p>Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.</p>
	<p><u><i>Financial liabilities at FVTPL</i></u></p>
	<p>Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.</p>
	<p>A financial liability is classified as held for trading if:</p>
	<ul style="list-style-type: none"> <li>• it has been acquired principally for the purpose of repurchasing it in the near term; or</li> <li>• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or</li> <li>• it is a derivative that is not designated and effective as a hedging instrument.</li> </ul>
	<p>A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:</p>
	<ul style="list-style-type: none"> <li>• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or</li> <li>• the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or</li> <li>• it forms part of a contract containing one or more embedded derivatives, and HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> permits the entire combined contract (asset or liability) to be designated as at FVTPL.</li> </ul>
HKFRS 7.B5(e)	<p>Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated [statement of comprehensive income/income statement]. Fair value is determined in the manner described in note 49.</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><i>Other financial liabilities</i></p> <p>Other financial liabilities (including borrowings and other [describe]) are subsequently measured at amortised cost using the effective interest method.</p> <p><i>Effective interest method</i></p> <p>The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.</p> <p>Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.</p>
HKFRS 7.21	<p><i>Convertible notes</i></p> <p>Convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.</p> <p>At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.</p> <p>The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to [share premium/other equity [describe]]. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to [retained profits/other equity [describe]]. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.</p> <p>Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.</p>
HKFRS 7.21	<p><i>Derivative financial instruments</i></p> <p>Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.</p> <p><i>Embedded derivatives</i></p> <p>Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.</p>
HKFRS 7.21	<p><i>Hedge accounting</i></p> <p>The Group designates certain derivatives as hedging instruments for [fair value hedges, cash flow hedges, or hedges of net investments in foreign operations].</p>



Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p>At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.</p> <p><i>Fair value hedges</i></p> <p>Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.</p> <p>Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.</p> <p>Any adjustment to the carrying amount of the hedged item for the designated risk for interest-bearing financial instruments is amortised to profit or loss, with amortisation commencing no later than when the hedged item ceases to be adjusted. The amortisation is based on a recalculated effective interest rate at the date amortisation commences such that the adjustment is fully amortised by maturity.</p> <p><i>Cash flow hedges</i></p> <p>The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.</p> <p>Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated [statement of comprehensive income/income statement] as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in the cash flow hedging reserve are transferred from the cash flow hedging reserve and included in the initial measurement of the cost of the non-financial asset or non-financial liability.</p> <p>Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.</p> <p><i>Hedges of net investments in foreign operations</i></p> <p>Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.</p> <p>Gains or losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><u>Financial guarantee contracts</u></p> <p>A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.</p> <p>Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:</p> <ul style="list-style-type: none"> <li>• the amount of the obligation under the contract, as determined in accordance with HKAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>; and</li> <li>• the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.</li> </ul> <p><u>Derecognition</u></p> <p>The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.</p> <p>On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.</p> <p>On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.</p> <p>The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.</p>



Source	Hong Kong GAAP Limited
	<p data-bbox="363 248 935 304"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="363 331 1243 360"><b>4. Critical accounting judgements and key sources of estimation uncertainty</b></p> <div data-bbox="363 398 1455 528" style="background-color: #e0ffe0; padding: 10px;"> <p data-bbox="363 398 1455 528"><i>Note: The following are <u>examples</u> 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 of the entity.</i></p> </div> <p data-bbox="363 555 1455 696">In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.</p> <p data-bbox="363 723 1455 831">The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.</p> <p data-bbox="150 857 288 887">HKAS 1.122</p> <p data-bbox="363 857 957 887"><b><i>Critical judgements in applying accounting policies</i></b></p> <p data-bbox="363 913 1455 996">The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.</p> <p data-bbox="363 1023 588 1052"><u>Revenue recognition</u></p> <p data-bbox="363 1079 1455 1301">Note 13 describes the expenditure required in the year for rectification work 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 2011, 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 2013. 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\$19 million in the current year, 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.</p> <p data-bbox="363 1328 1455 1550">In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in HKAS 18 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, management is 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 the recognition of an appropriate provision for the rectification costs.</p> <p data-bbox="150 1576 341 1606">HKAS 1.125, 129</p> <p data-bbox="363 1576 807 1606"><b><i>Key sources of estimation uncertainty</i></b></p> <p data-bbox="363 1632 1455 1715">The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.</p> <p data-bbox="363 1742 609 1771"><u>Impairment of goodwill</u></p> <p data-bbox="363 1798 1455 1906">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 management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.</p> <p data-bbox="363 1933 1455 1993">The carrying amount of goodwill as at 31 December 2011 was HK\$20.3 million (31 December 2010: HK\$24.1 million). Details of the impairment loss calculation are set out in note 22.</p>

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<u>Valuation of financial instruments</u>		
	<p>The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 27, 41 and 49 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.</p> <p>The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.</p>		
	<b>5. Revenue</b>		
HKAS 18.35(b) Sch 10:16(4)	An analysis of the Group's revenue for the year from continuing operations is as follows:		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
HKAS 18.35(b)	Revenue from the sale of goods	119,232	128,852
HKAS 18.35(b)	Revenue from the rendering of services	16,388	18,215
HKAS 11.39(a)	Construction contract revenue	5,298	4,773
		140,918	151,840
	See note 6 for an analysis of revenue by major products and services.		

Source	Hong Kong GAAP Limited
App 16.7 GR 18.08 HKFRS 8.2	<p data-bbox="363 248 938 304"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="363 331 638 360"><b>6. Segment information</b></p> <p data-bbox="363 405 1366 488"><i>Note: The following segment information is required by HKFRS 8 Operating Segments to be presented in the consolidated financial statements of a group with a parent (and in the separate or individual financial statements of an entity):</i></p> <ul data-bbox="443 504 1433 658" style="list-style-type: none"> <li>• <i>whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or</i></li> <li>• <i>that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.</i></li> </ul>
HKFRS 8.22 HKAS 1.138(b)	<p data-bbox="363 701 1433 840">Information reported to the Managing Director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. In addition, for 'electronic equipment' and 'leisure goods' operations, the information reported to the chief operating decision maker is further analysed based on the different classes of customers.</p> <p data-bbox="363 869 1345 898">Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:</p> <p data-bbox="363 925 794 1059">       Electronic equipment   -   wholesalers                                             -   retail outlets                                             -   internet sales        Leisure goods               -   wholesalers                                             -   retail outlets     </p> <p data-bbox="363 1088 1337 1117">Computer software - Installation of computer software for specialised business applications</p> <p data-bbox="363 1144 917 1173">Construction - Construction of residential properties</p> <p data-bbox="363 1200 1374 1229">The leisure goods segments supply sports shoes and equipment, and outdoor play equipment.</p> <p data-bbox="363 1256 1417 1339">Two operations (the manufacture and sale of toys and bicycles) were discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 11.</p>

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>			
	<b>Segment revenues and results</b>			
HKFRS 8.23(a)	The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.			
		Segment revenue Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	Segment profit Year ended 31/12/11 HK\$'000
				Year ended 31/12/10 HK\$'000
	Electronic equipment - wholesalers	37,509	39,641	6,705
	- retail outlets	20,194	22,534	7,265
	- internet sales	27,563	29,699	6,632
	Leisure goods - wholesalers	13,514	18,332	3,252
	- retail outlets	20,452	18,646	4,921
	Computer software	16,388	18,215	3,749
	Construction	5,298	4,773	362
HKFRS 8.28(a)	Total for continuing operations	140,918	151,840	32,886
	Share of profits of associates			1,186
	Gain recognised on disposal of an associate			581
	Investment and other income			3,608
	Other gains and losses			(1,128)
	Central administration costs			(2,045)
	Finance costs			(4,178)
HKFRS 8.28(b)	Profit before tax (continuing operations)			30,910
HKFRS 8.23(b)	Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: nil).			
HKFRS 8.27	The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' emoluments, share of profits of associates, gain recognised on disposal of interest in former associate, investment and other income, other gains and losses, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.			

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<b><i>Segment assets and liabilities</i></b>		
		<u>31/12/11</u>	<u>31/12/10</u>
		HK\$'000	HK\$'000
HKFRS 8.23, 28(c)	<u>Segment assets</u>		
	Electronic equipment - wholesalers	43,101	35,968
	- retail outlets	28,596	36,724
	- internet sales	28,189	38,711
	Leisure goods - wholesalers	35,351	33,942
	- retail outlets	33,032	34,432
	Computer software	26,045	21,783
	Construction	15,801	16,623
	Total segment assets	210,115	218,183
	Assets relating to toy and bicycle operations (now discontinued)	22,336	19,272
	Unallocated	34,629	27,317
	Consolidated assets	<u>267,080</u>	<u>264,772</u>
HKFRS 8.23, 28(d)	<u>Segment liabilities</u>		
	Electronic equipment - wholesalers	9,473	10,129
	- retail outlets	3,559	4,016
	- internet sales	2,547	2,757
	Leisure goods - wholesalers	1,556	2,052
	- retail outlets	846	2,229
	Computer software	707	828
	Construction	510	203
	Total segment liabilities	19,198	22,214
	Liabilities relating to toy and bicycle operations (now discontinued)	3,684	4,982
	Unallocated	72,401	70,614
	Consolidated liabilities	<u>95,283</u>	<u>97,810</u>
HKFRS 8.27	For the purposes of monitoring segment performance and allocating resources between segments: <ul style="list-style-type: none"> <li>all assets are allocated to operating segments other than interests in associates, held-to-maturity investments, available-for-sale investments, held-for-trading investments, other financial assets, and current and deferred tax assets. Goodwill is allocated to segments as described in note 22. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and</li> <li>all liabilities are allocated to operating segments other than current and deferred tax liabilities, other financial liabilities, borrowings, obligations under finance leases, loan from government, and convertible notes. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.</li> </ul>		

Source	Hong Kong GAAP Limited			
	Notes to the consolidated financial statements for the year ended 31 December 2011 – continued			
	Other segment information (included in the measure of segment profit or loss or regularly provided to the chief operating decision maker)			
HKFRS 8.23(e), 24(b)		Depreciation and amortisation	Additions to non-current assets	
		Year ended 31/12/11	Year ended 31/12/10	Year ended 31/12/11
		HK\$'000	HK\$'000	HK\$'000
	Electronic equipment - wholesalers	3,689	4,595	4,696
	- retail outlets	2,076	2,066	1,770
	- internet sales	2,067	1,942	4,205
	Leisure goods - wholesalers	1,514	1,508	3,880
	- retail outlets	1,589	2,240	4,234
	Computer software	957	987	1,692
	Construction	520	540	290
		12,412	13,878	20,767
				13,482
HKFRS 8.23(i)	In addition to the depreciation and amortisation reported above, impairment losses of HK\$1.204 million (2010: nil) and HK\$235,000 (2010: nil) were recognised in respect of property, plant and equipment and goodwill respectively. These impairment losses were attributable to the following reportable segments:			
				HK\$'000
	Impairment losses recognised for the year in respect of property, plant and equipment:			
	Electronic equipment - wholesalers			529
	- retail outlets			285
	- internet sales			390
				1,204
	Impairment losses recognised for the year in respect of goodwill:			
	Construction			235
HKFRS 8.23(f)	Rectification costs of HK\$4.17 million disclosed in note 13 relate to the 'electronic equipment – wholesalers' reportable segment.			
	Revenue from major products and services			
HKFRS 8.32	The Group's revenue from continuing operations from its major products and services were as follows:			
		Year ended 31/12/11	Year ended 31/12/10	
		HK\$000	HK\$000	
	Electronic equipment	85,266	91,874	
	Sports shoes	10,780	11,600	
	Sports equipment	10,223	11,250	
	Outdoor play equipment	12,963	14,128	
	Installation of computer software	16,388	18,215	
	Construction	5,298	4,773	
		140,918	151,840	

Source	Hong Kong GAAP Limited																																								
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b><i>Geographical information</i></b></p> <p>The Group operates in three principal geographical areas – the People's Republic of China (excluding Hong Kong) (the PRC), Hong Kong and Malaysia.</p> <p>The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets* by location of assets are detailed below:</p> <table> <tr> <th></th> <th colspan="2">Revenue from external customers</th> <th colspan="2">Non-current assets*</th> </tr> <tr> <th></th> <th>Year ended 31/12/11</th> <th>Year ended 31/12/10</th> <th>31/12/11</th> <th>31/12/10</th> </tr> <tr> <th></th> <th>HK\$'000</th> <th>HK\$'000</th> <th>HK\$'000</th> <th>HK\$'000</th> </tr> <tr> <td>PRC</td> <td>54,202</td> <td>63,971</td> <td>71,485</td> <td>93,043</td> </tr> <tr> <td>Hong Kong</td> <td>55,898</td> <td>53,562</td> <td>52,597</td> <td>55,745</td> </tr> <tr> <td>Malaysia</td> <td>25,485</td> <td>25,687</td> <td>16,085</td> <td>19,341</td> </tr> <tr> <td>European countries</td> <td>5,333</td> <td>8,620</td> <td>5,826</td> <td>8,809</td> </tr> <tr> <td></td> <td><u>140,918</u></td> <td><u>151,840</u></td> <td><u>145,993</u></td> <td><u>176,938</u></td> </tr> </table> <p>* Non-current assets excluding those relating to toy and bicycle operations and excluding financial instruments, deferred tax assets, post-employment benefit assets and assets from insurance contracts.</p> <p><b><i>Information about major customers</i></b></p> <p>Included in revenue arising from sales of electronic equipment of HK\$85.3 million (2010: HK\$91.9 million) are revenue of approximately HK\$15.6 million (2010: HK\$19.8 million) which arose from sales to the Group's largest customer (the wholesalers segment). No other single customers contributed 10% or more to the Group's revenue for both 2011 and 2010.</p>		Revenue from external customers		Non-current assets*			Year ended 31/12/11	Year ended 31/12/10	31/12/11	31/12/10		HK\$'000	HK\$'000	HK\$'000	HK\$'000	PRC	54,202	63,971	71,485	93,043	Hong Kong	55,898	53,562	52,597	55,745	Malaysia	25,485	25,687	16,085	19,341	European countries	5,333	8,620	5,826	8,809		<u>140,918</u>	<u>151,840</u>	<u>145,993</u>	<u>176,938</u>
	Revenue from external customers		Non-current assets*																																						
	Year ended 31/12/11	Year ended 31/12/10	31/12/11	31/12/10																																					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000																																					
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HKFRS 8.33(a), (b)																																									
HKFRS 8.34																																									

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<b>7. Investment and other income</b>		
		Year ended 31/12/11 <u>HK\$'000</u>	Year ended 31/12/10 <u>HK\$'000</u>
	<b>Continuing operations</b>		
HKAS 18.35(b)(iii) HKFRS 7.20(b)	Interest income on:		
	Bank deposits	2,098	790
	Available-for-sale investments	154	148
	Other loans and receivables	66	5
	Held-to-maturity investments	<u>245</u>	<u>210</u>
	Total interest income	2,563	1,153
HKAS 18.35(b)(v) HKAS 20.39(b)	Dividends from equity investments	156	154
	Government grants received for staff re-training	731	979
	Rental income from investment properties	18	14
	Other	<u>140</u>	<u>51</u>
		<u>3,608</u>	<u>2,351</u>
Sch 10:13(1)(g)	Included above is income from listed investments of HK\$421,000 (2010: HK\$401,000) and from unlisted investments of HK\$134,000 (2010: HK\$111,000).  The following is an analysis of investment and other income by category of asset.		
		Year ended 31/12/11 <u>HK\$'000</u>	Year ended 31/12/10 <u>HK\$'000</u>
	Available-for-sale investments	154	148
	Loans and receivables (including cash and bank balances)	2,164	795
	Held-to-maturity investments	<u>245</u>	<u>210</u>
HKFRS 7.20(b)	Total interest income earned on financial assets that are not designated as at fair value through profit or loss	2,563	1,153
	Dividend income earned on available-for-sale financial assets	156	154
	Investment income earned on non-financial assets	18	14
	Others	<u>871</u>	<u>1,030</u>
		<u>3,608</u>	<u>2,351</u>
	Income relating to financial assets classified as at fair value through profit or loss is included in 'other gains and losses' in note 8.		



Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<b>8. Other gains and losses</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	<b>Continuing operations</b>		
HKAS 1.98(c)	Gain on disposal of property, plant and equipment	6	67
HKAS 40.76(d)	Gain arising on change in fair value of investment properties	50	298
HKAS 21.52(a)	Net foreign exchange gain/(loss)	78	(166)
HKFRS 7.20(a)	Gain/(loss) arising on change in fair value of financial assets designated as at FVTPL	-	-
HKFRS 7.20(a)	Gain/(loss) arising on change in fair value of financial assets classified as held for trading	8	(10)
HKFRS 7.20(a)	Gain/(loss) arising on change in fair value of financial liabilities designated as at FVTPL	-	-
HKFRS 7.20(a)	Gain/(loss) arising on change in fair value of financial liabilities classified as held for trading	-	-
HKFRS 7.20(a)	Cumulative gain/(loss) on disposal of available-for-sale investments	-	-
HKFRS 7.24(b)	Hedge ineffectiveness in cash flow hedges	89	68
HKFRS 7.24(c)	Hedge ineffectiveness in net investment hedges	-	-
HKAS 36.126	Impairment loss recognised in respect of property, plant and equipment	(1,204)	-
HKAS 36.126	Impairment loss recognised in respect of goodwill	(235)	-
HKFRS 7.20(e)	Impairment losses on financial assets		
	- trade receivables	(63)	(430)
	- available-for-sale equity investments	-	-
	- available-for-sale debt investments	-	-
	- held-to-maturity investments	-	-
	- loans carried at amortised cost	-	-
	Reversal of impairment losses on trade receivables	103	-
	Gain on effective settlement of legal claim against Subseven Limited (see note 50)	40	-
		<u>(1,128)</u>	<u>(173)</u>

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<b>9. Finance costs</b>		
		Year ended <u>31/12/11</u> HK\$'000	Year ended <u>31/12/10</u> HK\$'000
	<b><i>Continuing operations</i></b>		
Sch 10:13(1)(b)	Interest on:		
	Bank and other borrowings		
	- wholly repayable within five years	3,067	5,485
	- not wholly repayable within five years	794	850
	Finance leases	2	5
	Interest on interest-free government loan	188	-
	Interest on convertible notes	110	-
	Unwinding of discounts on provisions	28	-
		<u>4,189</u>	<u>6,340</u>
HKFRS 7.20(b) HKAS 23.26(a) App 16.22(2) GR 18.22	Total borrowing costs	4,189	6,340
	Less: amounts capitalised in the cost of qualifying assets	<u>(11)</u>	<u>(27)</u>
		<u>4,178</u>	<u>6,313</u>
HKFRS 7.24(a)(i)	Fair value gain on interest rate swaps in a designated fair value hedge accounting relationship	(35)	(27)
HKFRS 7.24(a)(ii)	Loss arising on fair value adjustment to hedged item in a designated fair value hedge accounting relationship	<u>35</u>	<u>27</u>
		<u>-</u>	<u>-</u>
		<u>4,178</u>	<u>6,313</u>
HKAS 23. 26(b)	The weighted average capitalisation rate on funds borrowed generally is 8.0% per annum (2010: 7.8% per annum).  Finance costs relating to financial liabilities classified as at fair value through profit or loss are included in 'other gains and losses' in note 8.		

Source	Hong Kong GAAP Limited		
HKAS 12.79 Sch 10:13(1)(c)	Notes to the consolidated financial statements for the year ended 31 December 2011 – continued		
	10. Income tax expense (relating to continuing operations)		
	Income tax recognised in profit or loss		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Current tax:		
	Hong Kong	4,389	4,952
	PRC Enterprise Income Tax	5,513	5,790
	Other jurisdictions	34	55
		9,936	10,797
	Under/(over) provision in prior year:		
	Hong Kong	-	-
	PRC Enterprise Income Tax	-	-
	Other jurisdictions	-	-
		-	-
	Deferred tax (see note 42):		
Current year	1,714	1,088	
Attributable to a change in tax rate	-	-	
	1,714	1,088	
	11,650	11,885	
Sch 10:17(3)	Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.		
	PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both years). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.		

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKAS 12.81(c)	The tax charge for the year can be reconciled to the profit per the consolidated [statement of comprehensive income/income statement] as follows:		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Profit before tax (from continuing operations)	30,910	32,118
	Tax at PRC Enterprise Income Tax rate of 25% (2010: 25%)	7,728	8,030
	Tax effect of share of profits of associates	(297)	(397)
	Tax effect of expenses not deductible for tax purpose	4,515	5,673
	Tax effect of income not taxable for tax purpose	(86)	(581)
	Under/(over) provision in prior year	-	-
	Tax effect of [tax losses/deductible temporary differences] not recognised	-	-
	Utilisation of [tax losses/deductible temporary differences] previously not recognised	-	-
	Effect of different tax rates of group entities operating in jurisdictions other than PRC	(210)	(840)
	Income tax expense for the year (relating to continuing operations)	11,650	11,885
HKAS 12.81(a)	<b>Income tax recognised directly in equity</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	<b>Current tax</b>		
	[please describe]	-	-
	<b>Deferred tax</b>		
	Arising on transactions with owners:		
	Initial recognition of the equity component of convertible notes	208	-
	Others [please describe]	-	-
		208	-
	Total income tax recognised directly in equity	208	-

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKAS 12.81(ab)	<b><i>Income tax recognised in other comprehensive income</i></b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	<b><i>Current tax</i></b> [describe]	-	-
	<b><i>Deferred tax</i></b> Arising on income and expenses recognised in other comprehensive income:		
	Revaluations of available-for-sale financial assets	(100)	19
	Revaluations of financial instruments treated as cash flow hedges	101	79
	Others [please describe]	-	-
		1	98
	Arising on reclassification of cumulative gain of effective hedging instruments recognised in relation to cash flow hedges from equity to profit or loss	(86)	(86)
	Total income tax recognised in other comprehensive income	(85)	12
	<b>11. Discontinued operations</b>		
	<b><i>Disposal of toy manufacturing operations</i></b>		
HKFRS 5.30 HKFRS 5.41	On 28 September 2011, the Company entered into a sale agreement to dispose of Subzero Limited, which carried out all of the Group's toy manufacturing operations. The disposal of the toy manufacturing operations is consistent with the Group's long-term policy to focus its activities in the electronic equipment and other leisure goods markets. The disposal was completed on 30 November 2011, on which date control of the toy manufacturing operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 51.		
	<b><i>Plan to dispose of the bicycle business</i></b>		
HKFRS 5.30 HKFRS 5.41	On 30 November 2011, the Directors announced a plan to dispose of the Group's bicycle business. The disposal is consistent with the Group's long-term policy to focus its activities in the electronic equipment and other leisure goods markets. The Group is actively seeking a buyer for its bicycle business and expects to complete the sale by 31 July 2012. The net proceeds of sale are expected to exceed the carrying amount of the related net assets and, accordingly, no impairment losses were recognised, neither when the operation was reclassified as held for sale nor at the end of the reporting period.		
	<b><i>Analysis of profit for the year from discontinued operations</i></b>		
	The combined results of the discontinued operations (i.e. toy and bicycle businesses) included in the consolidated [statement of comprehensive income/income statement] and consolidated statement of cash flows are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.		

## Section 2

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
HKFRS 5.33(b)	<u>Profit for the year from discontinued operations</u>		
	Revenue	64,435	77,892
	Other gains	30	49
	Distribution and selling expenses	(23,118)	(32,009)
	Administrative expenses	(31,817)	(32,939)
	Profit before tax	9,530	12,993
HKAS 12.81(h)	Attributable income tax expense	(2,524)	(2,998)
		7,006	9,995
	Loss on remeasurement to fair value less costs to sell	-	-
	Gain on disposal of operation (including HK\$0.12 million reclassification of foreign currency translation reserve from equity to profit or loss on disposal of the operation (see note 51))	1,789	-
HKAS 12.81(h)	Attributable income tax expense	(485)	-
		1,304	-
HKFRS 5.33(d)	Profit for the year from discontinued operations (attributable to owners of the Company)	8,310	9,995
	Profit for the year from discontinued operations include the following:		
Sch 10:13(1)(a)	Depreciation and amortisation	1,767	3,472
Sch 10:15	Auditor's remuneration	150	130
HKFRS 5.33(c)	<u>Cash flows from discontinued operations</u>		
	Net cash inflows from operating activities	6,381	7,078
	Net cash inflows from investing activities	2,767	-
	Net cash outflows from financing activities	(5,000)	-
	Net cash inflows	4,148	7,078
	The bicycle business has been classified and accounted for at 31 December 2011 as a disposal group held for sale (see note 12).		

Source	Hong Kong GAAP Limited		
	Notes to the consolidated financial statements for the year ended 31 December 2011 – continued		
	12. Assets classified as held for sale		
		31/12/11 HK\$'000	31/12/10 HK\$'000
	Leasehold land (Note 1)	1,260	-
	Assets related to bicycle business (Note 2)	21,076	-
		22,336	-
	Liabilities directly associated with assets classified as held for sale (Note 2)	3,684	-
	Notes:		
HKFRS 5.41	1) The Group intends to dispose of a parcel of leasehold land it no longer utilises in the next 12 months. The property located on the leasehold land was previously used in the Group's toy manufacturing operations and has been fully depreciated. A search is underway for a buyer. No impairment loss was recognised on reclassification of the land as held for sale nor at 31 December 2011.		
HKFRS 5.41 HKFRS 5.38	2) As described in note 11, the Group is seeking to dispose of its bicycle business and anticipates that the disposal will be completed by 31 July 2012. The major classes of assets and liabilities of the bicycle business at the end of the reporting period are as follows:		
		31/12/11 HK\$'000	
	Goodwill	1,147	
	Property, plant and equipment	16,944	
	Inventories	830	
	Trade receivables	1,980	
	Cash and bank balances	175	
	Assets of bicycle business classified as held for sale	21,076	
	Trade payables	(3,254)	
	Current tax liabilities	-	
	Deferred tax liabilities	(430)	
	Liabilities of bicycle business associated with assets classified as held for sale	(3,684)	
	Net assets of bicycle business classified as held for sale	17,392	
	13. Profit for the year from continuing operations		
HKFRS 5.33(d)	Profit for the year from continuing operations is attributable to:		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Owners of the Company	15,260	17,470
	Non-controlling interests	4,000	2,763
		19,260	20,233

## Section 2

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	Profit for the year from continuing operations has been arrived at after charging (crediting):		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
HKAS 16.73(e) (vii)	Depreciation of property, plant and equipment	10,820	12,322
HKAS 38.118(d)	Amortisation of other intangible assets (included in [cost of sales/depreciation and amortisation expense/other expenses])	1,592	1,556
HKAS 1.104 Sch 10:13(1)(a)	Total depreciation and amortisation	12,412	13,878
Sch 10:15	Auditor's remuneration	2,000	1,850
HKAS 38.126	Research and development costs	502	440
HKAS 40.75(f)	Gross rental income from investment properties	(18)	(14)
	Less:		
	Direct operating expenses from investment properties that generated rental income during the year	1	2
	Direct operating expenses from investment properties that did not generate rental income during the year	-	-
		(17)	(12)
	Employee benefits expense:		
	Post employment benefits		
HKAS 19.46	Defined contribution plans	160	148
HKAS 19.120A(g)	Defined benefit plans	586	556
		746	704
HKFRS 2.50	Share-based payments		
HKFRS 2.51(a)	Equity-settled share-based payments	218	246
HKFRS 2.51(a)	Cash-settled share-based payments	-	-
		218	246
HKAS 19.142	Termination benefits	-	-
	Other employee benefits	8,851	10,613
HKAS 1.104	Total employee benefits expense	9,815	11,563
HKAS 2.36(d)	Cost of inventories recognised as an expense	86,780	90,100
HKAS 1.97	Costs of HK\$4.17 million (2010: nil) 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]. The amount represents the estimated cost of work to be carried out in accordance with an agreed schedule of works up to 2013. HK\$1.112 million of the provision has been utilised in the current year, with a provision of HK\$3.058 million carried forward to meet anticipated expenditure in 2012 and 2013 (see note 40).		



Source

Hong Kong GAAP Limited

s161

s161A

App 16.24

GR 18.28

Notes to the consolidated financial statements for the year ended 31 December 2011 – continued

14. Directors' emoluments

The emoluments paid or payable to each of the six (2010: six) directors were as follows:

2011	Gary D.K. Wong HK\$'000	Daniel D.D. Lee HK\$'000	Derek S.Y. Wong HK\$'000	Tiara Cheung HK\$'000	Florence K.Y. Tang HK\$'000	John Banks HK\$'000	Total HK\$'000
Fees	-	-	-	100	100	100	300
Other emoluments							
Salaries and other benefits	600	200	200	-	-	-	1,000
Contributions to retirement benefits schemes	5	5	5	-	-	-	15
Share-based payments	60	60	-	-	-	-	120
Discretionary and performance related incentive payments (Note)	80	70	70	-	-	-	220
Total emoluments	745	335	275	100	100	100	1,655

2010	Gary D.K. Wong HK\$'000	Daniel D.D. Lee HK\$'000	Derek S.Y. Wong HK\$'000	Tiara Cheung HK\$'000	Florence K.Y. Tang HK\$'000	John Banks HK\$'000	Total HK\$'000
Fees	-	-	-	100	100	100	300
Other emoluments							
Salaries and other benefits	580	150	150	-	-	-	880
Contributions to retirement benefits schemes	5	5	5	-	-	-	15
Share-based payments	160	35	-	-	-	-	195
Discretionary and performance related incentive payments (Note)	50	70	70	-	-	-	190
Total emoluments	795	260	225	100	100	100	1,580

Note: The performance related incentive payment is determined by reference to the individual performance of the directors and approved by the Remuneration Committee.

Source	Hong Kong GAAP Limited																		
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>																		
App 16.25 GR 18.30	<p><b>15. Employees' emoluments</b></p> <p>Of the five individuals with the highest emoluments in the Group, three (2010: three) were directors of the Company whose emoluments are included in the disclosures in note 14 above. The emoluments of the remaining two (2010: two) individuals were as follows:</p> <table><tr><td></td><td>Year ended 31/12/11 HK\$'000</td><td>Year ended 31/12/10 HK\$'000</td></tr><tr><td>Salaries and other benefits</td><td>200</td><td>180</td></tr><tr><td>Contributions to retirement benefits schemes</td><td>5</td><td>10</td></tr><tr><td>Share-based payment expense</td><td>55</td><td>40</td></tr><tr><td>Discretionary and performance related incentive payments</td><td>-</td><td>-</td></tr><tr><td></td><td><u>260</u></td><td><u>230</u></td></tr></table> <p>Their emoluments were all within HK\$nil to 1,000,000.</p>		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	Salaries and other benefits	200	180	Contributions to retirement benefits schemes	5	10	Share-based payment expense	55	40	Discretionary and performance related incentive payments	-	-		<u>260</u>	<u>230</u>
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000																	
Salaries and other benefits	200	180																	
Contributions to retirement benefits schemes	5	10																	
Share-based payment expense	55	40																	
Discretionary and performance related incentive payments	-	-																	
	<u>260</u>	<u>230</u>																	
Sch 10:13(1)(j)	<p><b>16. Dividends</b></p> <table><tr><td></td><td>Year ended 31/12/11 HK\$'000</td><td>Year ended 31/12/10 HK\$'000</td></tr><tr><td>Dividends recognised as distributions during the year:</td><td></td><td></td></tr><tr><td>2011 Interim, paid - HK10.00 cents per share (2010: nil)</td><td>2,300</td><td>-</td></tr><tr><td>2010 Final, paid - HK17.80 cents per share (2010: 2009 Final, paid HK27.76 cents per share)</td><td><u>4,096</u></td><td><u>6,387</u></td></tr><tr><td></td><td><u>6,396</u></td><td><u>6,387</u></td></tr></table>		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	Dividends recognised as distributions during the year:			2011 Interim, paid - HK10.00 cents per share (2010: nil)	2,300	-	2010 Final, paid - HK17.80 cents per share (2010: 2009 Final, paid HK27.76 cents per share)	<u>4,096</u>	<u>6,387</u>		<u>6,396</u>	<u>6,387</u>			
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000																	
Dividends recognised as distributions during the year:																			
2011 Interim, paid - HK10.00 cents per share (2010: nil)	2,300	-																	
2010 Final, paid - HK17.80 cents per share (2010: 2009 Final, paid HK27.76 cents per share)	<u>4,096</u>	<u>6,387</u>																	
	<u>6,396</u>	<u>6,387</u>																	
HKAS 1.137(a) HKAS 10.13	<p>Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2011 of HK23.31 cents per share (2010: HK17.80 cents per share in respect of the year ended 31 December 2010) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.</p>																		

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<b>17. Earnings per share</b>		
	<p><i>Note: HKAS 33 Earnings per Share requires that earnings per share (EPS) information be presented in the consolidated financial statements of a group with a parent (and in the separate or individual financial statements of an entity):</i></p> <ul style="list-style-type: none"> <li><i>whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets); or</i></li> <li><i>that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.</i></li> </ul> <p><i>If other entities choose to disclose EPS information voluntarily in financial statements that comply with HKFRSs, the disclosures in relation to EPS information should comply fully with the requirements of HKAS 33.</i></p>		
	<b>From continuing and discontinued operations</b>		
	The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:		
HKAS 33.70(a)	<u>Earnings</u>  Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company) Effect of dilutive potential ordinary shares: Adjustment in relation to share options issued by subsidiaries of the Company Interest on convertible notes (net of tax)  Earnings for the purpose of diluted earnings per share	Year ended 31/12/11 HK\$'000       23,570   (83) 92  23,579	Year ended 31/12/10 HK\$'000       27,465   (70) -  27,395
HKAS 33.70(b)	<u>Number of shares</u>  Weighted average number of ordinary shares for the purpose of basic earnings per share Effect of dilutive potential ordinary shares: Share options issued by the Company Convertible notes  Weighted average number of ordinary shares for the purpose of diluted earnings per share	Year ended 31/12/11 '000       22,450   73 1,203  23,726	Year ended 31/12/10 '000       23,005   91 -  23,096

Source	Hong Kong GAAP Limited						
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>						
	<b>From continuing operations</b>						
	The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:						
HKAS 33.70(a)	Earnings figures are calculated as follows:						
		Year ended 31/12/11 HK\$'000		Year ended 31/12/10 HK\$'000			
	Profit for the year attributable to owners of the Company	23,570		27,465			
	Less:						
	Profit for the year from discontinued operations	(8,310)		(9,995)			
	Earnings for the purpose of basic earnings per share from continuing operations	15,260		17,470			
	Effect of dilutive potential ordinary shares:						
	Adjustment in relation to share options issued by subsidiaries of the Company	(83)		(70)			
	Interest on convertible notes (net of tax)	92		-			
	Earnings for the purpose of diluted earnings per share from continuing operations	15,269		17,400			
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	<b>From discontinued operations</b>						
	Basic earnings per share for the discontinued operations is HK37.02 cents per share (2010: HK43.45 cents per share) and diluted earnings per share for the discontinued operations is HK35.02 cents per share (2010: HK43.28 cents per share), based on the profit for the year from the discontinued operations of HK\$8.310 million (2010: HK\$9.995 million) and the denominators detailed above for both basic and diluted earnings per share.						
	<b>Impact of changes in accounting policies</b>						
HKAS 8.28(f)(ii)	Changes in the Group's accounting policies during the year are described in detail in note 2. The table below summarises that impact on both basic and diluted earnings per share.						
		Increase (decrease) in profit for the year attributable to the owners of the Company		Increase (decrease) in basic earnings per share		Increase (decrease) in diluted earnings per share	
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	Year ended 31/12/11 Cents per share	Year ended 31/12/10 Cents per share	Year ended 31/12/11 Cents per share	Year ended 31/12/10 Cents per share
	Changes in accounting policies relating to:						
	- (Please specify)	-	-	-	-	-	-
		-	-	-	-	-	-

Source	Hong Kong GAAP Limited						
HKAS 16.73(a) HKAS 16.73(d), (e) Sch 10:12(8)	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>						
	<b>18. Property, plant and equipment</b>						
		Leasehold land	Buildings	Property under construction	Plant and equipment	Equipment under finance lease	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Cost</b>						
	Balance at 1 January 2010	19,055	13,972	-	157,794	630	191,451
	Additions	-	895	-	10,657	40	11,592
	Disposals	-	-	-	(25,788)	-	(25,788)
	Effect of foreign currency exchange differences	(860)	-	-	(1,498)	-	(2,358)
	Balance at 31 December 2010	18,195	14,867	-	141,165	670	174,897
	Additions	-	-	-	20,183	-	20,183
	Disposals	(1,439)	-	-	(12,401)	(624)	(14,464)
	Derecognised on disposal of a subsidiary	-	-	-	(8,419)	-	(8,419)
	Acquisitions through business combinations	-	-	-	512	-	512
	Reclassified as held for sale	(1,260)	(1,357)	-	(22,045)	-	(24,662)
	Effect of foreign currency exchange differences	309	-	-	1,673	-	1,982
	Balance at 31 December 2011	15,805	13,510	-	120,668	46	150,029
	<b>Accumulated depreciation and impairment</b>						
	Balance at 1 January 2010	(2,132)	(1,551)	-	(22,887)	(378)	(26,948)
	Eliminated on disposals of assets	-	-	-	4,610	-	4,610
	Depreciation expense	(1,002)	(947)	-	(13,715)	(130)	(15,794)
	Effect of foreign currency exchange differences	(3)	(2)	-	451	-	446
	Balance at 31 December 2010	(3,137)	(2,500)	-	(31,541)	(508)	(37,686)
	Eliminated on disposals of assets	-	106	-	3,602	500	4,208
	Eliminated on disposal of a subsidiary	-	-	-	2,757	-	2,757
	Eliminated on reclassification as held for sale	140	153	-	6,165	-	6,458
HKAS 36.126(a)	Impairment losses recognised in profit or loss	-	-	-	(1,204)	-	(1,204)
HKAS 36.126(b)	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-	-
	Depreciation expense	(801)	(774)	-	(11,002)	(10)	(12,587)
	Effect of foreign currency exchange differences	-	-	-	(392)	-	(392)
	Balance at 31 December 2011	(3,798)	(3,015)	-	(31,615)	(18)	(38,446)
	<b>Carrying amounts</b>						
	Balance at 31 December 2011	12,007	10,495	-	89,053	28	111,583
	Balance at 31 December 2010	15,058	12,367	-	109,624	162	137,211

Source	Hong Kong GAAP Limited																																				
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>																																				
HKAS 16.73(c)	<p>The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:</p> <table><tr><td>Leasehold land</td><td>Over the term of the lease</td></tr><tr><td>Buildings</td><td>Over the shorter of the term of the lease, and 20 – 30 years</td></tr><tr><td>Plant and equipment</td><td>7 – 20%</td></tr><tr><td>Equipment under finance lease</td><td>20%</td></tr></table>	Leasehold land	Over the term of the lease	Buildings	Over the shorter of the term of the lease, and 20 – 30 years	Plant and equipment	7 – 20%	Equipment under finance lease	20%																												
Leasehold land	Over the term of the lease																																				
Buildings	Over the shorter of the term of the lease, and 20 – 30 years																																				
Plant and equipment	7 – 20%																																				
Equipment under finance lease	20%																																				
	<b>Impairment losses recognised in the current year</b>																																				
HKAS 36.130(a) to (g) HKAS 36.131	<p>During the year, as the result of the unexpected poor performance of a manufacturing plant, the Group carried out a review of the recoverable amount of that manufacturing plant and the related equipment. These assets are used in the Group's electronic equipment reportable segments. The review led to the recognition of an impairment loss of HK\$1.09 million, which 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 annum. No impairment assessment was performed in 2010 as there was no indication of impairment.</p> <p>Additional impairment losses recognised in respect of property, plant and equipment in the year amounted to HK\$0.114 million. These losses are attributable to greater than anticipated wear and tear. These assets are also used in the Group's electronic equipment reportable segments.</p>																																				
HKAS 36.126(a)	<p>The impairment losses have been included in the ["other gains and losses"] line item in the consolidated [statement of comprehensive income/income statement].</p>																																				
Sch 10:12(9) Sch 10:31(c)	<p><b>The carrying value of land shown above comprises:</b></p> <table><tr><td></td><td>31/12/11 HK\$'000</td><td>31/12/10 HK\$'000</td></tr><tr><td>Land in Hong Kong:</td><td></td><td></td></tr><tr><td>    Long lease</td><td>-</td><td>-</td></tr><tr><td>    Medium-term lease</td><td>1,600</td><td>1,700</td></tr><tr><td></td><td><u>1,600</u></td><td><u>1,700</u></td></tr><tr><td>Land outside Hong Kong:</td><td></td><td></td></tr><tr><td>    Freehold</td><td>-</td><td>-</td></tr><tr><td>    Long lease</td><td>7,507</td><td>10,210</td></tr><tr><td>    Medium-term lease</td><td>2,900</td><td>3,148</td></tr><tr><td>    Short lease</td><td>-</td><td>-</td></tr><tr><td></td><td><u>10,407</u></td><td><u>13,358</u></td></tr><tr><td></td><td><u>12,007</u></td><td><u>15,058</u></td></tr></table>		31/12/11 HK\$'000	31/12/10 HK\$'000	Land in Hong Kong:			Long lease	-	-	Medium-term lease	1,600	1,700		<u>1,600</u>	<u>1,700</u>	Land outside Hong Kong:			Freehold	-	-	Long lease	7,507	10,210	Medium-term lease	2,900	3,148	Short lease	-	-		<u>10,407</u>	<u>13,358</u>		<u>12,007</u>	<u>15,058</u>
	31/12/11 HK\$'000	31/12/10 HK\$'000																																			
Land in Hong Kong:																																					
Long lease	-	-																																			
Medium-term lease	1,600	1,700																																			
	<u>1,600</u>	<u>1,700</u>																																			
Land outside Hong Kong:																																					
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Short lease	-	-																																			
	<u>10,407</u>	<u>13,358</u>																																			
	<u>12,007</u>	<u>15,058</u>																																			
	<b>Assets pledged as security</b>																																				
HKAS 16.74(a) Sch 10:12(4)	<p>Leasehold land and buildings with a carrying amount of approximately HK\$22.5 million (31 December 2010: approximately HK\$27.4 million) have been pledged to secure general banking facilities granted to the Group.</p>																																				

Source	Hong Kong GAAP Limited	
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>	
Sch 10:12(9)	<b>19. Prepaid lease payments</b>	
		<div> <div>31/12/11</div> <div>31/12/10</div> <div>HK\$'000</div> <div>HK\$'000</div> </div>
	The Group's prepaid lease payments comprise:	
	Land outside Hong Kong	
	Long lease	-
	Medium term lease	2,400
	Short lease	-
		<div>2,400</div> <div>2,500</div>
	Analysed for reporting purposes as:	
	Current assets (included in trade and other receivables)	100
	Non-current assets	2,300
		<div>2,400</div> <div>2,500</div>
	<b>20. Investment properties</b>	
		<div>31/12/11</div> <div>31/12/10</div> <div>HK\$'000</div> <div>HK\$'000</div>
	Completed investment properties	<div>2,086</div> <div>1,942</div>
		<div>Year ended</div> <div>Year ended</div> <div>31/12/11</div> <div>31/12/10</div> <div>HK\$'000</div> <div>HK\$'000</div>
HKAS 40.76	<b>At fair value</b>	
	<i>Completed investment properties</i>	
	Balance at beginning of year	1,942
	Additions	100
	Disposals	-
	Gain (loss) on property revaluation	50
	Effect of foreign currency exchange differences	(6)
	Balance at end of year	<div>2,086</div> <div>1,942</div>

## Section 2

Source	Hong Kong GAAP Limited																														
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>																														
HKAS 40.75(d), (e)	The fair value of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out at that date by Messrs. [XYZ], independent qualified professional valuers not connected to the Group. Messrs. [XYZ] are members of the [Hong Kong Institute of Valuers]. The valuation was arrived at by reference to [market evidence of transaction prices for similar properties / others (please specify)].																														
HKAS 40.75(b)	The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.																														
HKAS 40.75(g) Sch 10:12(4)	The Group's investment properties have been pledged to secure general banking facilities granted to the Group.																														
Sch 10:12(9)	<p>The carrying amounts of investment properties shown above comprises:</p> <table><tr><td></td><td><u>31/12/11</u></td><td><u>31/12/10</u></td></tr><tr><td></td><td>HK\$'000</td><td>HK\$'000</td></tr><tr><td>Land in Hong Kong:</td><td></td><td></td></tr><tr><td>    Long lease</td><td>-</td><td>-</td></tr><tr><td>    Medium-term lease</td><td>2,086</td><td>1,942</td></tr><tr><td>Land outside Hong Kong:</td><td></td><td></td></tr><tr><td>    Long lease</td><td>-</td><td>-</td></tr><tr><td>    Medium-term lease</td><td>-</td><td>-</td></tr><tr><td>    Short lease</td><td>-</td><td>-</td></tr><tr><td></td><td><u>2,086</u></td><td><u>1,942</u></td></tr></table>		<u>31/12/11</u>	<u>31/12/10</u>		HK\$'000	HK\$'000	Land in Hong Kong:			Long lease	-	-	Medium-term lease	2,086	1,942	Land outside Hong Kong:			Long lease	-	-	Medium-term lease	-	-	Short lease	-	-		<u>2,086</u>	<u>1,942</u>
	<u>31/12/11</u>	<u>31/12/10</u>																													
	HK\$'000	HK\$'000																													
Land in Hong Kong:																															
Long lease	-	-																													
Medium-term lease	2,086	1,942																													
Land outside Hong Kong:																															
Long lease	-	-																													
Medium-term lease	-	-																													
Short lease	-	-																													
	<u>2,086</u>	<u>1,942</u>																													
HKAS 40.75	<p><i>Note: HKAS 40 requires entities to disclose methods and significant assumptions applied in determining the fair value of investment properties. Entities are also required to include a statement as to whether the determination of fair value is supported by market evidence or is more heavily based on other factors.</i></p>																														



Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<b>21. Goodwill</b>		
		<u>31/12/11</u>	<u>31/12/10</u>
		HK\$'000	HK\$'000
HKFRS 3.B67(d)	<b>Cost</b>		
	Balance at beginning of year	24,060	23,920
	Additional amounts recognised from business combinations occurring during the year (see note 50)	478	-
	Derecognised on disposal of a subsidiary (see note 51)	(3,080)	-
	Reclassified as held for sale (see note 12)	(1,147)	-
	Effect of foreign currency exchange differences	209	140
	Others [describe]	-	-
		<u>-</u>	<u>-</u>
	Balance at end of year	<u>20,520</u>	<u>24,060</u>
	<b>Accumulated impairment losses</b>		
HKAS 36.126(a)	Balance at beginning of year	-	-
	Impairment losses recognised in the year	(235)	-
	Derecognised on disposal of a subsidiary	-	-
	Reclassified as held for sale	-	-
	Effect of foreign currency exchange differences	-	-
		<u>-</u>	<u>-</u>
	Balance at end of year	<u>(235)</u>	<u>-</u>
	<b>Carrying amounts</b>		
	Balance at 31 December 2011		<u>20,285</u>
	Balance at 31 December 2010		<u>24,060</u>

Source	Hong Kong GAAP Limited
HKAS 36.134, 135	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>
	<b>22. Impairment testing on goodwill</b>
	Goodwill has been allocated for impairment testing purposes to the following groups of cash-generating units:
	<ul style="list-style-type: none"><li>Leisure goods – retail outlets</li><li>Electronic equipment – internet sales</li><li>Construction operations – Murphy Construction</li><li>Construction operations – other.</li></ul>
	Before recognition of impairment losses, the carrying amount of goodwill (other than goodwill relating to discontinued operations) was allocated to groups of cash-generating units as follows:
</	

Source	Hong Kong GAAP Limited
HKAS 36.130	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
	<p><b><i>Construction operations – Murphy Construction</i></b></p>
	<p>The goodwill associated with Murphy Construction arose when that business was acquired by the Group in 2005. The business has continued to operate on a satisfactory basis, but without achieving any significant increase in market share. During the year, the government of A Land introduced new regulations requiring registration and certification of builders for government contracts. In the light of the decision to focus the Group's construction activities through the other operating units in Subthree Limited, the directors have decided not to register Murphy Construction for this purpose, which means that it has no prospects of obtaining future contracts. The directors have consequently determined to write off the goodwill directly related to Murphy Construction amounting to HK\$235,000. No other write-down of the assets of Murphy Construction is considered necessary. Contracts in progress at the end of the year will be completed without loss to the Group.</p>
	<p>The impairment loss has been included in the 'other expenses' line item in the consolidated [statement of comprehensive income/income statement].</p>
	<p><b><i>Construction operations – other</i></b></p>
	<p>The recoverable amount of the Group's remaining construction operations has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 15% per annum (2010: 12.5% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 8% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the construction market in A Land. The directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.</p>
	<p>The key assumptions used in the value in use calculations for the leisure goods and electronic equipment cash-generating units are as follows:</p>
<p>Budgeted market share</p>	<p>Average market share in the period immediately before the budget period, plus a growth of 1-2% of market share per year. The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with the directors' plans for focusing operations in these markets. The directors believe that the planned market share growth per year for the next five years is reasonably achievable.</p>
<p>Budgeted gross margin</p>	<p>Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements. This reflects past experience, except for efficiency improvements. The directors expect efficiency improvements of 3 - 5% per year to be reasonably achievable.</p>
<p>Raw materials price inflation</p>	<p>Forecast consumer price indices during the budget period for the countries from which raw materials are purchased. The values assigned to the key assumption are consistent with external sources of information.</p>

## Section 2

Source	Hong Kong GAAP Limited					
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>					
	<b>23. Other intangible assets</b>					
		Capitalised development costs	Patents	Trademarks	Licences	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HKAS 38.118(c),(e)	<b>Cost</b>					
	Balance at 1 January 2010	3,230	5,825	4,711	6,940	20,706
	Additions	-	-	-	-	-
	Additions from internal developments	358	-	-	-	358
	Acquisitions through business combinations	-	-	-	-	-
	Disposals or reclassified as held for sale	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Others [describe]	-	-	-	-	-
	Balance at 31 December 2010	3,588	5,825	4,711	6,940	21,064
	Additions	-	-	-	-	-
	Additions from internal developments	6	-	-	-	6
	Acquisitions through business combinations	-	-	-	-	-
	Disposals or reclassified as held for sale	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Others [describe]	-	-	-	-	-
	Balance at 31 December 2011	3,594	5,825	4,711	6,940	21,070
	<b>Accumulated amortisation and impairment</b>					
	Balance at 1 January 2010	(1,000)	(874)	(3,533)	(2,776)	(8,183)
	Amortisation expense	(682)	(291)	(236)	(347)	(1,556)
HKAS 36.130(b)	Disposals or reclassified as held for sale	-	-	-	-	-
HKAS 36.130(b)	Impairment losses recognised in profit or loss	-	-	-	-	-
	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Others [describe]	-	-	-	-	-
	Balance at 31 December 2010	(1,682)	(1,165)	(3,769)	(3,123)	(9,739)
	Amortisation expense	(718)	(291)	(236)	(347)	(1,592)
HKAS 36.130(b)	Disposals or reclassified as held for sale	-	-	-	-	-
HKAS 36.130(b)	Impairment losses recognised in profit or loss	-	-	-	-	-
	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Others [describe]	-	-	-	-	-
	Balance at 31 December 2011	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)
	<b>Carrying amounts</b>					
	Balance at 31 December 2011	1,194	4,369	706	3,470	9,739
	Balance at 31 December 2010	1,906	4,660	942	3,817	11,325
HKAS 38.118(a)	The following useful lives are used in the calculation of amortisation:					
	Capitalised development costs	5 years				
	Patents	20 years				
	Trademarks	20 years				
	Licences	20 years				

Source	Hong Kong GAAP Limited							
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>							
	<b>24. Interests in associates</b>							
	Details of the Group's interests in associates are as follows:							
Sch 10:9(1)(a)						31/12/11 HK\$'000	31/12/10 HK\$'000	
	Cost of investments in associates							
	Listed in Hong Kong							
	Listed outside Hong Kong							
	Unlisted							
	Share of post-acquisition profits and other comprehensive income, net of dividends received							
						2,839	2,590	
						7,319	7,270	
s129(1)&(2) s129(4)&(5)	As at 31 December 2011 and 2010, the Group had interests in the following associates:							
	Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities
	A Plus Limited	Incorporated	A Land	A Land	Ordinary	17%	17% (Note 1)	Transport
	B Plus Limited	Incorporated	B Land	B Land	Ordinary	56%	56% (Note 2)	Finance
	C Plus Limited	Incorporated	C Land	C Land	Ordinary	45%	45% (Note 3)	Manufacture of electronic equipment
	Notes:							
HKAS 28.37(c), (d)	1) The Group is able to exercise significant influence over A Plus Limited because it has the power to appoint two out of the six directors of that company under the Articles of Association of that company.							
HKAS 28.37(d) HKAS 27.41(b)	2) The Group holds 56% of the issued share capital of B Plus Limited. However, under a shareholders' agreement, the other shareholder controls the composition of the board of directors of B Plus Limited and therefore the Group does not control B Plus Limited. The directors of the Company consider that the Group does have significant influence over B Plus Limited and it is therefore classified as an associate of the Group.							
HKAS 28.37(e)	3) The financial year end date for C Plus Limited is 31 October. For the purpose of applying the equity method of accounting, the consolidated financial statements of C Plus Limited for the year ended 31 October 2011 (2010: 31 October 2010) have been used as the Group considers that it is impracticable for C Plus Limited to prepare a separate set of consolidated financial statements as of 31 December. Appropriate adjustments have been made accordingly for the effects of significant transactions between that date and 31 December 2011. As at 31 December 2011, the fair value of the Group's interest in C Plus Limited, of which its shares are listed on The Stock Exchange of C Land, was HK\$8.0 million (31 December 2010: HK\$7.8 million)							
HKAS 28.37(a)								

## Section 2

Source	Hong Kong GAAP Limited		
	Notes to the consolidated financial statements for the year ended 31 December 2011 – continued		
HKAS 28.37(b)	Summarised financial information in respect of the Group's associates is set out below:		
		31/12/11 HK\$'000	31/12/10 HK\$'000
Total assets		42,932	38,178
Total liabilities		(14,848)	(12,218)
Net assets		28,084	25,960
Group's share of net assets of associates		7,319	7,270
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
Total revenue		12,054	11,904
Total profit for the year		3,953	5,479
Group's share of profits of associates		1,186	1,589
Group's share of other comprehensive income of associates		-	-
In December 2011, the Group transferred a 30% interest in E Plus Limited to a third party for proceeds of HK\$1.245 million (received in January 2012). The Group has retained the remaining 10% interest as an available-for-sale investment whose fair value at the date of disposal was HK\$360,000. Prior to the disposal, the Group held a 40% interest in E Plus Limited and accounted for the investment as an associate. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:			
			HK\$'000
Proceeds of disposal			1,245
Plus: fair value of investment retained (10%)			360
Less: carrying amount of the 40% investment on the date of loss of significant influence			(1,024)
Gain recognised			581
The gain recognised in the current year comprises a realised profit of HK\$477,000 (being the proceeds of HK\$1.245 million less HK\$768,000 carrying amount of the interest disposed of) and a unrealised profit of HK\$104,000 (being the fair value less the carrying amount of the 10% interest retained). A current tax expense of HK\$119,000 arose on the gain realised in the current year, and a deferred tax expense of HK\$26,000 has been recognised in respect of the portion of the profit recognised that is not taxable until the remaining interest is disposed of.			

Source	Hong Kong GAAP Limited																											
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b>25. Joint ventures</b></p> <p>As at 31 December 2011 and 2010, the Group had interests in the following significant jointly controlled entities:</p> <table><tr><th>Name of entity</th><th>Form of entity</th><th>Place of incorporation</th><th>Principal place of operation</th><th>Class of shares held</th><th>Proportion of nominal value of issued capital held by the Group</th><th>Proportion of voting power held</th><th>Principal activities</th></tr><tr><td>A JV Limited</td><td>Incorporated</td><td>Hong Kong</td><td>Hong Kong</td><td>Ordinary</td><td>25%</td><td>25%</td><td>Manufacture of electronic equipment</td></tr><tr><td>B JV Limited</td><td>Incorporated</td><td>Hong Kong</td><td>Hong Kong</td><td>Ordinary</td><td>40%</td><td>40%</td><td>Manufacture of electronic equipment</td></tr></table>	Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities	A JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	25%	25%	Manufacture of electronic equipment	B JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	40%	40%	Manufacture of electronic equipment			
Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities																					
A JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	25%	25%	Manufacture of electronic equipment																					
B JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	40%	40%	Manufacture of electronic equipment																					
HKAS 31.56 s129(1)&(2) s129(4)&(5)																												
HKAS 31.56	<p>The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:</p> <table><tr><th></th><th><u>31/12/11</u> HK\$'000</th><th><u>31/12/10</u> HK\$'000</th></tr><tr><td>Current assets</td><td><u>1,800</u></td><td><u>1,850</u></td></tr><tr><td>Non-current assets</td><td><u>8,993</u></td><td><u>9,854</u></td></tr><tr><td>Current liabilities</td><td><u>936</u></td><td><u>785</u></td></tr><tr><td>Non-current liabilities</td><td><u>5,858</u></td><td><u>5,521</u></td></tr><tr><td></td><td><u>Year ended 31/12/11 HK\$'000</u></td><td><u>Year ended 31/12/10 HK\$'000</u></td></tr><tr><td>Income</td><td><u>2,124</u></td><td><u>2,005</u></td></tr><tr><td>Expenses</td><td><u>1,787</u></td><td><u>1,763</u></td></tr><tr><td>Other comprehensive income</td><td><u>-</u></td><td><u>-</u></td></tr></table>		<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000	Current assets	<u>1,800</u>	<u>1,850</u>	Non-current assets	<u>8,993</u>	<u>9,854</u>	Current liabilities	<u>936</u>	<u>785</u>	Non-current liabilities	<u>5,858</u>	<u>5,521</u>		<u>Year ended 31/12/11 HK\$'000</u>	<u>Year ended 31/12/10 HK\$'000</u>	Income	<u>2,124</u>	<u>2,005</u>	Expenses	<u>1,787</u>	<u>1,763</u>	Other comprehensive income	<u>-</u>	<u>-</u>
	<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000																										
Current assets	<u>1,800</u>	<u>1,850</u>																										
Non-current assets	<u>8,993</u>	<u>9,854</u>																										
Current liabilities	<u>936</u>	<u>785</u>																										
Non-current liabilities	<u>5,858</u>	<u>5,521</u>																										
	<u>Year ended 31/12/11 HK\$'000</u>	<u>Year ended 31/12/10 HK\$'000</u>																										
Income	<u>2,124</u>	<u>2,005</u>																										
Expenses	<u>1,787</u>	<u>1,763</u>																										
Other comprehensive income	<u>-</u>	<u>-</u>																										
HKFRS 7.7 HKFRS 7.8(b)	<p><b>26. Held-to-maturity investments</b></p> <p>Held-to-maturity investments comprise:</p> <table><tr><th></th><th><u>31/12/11</u> HK\$'000</th><th><u>31/12/10</u> HK\$'000</th></tr><tr><td>Debt securities (Note)</td><td><u>6,863</u></td><td><u>5,262</u></td></tr><tr><td>Analysed for reporting purposes as:</td><td></td><td></td></tr><tr><td>    Current assets</td><td>4,804</td><td>3,604</td></tr><tr><td>    Non-current assets</td><td><u>2,059</u></td><td><u>1,658</u></td></tr><tr><td></td><td><u>6,863</u></td><td><u>5,262</u></td></tr></table>		<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000	Debt securities (Note)	<u>6,863</u>	<u>5,262</u>	Analysed for reporting purposes as:			Current assets	4,804	3,604	Non-current assets	<u>2,059</u>	<u>1,658</u>		<u>6,863</u>	<u>5,262</u>									
	<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000																										
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	<u>6,863</u>	<u>5,262</u>																										
HKFRS 7.7	<p>Note: The Group's held-to-maturity investments represent debt securities that are issued by financial institutions and are listed in Hong Kong, and carry fixed interest at 6%-7.5% (2010: 6.5%-7.5%) per annum, payable monthly, and will mature from March 2012 to March 2013 (2010: March 2011 to March 2013). None of these assets has been past due or impaired at the end of the reporting period.</p>																											

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<b>27. Available-for-sale investments</b>		
HKFRS 7.7 HKFRS 7.8(d) Sch 10:9(1)(a) Sch 10:9(3)	Available-for-sale investments comprise:		
		<u>31/12/11</u>	<u>31/12/10</u>
		HK\$'000	HK\$'000
	Listed investments:		
	- Equity securities listed in Hong Kong	2,560	2,315
	- Debt securities listed in Hong Kong (Note 1)	<u>2,200</u>	<u>2,122</u>
		4,760	4,437
	Unlisted investments:		
	- Equity securities (Note 2)	<u>840</u>	<u>420</u>
	Total	<u>5,600</u>	<u>4,857</u>
	Analysed for reporting purposes as:		
	Current assets	-	-
	Non-current assets	<u>5,600</u>	<u>4,857</u>
		<u>5,600</u>	<u>4,857</u>
	Notes:		
	1) The Group holds listed redeemable notes with fixed interest of 7% (2010: 7%) per annum. The notes are redeemable at par value in 2013 (2010: redeemable at par value in 2013). The notes are held with a single counterparty with an AA credit rating. The Group holds no collateral over this balance.		
HKAS 28.37(d)	2) The Group holds 20% (2010: 20%) of the ordinary share capital of Rocket Corp Limited, a company involved in the refining and distribution of fuel products. The directors of the Company do not believe that the Group is able to exercise significant influence over Rocket Corp Limited as the other 80% of the ordinary share capital is held by one shareholder, who also manages the day-to-day operations of that company.		
	At 31 December 2011, the Group also holds a 10% interest in E Plus Limited (see note 24).		
HKFRS 7.27B(e)	The unlisted equity securities are measured at fair value and are classified as Level 3 fair value measurement (see note 49.3.1). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value, an earnings growth factor of 4.8 - 5.2% (2010: 4.9%) and a risk adjusted discount factor of 12.2 – 13.6% (31 December 2010: 11.9%) are used. If these inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the unlisted equity securities would decrease/increase by HK\$80,000 (31 December 2010: HK\$40,000).		



Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>			
	<b>28. Finance lease receivables</b>			
			<u>31/12/11</u>	<u>31/12/10</u>
			HK\$'000	HK\$'000
	Current finance lease receivables		198	188
	Non-current finance lease receivables		<u>830</u>	<u>717</u>
			<u>1,028</u>	<u>905</u>
	<b>Leasing arrangements</b>			
HKAS 17.47(f) HKFRS 7.7	Certain of the group's storage equipment are leased out under finance leases. All leases are denominated in Hong Kong dollars. The average term of finance leases entered into is 4 years.			
	<b>Amounts receivable under finance leases</b>			
HKAS 17.47(a)		<u>Minimum lease payments</u>	<u>Present value of minimum lease payments</u>	
		<u>31/12/11</u>	<u>31/12/10</u>	<u>31/12/11</u>
		HK\$'000	HK\$'000	HK\$'000
	Not later than one year	282	279	198
	Later than one year and not later than five years	<u>1,074</u>	<u>909</u>	<u>830</u>
		1,356	1,188	1,028
HKAS 17.47(b)	Less: unearned finance income	<u>(328)</u>	<u>(283)</u>	<u>n/a</u>
	Present value of minimum lease payments receivable	1,028	905	1,028
HKAS 17.47(d)	Allowance for uncollectible lease payments	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,028</u>	<u>905</u>	<u>1,028</u>
HKAS 17.47(c)	Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at HK\$37,000 (31 December 2010: HK\$42,000).			
HKFRS 7.7	The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 10.5% (31 December 2010: 11%) per annum.			
HKFRS 7.15	Finance lease receivable balances are secured over the storage equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.			
HKFRS 7.36(c)	The finance lease receivables at the end of the reporting period are neither past due nor impaired.			

## Section 2

Source	Hong Kong GAAP Limited																															
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>																															
HKAS 2.36(b)	<b>29. Inventories</b>																															
		<table> <tr> <th></th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr> <tr> <td>Raw materials</td><td>4,972</td><td>4,322</td></tr> <tr> <td>Work in progress</td><td>4,490</td><td>4,354</td></tr> <tr> <td>Finished goods</td><td>8,905</td><td>11,419</td></tr> <tr> <td></td><td><u>18,367</u></td><td><u>20,095</u></td></tr> </table>		31/12/11 HK\$'000	31/12/10 HK\$'000	Raw materials	4,972	4,322	Work in progress	4,490	4,354	Finished goods	8,905	11,419		<u>18,367</u>	<u>20,095</u>															
	31/12/11 HK\$'000	31/12/10 HK\$'000																														
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Work in progress	4,490	4,354																														
Finished goods	8,905	11,419																														
	<u>18,367</u>	<u>20,095</u>																														
HKAS 1.61	Inventories of HK\$1.29 million (31 December 2010: HK\$0.86 million) are expected to be recovered after more than twelve months.																															
	<b>30. Trade and other receivables</b>																															
		<table> <tr> <th></th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr> <tr> <td>Trade receivables</td><td>19,294</td><td>15,070</td></tr> <tr> <td>Allowance for doubtful debts</td><td>(798)</td><td>(838)</td></tr> <tr> <td></td><td><u>18,496</u></td><td><u>14,232</u></td></tr> <tr> <td>Deferred sales proceeds</td><td></td><td></td></tr> <tr> <td>- toy manufacturing operations (see note 51)</td><td>960</td><td>-</td></tr> <tr> <td>- partial disposal of E Plus Limited (see note 24)</td><td>1,245</td><td>-</td></tr> <tr> <td>Prepaid lease payments (see note 19)</td><td>100</td><td>100</td></tr> <tr> <td>Others [describe]</td><td>194</td><td>460</td></tr> <tr> <td></td><td><u>20,995</u></td><td><u>14,792</u></td></tr> </table>		31/12/11 HK\$'000	31/12/10 HK\$'000	Trade receivables	19,294	15,070	Allowance for doubtful debts	(798)	(838)		<u>18,496</u>	<u>14,232</u>	Deferred sales proceeds			- toy manufacturing operations (see note 51)	960	-	- partial disposal of E Plus Limited (see note 24)	1,245	-	Prepaid lease payments (see note 19)	100	100	Others [describe]	194	460		<u>20,995</u>	<u>14,792</u>
	31/12/11 HK\$'000	31/12/10 HK\$'000																														
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	<u>20,995</u>	<u>14,792</u>																														
App 16.4(2)(b)(ii) GR 18.50B(2)(b) (ii)	The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below includes those classified as part of a disposal group held for sale, net of allowance for doubtful debts:																															
		<table> <tr> <th></th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr> <tr> <td>0-60 days</td><td>18,914</td><td>13,099</td></tr> <tr> <td>61-90 days</td><td>1,100</td><td>800</td></tr> <tr> <td>91-120 days</td><td>462</td><td>333</td></tr> <tr> <td></td><td><u>20,476</u></td><td><u>14,232</u></td></tr> </table>		31/12/11 HK\$'000	31/12/10 HK\$'000	0-60 days	18,914	13,099	61-90 days	1,100	800	91-120 days	462	333		<u>20,476</u>	<u>14,232</u>															
	31/12/11 HK\$'000	31/12/10 HK\$'000																														
0-60 days	18,914	13,099																														
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91-120 days	462	333																														
	<u>20,476</u>	<u>14,232</u>																														
HKFRS 7.36(c), 37	The average credit period on sales of goods is 60 days. No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 61 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.																															
HKFRS 7.34(c), 36(c)	Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 80% (31 December 2010: 75%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group. Of the trade receivables balance at the end of the year, HK\$6.9 million (31 December 2010: HK\$5.9 million) is due from the Group's largest customer. There are no other customers who represent more than 5% of the total balance of trade receivables.																															

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKFRS 7.37	Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts (which include interest accrued) are still considered recoverable.		
HKFRS 7.37(a)	<b><i>Age of receivables that are past due but not impaired</i></b>		
		<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000
	Overdue by:		
	1-30 days	300	190
	31-60 days	211	256
	61-90 days	<u>251</u>	<u>77</u>
	Total	<u>762</u>	<u>523</u>
	Average age (days)	<u>62</u>	<u>52</u>
HKFRS 7.16	<b><i>Movement in the allowance for doubtful debts</i></b>		
		<u>Year ended 31/12/11</u> HK\$'000	<u>Year ended 31/12/10</u> HK\$'000
	Balance at beginning of the year	838	628
	Impairment losses recognised on receivables	63	430
	Amounts written off during the year as uncollectible	-	(220)
	Amounts recovered during the year	-	-
	Impairment losses reversed	(103)	-
	Foreign exchange translation gains and losses	<u>-</u>	<u>-</u>
HKFRS 7.20(e)	Balance at end of year	<u>798</u>	<u>838</u>
HKFRS 7.33(a), (b)	In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.		
HKFRS 7.37(b)	Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of HK\$63,000 (31 December 2010: HK\$52,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.		
HKFRS 7.37(b)	<b><i>Age of impaired trade receivables</i></b>		
		<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000
	Overdue by:		
	60-90 days	353	320
	91-120 days	191	101
	>120 days	<u>654</u>	<u>717</u>
	Total	<u>1,198</u>	<u>1,138</u>

Source	Hong Kong GAAP Limited				
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>				
	<b>31. Amounts due from (to) customers for contract work</b>				
		31/12/11 HK\$'000	31/12/10 HK\$'000		
	<b><i>Contracts in progress at the end of the reporting period</i></b>				
HKAS 11.40	Contract costs incurred plus recognised profits less recognised losses Less: progress billings	1,517 (1,313)	1,386 (1,171)		
		204	215		
HKAS 11.42	Analysed for reporting purposes as: Amounts due from contract customers Amounts due to contract customers	240 (36)	230 (15)		
		204	215		
HKAS 11.40(c)	At 31 December 2011, retentions held by customers for contract works amounted to HK\$75,000 (31 December 2010: HK\$69,000). Advances received from customers for contract work amounted to HK\$14,000 (31 December 2010: nil).				
HKFRS 7.7	<b>32. Amounts due from directors</b>				
s161B	Directors' current accounts/loans to officers disclosed pursuant to section 161B of the Companies Ordinance are as follows:				
	Director	Terms of loan	Balance at 31/12/11 HK\$'000	Balance at 1/1/11 HK\$'000	Maximum amount outstanding during the year HK\$'000
	Gary D.K. Wong	Secured on property, repayable within one year, interest free (Note)	440	-	480
	Daniel D.D. Lee	Unsecured, repayable within one year, interest free	216	107	216
			656	107	
HKFRS 7.15	Note: The loan is secured over a property owned by Gary D.K. Wong. The Group is not permitted to sell or repledge the collateral in the absence of default by that director. Gary D.K. Wong is also the ultimate controlling party of the Company.				

Source	Hong Kong GAAP Limited																
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>																
	<b>33. Held-for-trading investments (other than derivatives)</b>																
HKFRS 7.7 Sch 10.9(1)(a) Sch 10.9(3)	Held-for-trading investments include:																
		<table> <tr> <th></th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr> <tr> <td>Listed securities:</td><td></td><td></td></tr> <tr> <td>- Equity securities listed in Hong Kong</td><td>10,250</td><td>6,480</td></tr> <tr> <td>- Equity securities listed outside Hong Kong</td><td>2,230</td><td>1,968</td></tr> <tr> <td></td><td><u>12,480</u></td><td><u>8,448</u></td></tr> </table>		31/12/11 HK\$'000	31/12/10 HK\$'000	Listed securities:			- Equity securities listed in Hong Kong	10,250	6,480	- Equity securities listed outside Hong Kong	2,230	1,968		<u>12,480</u>	<u>8,448</u>
	31/12/11 HK\$'000	31/12/10 HK\$'000															
Listed securities:																	
- Equity securities listed in Hong Kong	10,250	6,480															
- Equity securities listed outside Hong Kong	2,230	1,968															
	<u>12,480</u>	<u>8,448</u>															
HKFRS 7.27	Fair values are determined with reference to quoted market bid prices.																
	<b>34. Bank balances/pledged bank deposits/bank overdrafts</b>																
	Bank balances carry interest at market rates which range from 2% to 4% (2010: 3.5% to 4%) per annum. The pledged bank deposits carry fixed interest rate of 3.5% (2010: 4.25%) per annum. Bank overdrafts carry interest at market rates which range from 6.5% to 9.5% (2010: 6% to 6.75%) per annum.																
HKFRS 7.14	Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK\$2 million (31 December 2010: HK\$2 million) have been pledged to secure bank overdrafts and short-term bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.																
	<b>35. Trade and other payables</b>																
		<table> <tr> <th></th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr> <tr> <td>Trade payables</td><td>11,997</td><td>20,393</td></tr> <tr> <td>Other payables</td><td>90</td><td>95</td></tr> <tr> <td></td><td><u>12,087</u></td><td><u>20,488</u></td></tr> </table>		31/12/11 HK\$'000	31/12/10 HK\$'000	Trade payables	11,997	20,393	Other payables	90	95		<u>12,087</u>	<u>20,488</u>			
	31/12/11 HK\$'000	31/12/10 HK\$'000															
Trade payables	11,997	20,393															
Other payables	90	95															
	<u>12,087</u>	<u>20,488</u>															
App 16.4(2)(c)(ii) GR 18.50B(2)(c) (ii)	The following is an analysis of trade payables by age based on the invoice date. The analysis below includes those classified as part of a disposal group classified as held for sale.																
		<table> <tr> <th></th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr> <tr> <td>0-60 days</td><td>8,925</td><td>10,631</td></tr> <tr> <td>61-90 days</td><td>4,803</td><td>6,233</td></tr> <tr> <td>&gt;90 days</td><td>1,523</td><td>3,529</td></tr> <tr> <td></td><td><u>15,251</u></td><td><u>20,393</u></td></tr> </table>		31/12/11 HK\$'000	31/12/10 HK\$'000	0-60 days	8,925	10,631	61-90 days	4,803	6,233	>90 days	1,523	3,529		<u>15,251</u>	<u>20,393</u>
	31/12/11 HK\$'000	31/12/10 HK\$'000															
0-60 days	8,925	10,631															
61-90 days	4,803	6,233															
>90 days	1,523	3,529															
	<u>15,251</u>	<u>20,393</u>															
HKFRS 7.7	The average credit period on purchases of certain goods is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.  Included above are payables to related parties amounted to HK\$380,000 (31 December 2010: HK\$217,000) (see note 58).																

## Section 2

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKFRS 7.8(f)	<b>36. Borrowings</b>		
		<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000
	Bank loans (Note 1)	18,140	20,836
	Bills of exchange (Note 2)	283	916
	Collateralised borrowings (Note 3)	923	-
	Loans from fellow subsidiaries (Note 4)	12,917	31,124
	Loans from other entities (Note 5)	21,361	4,437
		<u>53,624</u>	<u>57,313</u>
Sch 10:10	Secured	19,063	20,836
	Unsecured	34,561	36,477
		<u>53,624</u>	<u>57,313</u>
App 16.22(1) GR 18.21	Carrying amount repayable (Note 6):		
	Within one year	11,446	15,420
	More than one year, but not exceeding two years	16,685	16,167
	More than two years, but not more than five years	8,921	9,218
	More than five years	5,572	6,328
		<u>42,624</u>	<u>47,133</u>
	Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>11,000</u>	<u>10,180</u>
		<u>53,624</u>	<u>57,313</u>
	Less: Amounts shown under current liabilities	<u>(22,446)</u>	<u>(25,600)</u>
		<u>31,178</u>	<u>31,713</u>
HKFRS 7.7 HKFRS 7.14	Notes:		
	1) Secured by a mortgage over the Group's leasehold land and buildings (see note 56) and bear interest at HIBOR + 4.75% (31 December 2010: HIBOR + 4.75%) per annum. The weighted average effective interest rate on the bank loans is 6.1% (31 December 2010: 6.32%) per annum.		
	2) Bills of exchange with a variable interest rate were issued in 2007. The weighted average effective interest rate on the bills is 6.8% (31 December 2010: 6.8%) per annum.		
	3) Secured by a charge over certain of the Group's trade receivables (see note 56).		
	4) Bear interest at HIBOR + 4.5% (31 December 2010: HIBOR + 4.5%) per annum. Interest of 5.0% - 5.2% per annum is charged on the outstanding loan balances (31 December 2010: 6.0% - 6.2% per annum) (see note 58).		
	5) Fixed rate loans with a financial institution amounted to approximately HK\$6.1 million (31 December 2010: HK\$2.1 million) with maturity periods not exceeding 3 years (31 December 2010: 2 years). The weighted average effective interest rate on the fixed rate loans is 6.15% (31 December 2010: 6.10%) per annum. The Group enters into interest rate swaps to exchange fixed rate interest for variable rate interest in order to hedge against the fair value interest rate risk (see note 41). The remaining balance of approximately HK\$15.4 million (31 December 2010: HK\$2.4 million) carries interest at HIBOR + 3.75% (31 December 2010: HIBOR + 3%) per annum, ranging from 6.5% to 7% (31 December 2010: 7.3% - 8.5%) per annum during the current year.		
	6) The amounts due are based on the scheduled repayment dates set out in the loan agreements.		

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKFRS 7.18	<p>During the current year, the Group was late in paying interest for the first quarter on one of its loans with a carrying amount of HK\$5 million. The delay arose because of a temporary lack of funds on the date when interest was payable due to a technical problem on settlement. The interest payment outstanding of HK\$107,500 was repaid in full a week later, including the additional interest and penalty. The lender did not request accelerated repayment of the loan and the terms of the loan were not changed. Management has reviewed the Group's settlement procedures to ensure that such circumstances do not recur.</p>		
	<b>37. Loan from government</b>		
		<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000
	Loan from government	<u>2,798</u>	<u>2,610</u>
	<p>Note: On 17 December 2010, the Group received an interest-free loan of HK\$3 million from the government of A Land to finance staff training over a two-year period. The loan is repayable in full at the end of that two-year period. Using prevailing market interest rates for an equivalent loan of 7.2%, the fair value of the loan is estimated at HK\$2.61 million on initial recognition. The difference of HK\$390,000 between the gross proceeds and the fair value of the loan is the benefit derived from the interest-free loan and is recognised as deferred revenue (see note 43). Interest expenses HK\$188,000 were recognised on this loan in 2011 and HK\$202,000 will be recognised in 2012.</p>		
HKFRS 7.7	<b>38. Convertible notes</b>		
	<p>On 1 September 2011, the Company issued 4.5 million 5.5% HK dollar denominated convertible notes with the aggregate principal amount of HK\$4.5 million. Each note entitles the holder to convert to ordinary shares at a conversion price of HK\$1.25.</p>		
	<p>Conversion may occur at any time between 2 September 2011 and 31 August 2014. If the notes have not been converted, they will be redeemed on 1 September 2014 at HK\$1 each. Interest of 5.5% will be paid quarterly up until the notes are converted or redeemed.</p>		
HKAS 32.28	<p>The convertible notes contain two components: liability and equity elements. The equity element is presented in equity heading "convertible notes equity reserve". The effective interest rate of the liability component on initial recognition is 8% per annum.</p>		
		HK\$'000	
	Proceeds of issue	4,950	
	Liability component at date of issue	<u>(4,116)</u>	
	Equity component	<u>834</u>	
	Liability component at date of issue	4,116	
	Interest charged calculated at an effective interest rate of 8%	110	
	Interest paid	<u>(82)</u>	
	Liability component at 31 December 2011	<u>4,144</u>	

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>			
	<b>39. Obligations under finance leases</b>			
HKAS 17.31(e) HKFRS 7.7	<p>The Group leased certain of its manufacturing equipment under finance leases. The average lease term is 5 years (2010: 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2010: 3.75% - 6%) per annum. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.</p>			
		<u>Minimum lease payments</u> <u>31/12/11</u> <u>31/12/10</u> <u>HK\$'000</u> <u>HK\$'000</u>	<u>Present value of minimum lease payments</u> <u>31/12/11</u> <u>31/12/10</u> <u>HK\$'000</u> <u>HK\$'000</u>	
HKAS 17.31(b)	Amounts payable under finance leases:			
	Within one year	10	58	9      54
	In more than one year and not more than five years	6	44	5      35
	In more than five years	-	-	-      -
		16	102	14      89
	Less: future finance charges	(2)	(13)	n/a      n/a
	Present value of lease obligations	14	89	14      89
	Less: Amount due for settlement within 12 months (shown under current liabilities)			(9)      (54)
	Amount due for settlement after 12 months			5      35
Sch 10:10	The Group's obligations under finance leases are secured by the lessors' title to the leased assets.			
HKFRS 7.31	Financial lease obligations are denominated in Hong Kong dollars, currency other than the functional currency of the relevant group entity.			



Source	Hong Kong GAAP Limited					
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>					
	<b>40. Provisions</b>					
		Employee benefits (Note 1) HK\$'000	Rectification work (Note 2) HK\$'000	Warranties (Note 3) HK\$'000	Onerous leases (Note 4) HK\$'000	Total HK\$'000
HKAS 37.84(a)	Balance at 1 January 2011	4,388	-	295	743	5,426
HKAS 37.84(b)	Additional provisions recognised	-	4,170	338	369	4,877
	Acquisition of Subsix Limited	45	-	-	-	45
HKAS 37.84(c)	Reductions arising from payments/other sacrifices of future economic benefits	(3,099)	(1,112)	(90)	(310)	(4,611)
HKAS 37.84(d)	Reductions resulting from re- measurement or settlement without cost	-	-	(15)	(100)	(115)
HKAS 37.84(e)	Unwinding of discount and effect of changes in the discount rate	-	-	-	28	28
	Others [describe]	-	-	-	-	-
HKAS 37.84(a)	Balance at 31 December 2011	1,334	3,058	528	730	5,650
	Analysed for reporting purposes as:					
				31/12/11 HK\$'000	31/12/10 HK\$'000	
	Current liabilities			3,356	3,195	
	Non-current liabilities			2,294	2,231	
				5,650	5,426	
	Notes:					
HKFRS 3.B64(j)	1) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees. On the acquisition of Subsix Limited, the Group recognised an additional contingent liability of HK\$45,000 in respect of employees' compensation claims outstanding against that company. The decrease in the carrying amount of the provision for the current year results from settlement in the current year.					
HKAS 37.85(a), (b)	2) 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 13). Anticipated expenditure for 2012 is HK\$1.94 million, and for 2013 is HK\$1.118 million. These amounts have not been discounted for the purpose of measuring the provision for rectification work, because the effect is not material.					
HKAS 37.85(a), (b)	3) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.					
HKAS 37.85(a), (b)	4) The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases range from 3 to 5 years.					

Source	Hong Kong GAAP Limited																																																																																																															
	<p>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</p>																																																																																																															
HKFRS 7.7 HKFRS 7.31	<p>41. Other financial assets/liabilities</p> <table><tr><td></td><td colspan="2">Current</td><td colspan="2">Non-current</td></tr><tr><td></td><td>31/12/11</td><td>31/12/10</td><td>31/12/11</td><td>31/12/10</td></tr><tr><td></td><td>HK\$'000</td><td>HK\$'000</td><td>HK\$'000</td><td>HK\$'000</td></tr><tr><td><b>Other financial assets</b></td><td></td><td></td><td></td><td></td></tr><tr><td>Derivatives under hedge accounting</td><td></td><td></td><td></td><td></td></tr><tr><td>    Fair value hedges – Interest rate swaps</td><td>72</td><td>37</td><td>212</td><td>140</td></tr><tr><td>    Cash flow hedges – Foreign currency forward contracts</td><td>244</td><td>220</td><td>-</td><td>-</td></tr><tr><td>Others [describe]</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td></td><td><u>316</u></td><td><u>257</u></td><td><u>212</u></td><td><u>140</u></td></tr><tr><td><b>Other financial liabilities</b></td><td></td><td></td><td></td><td></td></tr><tr><td>Financial guarantee contracts</td><td><u>20</u></td><td><u>18</u></td><td><u>-</u></td><td><u>-</u></td></tr><tr><td>Derivatives under hedge accounting</td><td></td><td></td><td></td><td></td></tr><tr><td>    Fair value hedges – Interest rate swaps</td><td>5</td><td>-</td><td>-</td><td>-</td></tr><tr><td>    Cash flow hedges – Foreign currency forward contracts</td><td>91</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Contingent consideration in relation to the acquisition of Subsix Limited (see note 50)</td><td>-</td><td>-</td><td>75</td><td>-</td></tr><tr><td>Others [describe]</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td></td><td><u>96</u></td><td><u>-</u></td><td><u>75</u></td><td><u>-</u></td></tr><tr><td></td><td><u>116</u></td><td><u>18</u></td><td><u>75</u></td><td><u>-</u></td></tr></table> <p><b>Fair value hedges:</b></p> <p>The Group uses interest rate swaps to minimise its exposure to fair value changes of its fixed-rate Hong Kong dollar borrowings by swapping fixed-rate borrowings from fixed rates to floating rates. The interest rate swaps and the corresponding borrowings have the same terms and management of the Company consider that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps are set out below:</p> <p><b>2011</b></p> <table><tr><td>Notional amount</td><td>Maturity</td><td>Swaps</td></tr><tr><td>HK\$1,000,000</td><td>30/09/2012</td><td>8% for HIBOR + 3.75%</td></tr><tr><td>HK\$2,000,000</td><td>31/05/2013</td><td>5% for HIBOR + 2.01%</td></tr><tr><td>HK\$3,000,000</td><td>31/12/2014</td><td>4% for HIBOR + 1.06%</td></tr></table> <p><b>2010</b></p> <table><tr><td>Notional amount</td><td>Maturity</td><td>Swaps</td></tr><tr><td>HK\$1,000,000</td><td>15/04/2011</td><td>6% for HIBOR + 3.25%</td></tr><tr><td>HK\$1,000,000</td><td>30/09/2012</td><td>8% for HIBOR + 3.75%</td></tr></table>		Current		Non-current			31/12/11	31/12/10	31/12/11	31/12/10		HK\$'000	HK\$'000	HK\$'000	HK\$'000	<b>Other financial assets</b>					Derivatives under hedge accounting					Fair value hedges – Interest rate swaps	72	37	212	140	Cash flow hedges – Foreign currency forward contracts	244	220	-	-	Others [describe]	-	-	-	-		<u>316</u>	<u>257</u>	<u>212</u>	<u>140</u>	<b>Other financial liabilities</b>					Financial guarantee contracts	<u>20</u>	<u>18</u>	<u>-</u>	<u>-</u>	Derivatives under hedge accounting					Fair value hedges – Interest rate swaps	5	-	-	-	Cash flow hedges – Foreign currency forward contracts	91	-	-	-	Contingent consideration in relation to the acquisition of Subsix Limited (see note 50)	-	-	75	-	Others [describe]	-	-	-	-		<u>96</u>	<u>-</u>	<u>75</u>	<u>-</u>		<u>116</u>	<u>18</u>	<u>75</u>	<u>-</u>	Notional amount	Maturity	Swaps	HK\$1,000,000	30/09/2012	8% for HIBOR + 3.75%	HK\$2,000,000	31/05/2013	5% for HIBOR + 2.01%	HK\$3,000,000	31/12/2014	4% for HIBOR + 1.06%	Notional amount	Maturity	Swaps	HK\$1,000,000	15/04/2011	6% for HIBOR + 3.25%	HK\$1,000,000	30/09/2012	8% for HIBOR + 3.75%
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Source	Hong Kong GAAP Limited																											
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p>During the year, the hedge was 100% (2010: 100%) effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the loan was adjusted by HK\$35,000 (2010: HK\$27,000) which was included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.</p> <p>HKFRS 7.27 The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.</p> <p><b>Cash flow hedges:</b></p> <p>At the end of the reporting period, the Group had the following foreign exchange forward contracts designated as highly effective hedging instruments in order to manage the Group’s foreign currency exposure in relation to foreign currency forecast sales.</p> <p>The terms of the foreign exchange contracts have been negotiated to match the terms of the respective designated hedged items.</p> <p>Major terms of these contracts are as follows:</p> <p><b>2011</b></p> <table><tr><th>Notional amount</th><th>Maturity</th><th>Exchange rates</th></tr><tr><td>Buy RMB 5.5 million</td><td>15/03/2012</td><td>HK\$1: RMB0.8138</td></tr><tr><td>Sell RMB 1 million</td><td>15/06/2012</td><td>HK\$1: RMB0.8156</td></tr><tr><td>Sell RMB 3.3 million</td><td>30/04/2012</td><td>HK\$1: RMB0.8142</td></tr><tr><td>Sell RMB 1.7 million</td><td>30/06/2012</td><td>HK\$1: RMB0.8132</td></tr></table> <p><b>2010</b></p> <table><tr><th>Notional amount</th><th>Maturity</th><th>Exchange rates</th></tr><tr><td>Buy RMB 4 million</td><td>31/03/2011</td><td>HK\$1: RMB0.8240</td></tr><tr><td>Sell RMB 1 million</td><td>30/06/2011</td><td>HK\$1: RMB0.8238</td></tr><tr><td>Sell RMB 4.5 million</td><td>15/07/2011</td><td>HK\$1: RMB0.8241</td></tr></table> <p>HKFRS 7.34(a) <i>Note: The table above provides an <u>example</u> of summary quantitative data about exposure to foreign exchange risk at the end of the reporting period that an entity may provide internally to key management personnel.</i></p> <p>During the current year, fair value gains of HK\$0.406 million (2010: HK\$0.316 million) have been recognised in other comprehensive income and accumulated in the cash flow hedging reserve and are expected to be reclassified to profit or loss at various dates in the coming twelve months after the end of the reporting period, the period in which sales are expected to occur.</p> <p>HKFRS 7.27 The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.</p>	Notional amount	Maturity	Exchange rates	Buy RMB 5.5 million	15/03/2012	HK\$1: RMB0.8138	Sell RMB 1 million	15/06/2012	HK\$1: RMB0.8156	Sell RMB 3.3 million	30/04/2012	HK\$1: RMB0.8142	Sell RMB 1.7 million	30/06/2012	HK\$1: RMB0.8132	Notional amount	Maturity	Exchange rates	Buy RMB 4 million	31/03/2011	HK\$1: RMB0.8240	Sell RMB 1 million	30/06/2011	HK\$1: RMB0.8238	Sell RMB 4.5 million	15/07/2011	HK\$1: RMB0.8241
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Buy RMB 4 million	31/03/2011	HK\$1: RMB0.8240																										
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Source	Hong Kong GAAP Limited								
HKAS 12.81(a), (g)	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>								
	<b>42. Deferred taxation</b> The following are the major deferred tax balances recognised and movements thereon during the current and prior years:								
	<b>Deferred tax liabilities</b>								
	Accelerated tax depreciation	Intangible assets	Convertible notes	Hedging instruments	Undistributed profits of associates	Available-for-sale investments	Investment properties	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	2,540	650	-	110	570	202	-	335	4,407
Charge (credit) to profit or loss	440	(97)	-	-	150	-	49	655	1,197
Charge (credit) to other comprehensive income	-	-	-	(7)	-	19	-	-	12
At 31 December 2010	2,980	553	-	103	720	221	49	990	5,616
Charge (credit) to profit or loss	1,606	(214)	(9)	-	400	-	8	(47)	1,744
Charge (credit) to other comprehensive income	-	-	-	15	-	(100)	-	-	(85)
Recognised directly in equity	-	-	208	-	-	-	-	-	208
Acquisitions/disposals	(454)	-	-	-	-	-	-	-	(454)
At 31 December 2011	4,132	339	199	118	1,120	121	57	943	7,029
	<b>Deferred tax assets</b>								
	Deferred revenue	Doubtful debts	Provisions	Tax losses	Total				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				
At 1 January 2010	20	52	1,692	50	1,814				
Credit (charge) to profit or loss	12	167	(20)	(50)	109				
At 31 December 2010	32	219	1,672	-	1,923				
Credit (charge) to profit or loss	10	(12)	32	-	30				
At 31 December 2011	42	207	1,704	-	1,953				

Source	Hong Kong GAAP Limited																								
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p>For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:</p> <table><tr><td></td><td><u>31/12/11</u> <u>HK\$'000</u></td><td><u>31/12/10</u> <u>HK\$'000</u></td></tr><tr><td>Deferred tax assets</td><td>1,714</td><td>1,023</td></tr><tr><td>Deferred tax liabilities</td><td><u>(6,360)</u></td><td><u>(4,716)</u></td></tr><tr><td></td><td>(4,646)</td><td>(3,693)</td></tr><tr><td>Deferred tax liabilities associated with assets held for sale (see note 12)</td><td><u>(430)</u></td><td><u>-</u></td></tr><tr><td></td><td><u>(5,076)</u></td><td><u>(3,693)</u></td></tr></table>		<u>31/12/11</u> <u>HK\$'000</u>	<u>31/12/10</u> <u>HK\$'000</u>	Deferred tax assets	1,714	1,023	Deferred tax liabilities	<u>(6,360)</u>	<u>(4,716)</u>		(4,646)	(3,693)	Deferred tax liabilities associated with assets held for sale (see note 12)	<u>(430)</u>	<u>-</u>		<u>(5,076)</u>	<u>(3,693)</u>						
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	<u>(5,076)</u>	<u>(3,693)</u>																							
HKAS 12.82A	Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to HK\$18 million (31 December 2010: HK\$17 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.																								
HKAS 12.81(e)	At the end of the reporting period, the Group has unused tax losses of HK\$3 million (31 December 2010: HK\$3 million) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.																								
	<p><b>43. Deferred revenue</b></p> <table><tr><td></td><td><u>31/12/11</u> <u>HK\$'000</u></td><td><u>31/12/10</u> <u>HK\$'000</u></td></tr><tr><td>Arising from customer loyalty programme (Note 1)</td><td>239</td><td>147</td></tr><tr><td>Arising from government grant (Note 2)</td><td><u>140</u></td><td><u>390</u></td></tr><tr><td></td><td><u>379</u></td><td><u>537</u></td></tr><tr><td>Analysed for reporting purposes as:</td><td></td><td></td></tr><tr><td>    Current liabilities</td><td>355</td><td>240</td></tr><tr><td>    Non-current liabilities</td><td><u>24</u></td><td><u>297</u></td></tr><tr><td></td><td><u>379</u></td><td><u>537</u></td></tr></table>		<u>31/12/11</u> <u>HK\$'000</u>	<u>31/12/10</u> <u>HK\$'000</u>	Arising from customer loyalty programme (Note 1)	239	147	Arising from government grant (Note 2)	<u>140</u>	<u>390</u>		<u>379</u>	<u>537</u>	Analysed for reporting purposes as:			Current liabilities	355	240	Non-current liabilities	<u>24</u>	<u>297</u>		<u>379</u>	<u>537</u>
	<u>31/12/11</u> <u>HK\$'000</u>	<u>31/12/10</u> <u>HK\$'000</u>																							
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	<p>Notes:</p> <p>1) The deferred revenue arises in respect of the Group's Maxi-Point Scheme recognised in accordance with HK (IFRIC)-Int 13 <i>Customer Loyalty Programmes</i>.</p> <p>2) The deferred revenue arises as a result of the benefit received from an interest-free government loan received in December 2010 (see note 37). The revenue was offset against training costs of HK\$250,000 incurred in 2011 and will be offset against training cost of HK\$140,000 to be incurred in 2012.</p>																								

Source	Hong Kong GAAP Limited																																																		
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><i>Notes 44 to 45 below set out detailed descriptions and reconciliations for each class of share capital and each component of equity, as required by HKAS 1.79 and HKAS 1.106. HKAS 1 permits some flexibility regarding the level of detail presented in the statement of changes in equity and these supporting notes. As part of Improvements to HKFRSs issued in 2010, the amendments to HKAS 1 clarify that an analysis of other comprehensive income by item for each component of equity can be presented either in the statement of changes in equity or in the notes. For the purposes of the preparation of this model, the Group has elected to present the analysis of other comprehensive income in the notes.</i></p> <p><i>HKAS 1 also allows that some of the details regarding components of other comprehensive income (income tax and reclassification adjustments) may be disclosed in the notes rather than in the statement of comprehensive income. Entities will determine the most appropriate presentation for their circumstances – electing to present much of the detail in the notes (as we have done in these model financial statements) ensures that the primary financial statements are not cluttered by unnecessary detail, but it does result in very detailed supporting notes.</i></p> <p><i>Whichever presentation is selected, entities will need to ensure that the following requirements are met:</i></p> <ul style="list-style-type: none"><li><i>detailed reconciliations are required for each class of share capital (in the statement of changes in equity or in the notes);</i></li><li><i>detailed reconciliations are required for each component of equity – separately disclosing the impact on each such component of (i) profit or loss, (ii) each component of other comprehensive income, and (iii) transactions with owners in their capacity as owners (in the statement of changes in equity or in the notes);</i></li><li><i>the amount of income tax relating to each component of other comprehensive income should be disclosed (in the statement of comprehensive income or in the notes); and</i></li><li><i>reclassification adjustments should be presented separately from the related component of other comprehensive income (in the statement of comprehensive income or in the notes).</i></li></ul>																																																		
HKAS 1.79(a) Sch 10:2	<p><b>44. Share capital</b></p> <table><tr><th></th><th colspan="2">Number of shares</th><th colspan="2">Share capital</th></tr><tr><th></th><th>31/12/11</th><th>31/12/10</th><th>31/12/11</th><th>31/12/10</th></tr><tr><th></th><th>'000</th><th>'000</th><th>HK\$'000</th><th>HK\$'000</th></tr><tr><td><b>Authorised</b></td><td></td><td></td><td></td><td></td></tr><tr><td>200 million ordinary shares of HK\$1 each</td><td>200,000</td><td>200,000</td><td>200,000</td><td>200,000</td></tr><tr><td><b>Issued and fully paid</b></td><td></td><td></td><td></td><td></td></tr><tr><td>At beginning of year</td><td>23,005</td><td>23,005</td><td>23,005</td><td>23,005</td></tr><tr><td>Repurchase of shares</td><td>(5,500)</td><td>-</td><td>(5,500)</td><td>-</td></tr><tr><td>Exercise of share options under the Company's employee share option plan (see note 47)</td><td>314</td><td>-</td><td>314</td><td>-</td></tr><tr><td>At end of year</td><td>17,819</td><td>23,005</td><td>17,819</td><td>23,005</td></tr></table>		Number of shares		Share capital			31/12/11	31/12/10	31/12/11	31/12/10		'000	'000	HK\$'000	HK\$'000	<b>Authorised</b>					200 million ordinary shares of HK\$1 each	200,000	200,000	200,000	200,000	<b>Issued and fully paid</b>					At beginning of year	23,005	23,005	23,005	23,005	Repurchase of shares	(5,500)	-	(5,500)	-	Exercise of share options under the Company's employee share option plan (see note 47)	314	-	314	-	At end of year	17,819	23,005	17,819	23,005
	Number of shares		Share capital																																																
	31/12/11	31/12/10	31/12/11	31/12/10																																															
	'000	'000	HK\$'000	HK\$'000																																															
<b>Authorised</b>																																																			
200 million ordinary shares of HK\$1 each	200,000	200,000	200,000	200,000																																															
<b>Issued and fully paid</b>																																																			
At beginning of year	23,005	23,005	23,005	23,005																																															
Repurchase of shares	(5,500)	-	(5,500)	-																																															
Exercise of share options under the Company's employee share option plan (see note 47)	314	-	314	-																																															
At end of year	17,819	23,005	17,819	23,005																																															

Source	Hong Kong GAAP Limited				
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>				
	<p>During the year, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:</p>				
	<b>Month of repurchase</b>	<b>No. of ordinary shares at HK\$1 each</b> '000	<b>Price per share</b> <b>Highest</b> HK\$	<b>Lowest</b> HK\$	<b>Aggregate consideration paid</b> HK\$'000
	November 2011	3,000	3.15	2.85	9,172
	December 2011	2,500	3.50	2.90	8,130
					<u>17,302</u>
	<p>The above shares were cancelled upon repurchase. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.</p>				
	<b>45. Share premium, reserves and non-controlling interests</b>				
	<b>Share premium and reserves</b>				
			31/12/11 HK\$'000	31/12/10 HK\$'000	
	Share premium		15,427	26,474	
	Investments revaluation reserve		227	527	
	Share options reserve		179	246	
	Cash flow hedging reserve		314	278	
	Foreign currency translation reserve		126	317	
	Convertible notes equity reserve		626	-	
	Retained earnings		111,568	94,915	
	Others [describe]		-	-	
			<u>128,467</u>	<u>122,757</u>	
HKAS 1.106(d) HKAS 1.106A	<b>Share premium</b>				
			Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	
	Balance at beginning of year		26,474	26,474	
	Transaction costs attributable to issue of new ordinary shares		(6)	-	
	Issue of ordinary shares upon exercise of share options		433	-	
	Repurchase of ordinary shares		(11,247)	-	
	Transaction costs attributable to repurchase of ordinary shares		(227)	-	
	Balance at end of year		<u>15,427</u>	<u>26,474</u>	

## Section 2

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKAS 1.106(d) HKAS 1.106A	<b>Investments revaluation reserve</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
HKFRS 7.20(a)	Balance at beginning of year	527	470
	Net (loss)/gain arising on revaluation of available-for-sale investments	(400)	76
	Income tax relating to (loss)/gain arising on revaluation of available-for-sale investments	100	(19)
HKFRS 7.20(a)	Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale investments	-	-
HKFRS 7.20(a)	Cumulative loss reclassified to profit or loss on impairment of available-for-sale investments	-	-
	Balance at end of year	227	527
HKAS 1.79(b)	The investments revaluation reserve represents cumulative gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those investments are disposed of or are determined to be impaired.		
HKAS 1.106(d) HKAS 1.106A	<b>Share options reserve</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Balance at beginning of year	246	-
	Recognition of equity-settled share-based payments	218	246
	Issue of ordinary shares upon exercise of share options	(285)	-
	Balance at end of year	179	246
HKAS 1.79(b)	The share options reserve relates to share options granted to employees under the Company's employee share option plan. Further information about share-based payments to employees is set out in note 47.1.		
HKAS 1.106(d) HKAS 1.106A	<b>Cash flow hedging reserve</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
HKFRS 7.23(c)	Balance at beginning of year	278	242
	Gain recognised in relation to cash flow hedges	406	316
	Income tax relating to gains recognised in other comprehensive income	(101)	(79)
HKFRS 7.23(d)	Reclassified to profit or loss	(355)	(287)
	Income tax relating to amounts reclassified to profit or loss	86	86
	Others [describe]	-	-
	Balance at end of year	314	278
HKAS 1.79(b)	The cash flow hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain and loss arising on changes in fair value of the hedging instrument that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.		



Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKFRS 7.23(d)	Cumulative gains and losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line items in the consolidated [statement of comprehensive income/income statement]:		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Increase in revenue	(355)	(287)
	Increase in income tax expense	86	86
	Others [describe]	-	-
		<u>(269)</u>	<u>(201)</u>
HKAS 1.106(d) HKAS 1.106A	<b>Foreign currency translation reserve</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Balance at beginning of year	317	140
	Exchange differences arising on translating the net assets of foreign operations	(71)	177
	Income tax relating to exchange differences arising on translating the net assets of foreign operations	-	-
	Reclassified to profit or loss on disposal of foreign operations	(120)	-
	Income tax relating to amounts reclassified to profit or loss on disposal of foreign operations	-	-
	Others [describe]	-	-
	Balance at end of year	<u>126</u>	<u>317</u>
HKAS 1.79(b)	Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.		
HKAS 1.106(d) HKAS 1.106A	<b>Convertible notes equity reserve</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Balance at beginning of year	-	-
	Recognition of the equity component of convertible notes	834	-
	Deferred tax	(208)	-
	Balance at end of year	<u>626</u>	<u>-</u>
HKAS 1.79(b)	The convertible notes equity reserve represents the equity component (conversion rights) of the 4.5 million 5.5% convertible notes issued during the year (see note 38).		

Source	Hong Kong GAAP Limited			
HKAS 1.106(d) HKAS 1.106A	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>			
	<b>Non-controlling interests</b>			
		Share of net assets of subsidiaries	Share options reserve of subsidiaries	Total
		HK\$'000	HK\$'000	HK\$'000
	<u>Year ended 31 December 2011</u>			
	Balance at beginning of year	20,005	1,195	21,200
	Share of profit for the year	4,000	-	4,000
	Non-controlling interests arising on the acquisition of Subsix Limited (see note 50)	127	5	132
	Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 59)	179	-	179
	Others [describe]	-	-	-
	Balance at end of year	24,311	1,200	25,511
	<u>Year ended 31 December 2010</u>			
	Balance at beginning of year	17,242	1,195	18,437
	Share of profit for the year	2,763	-	2,763
	Others [describe]	-	-	-
	Balance at end of year	20,005	1,195	21,200

Source	Hong Kong GAAP Limited																								
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b>46. Retirement benefit plans</b></p> <p><b><i>Defined contribution plan</i></b></p> <p>App 16.26(1), (2) GR 18.34(1), (2)</p> <p>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.</p> <p>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.</p> <p>HKAS 19.46</p> <p>The total expense recognised in the consolidated [statement of comprehensive income/income statement] of HK\$160,000 (2010: HK\$148,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2011, contributions of HK\$8,000 (31 December 2010: HK\$8,000) due in respect of the year ended 31 December 2011 (2010) reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.</p> <p><b><i>Defined benefit plan</i></b></p> <p>HKAS 19.120A(b) App 16.26(1), (2) GR 18.34(1), (2)</p> <p>The Group operates a funded defined benefit plan for qualifying employees of its subsidiaries in Malaysia. Under the plans, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.</p> <p>App 16.26(5) GR 18.34(5)</p> <p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2011 by Mr. F.G. Ho, Fellow of the Institute of Actuaries in Malaysia. 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.</p> <p>HKAS 19.120A(n)</p> <p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p> <table><tr><td></td><td colspan="2">Valuation at</td></tr><tr><td></td><td>31/12/11</td><td>31/12/10</td></tr><tr><td></td><td>%</td><td>%</td></tr><tr><td>Discount rate</td><td>5.52</td><td>5.20</td></tr><tr><td>Expected return on plan assets</td><td>12.08</td><td>10.97</td></tr><tr><td>Expected rate(s) of salary increase</td><td>5.00</td><td>5.00</td></tr><tr><td>Expected return on reimbursement rights</td><td>-</td><td>-</td></tr><tr><td>Others [describe]</td><td>-</td><td>-</td></tr></table> <p>App 16.26(5) GR 18.34(5)</p> <p>The actuarial valuation showed that the market value of plan assets was HK\$4.2 million (2010: HK\$4.3 million) and that the actuarial value of these assets represented 71% (2010: 75%) of the benefits that had accrued to members. The shortfall of HK\$1.7 million (2010: HK\$1.5 million) is to be cleared over the estimated remaining service period of 15 years.</p>		Valuation at			31/12/11	31/12/10		%	%	Discount rate	5.52	5.20	Expected return on plan assets	12.08	10.97	Expected rate(s) of salary increase	5.00	5.00	Expected return on reimbursement rights	-	-	Others [describe]	-	-
	Valuation at																								
	31/12/11	31/12/10																							
	%	%																							
Discount rate	5.52	5.20																							
Expected return on plan assets	12.08	10.97																							
Expected rate(s) of salary increase	5.00	5.00																							
Expected return on reimbursement rights	-	-																							
Others [describe]	-	-																							

## Section 2

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKAS 19.120A(g)	Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Current service cost	1,068	442
	Interest on obligation	164	137
	Expected return on plan assets	(276)	(249)
	Expected return on reimbursement rights	-	-
	Actuarial (gains)/losses recognised in the year	(370)	226
	Past service cost	-	-
	Losses/(gains) arising from curtailments or settlements	-	-
	Adjustments for restrictions on the defined benefit asset	-	-
		<u>586</u>	<u>556</u>
HKAS 19.120A(g)	The expense for the year is included in the employee benefits expense in the consolidated [income statement / statement of comprehensive income]. / Of the expense for the year, HK\$412,000 (2010: HK\$402,000) has been included in the consolidated [income statement/statement of comprehensive income] as cost of sales and the remainder in administrative expenses.		
HKAS 19.120A(f)	The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:		
		31/12/11 HK\$'000	31/12/10 HK\$'000
HKAS 19.120A(d)	Present value of funded defined benefit obligation	5,905	5,808
	Fair value of plan assets	<u>(4,202)</u>	<u>(4,326)</u>
		1,703	1,482
HKAS 19.120A(d)	Present value of unfunded defined benefit obligation	-	-
	Deficit	1,703	1,482
	Net actuarial losses not recognised	(873)	(1,098)
	Past service cost not yet recognised	(322)	(32)
	Restrictions on asset recognised	-	-
	Fair value of reimbursement rights recognised as an asset	-	-
	Others [describe]	-	-
	Net liability arising from defined benefit obligation	<u>508</u>	<u>352</u>

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>			
HKAS 19.120A(c)	Movements in the present value of the defined benefit obligation in the current year were as follows:			
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	
	Opening defined benefit obligation	5,808	5,814	
	Current service cost	1,068	442	
	Interest cost	164	137	
	Contributions from plan participants	-	-	
	Actuarial (gains)/losses	(150)	135	
	Past service cost	-	-	
	Losses/(gains) on curtailments	-	-	
	Liabilities extinguished on settlements	-	-	
	Liabilities assumed in a business combination	-	-	
	Exchange differences on foreign plans	-	-	
	Benefits paid	(985)	(720)	
	Others [describe]	-	-	
	Closing defined benefit obligation	5,905	5,808	
HKAS 19.120A(e)	Movements in the present value of the plan assets in the current year were as follows:			
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	
	Opening fair value of plan assets	4,326	4,788	
	Expected return on plan assets	276	249	
	Actuarial gains/(losses)	220	(91)	
	Exchange differences on foreign plans	-	-	
	Contributions from the employer	140	100	
	Contributions from plan participants	-	-	
	Benefits paid	(760)	(720)	
	Assets acquired in a business combination	-	-	
	Assets distributed on settlements	-	-	
	Others [describe]	-	-	
	Closing fair value of plan assets	4,202	4,326	
HKAS 19.120A(j), (l)	The major categories of plan assets, and the expected rate of return at the end of the reporting period for each category, are as follows:			
		Expected return		Fair value of plan assets
		31/12/11	31/12/10	31/12/11
		%	%	HK\$'000
	Equity instruments	15.01	12.03	1,026
	Debt instruments	9.59	7.49	1,980
	Property	12.21	12.76	1,196
	Others [describe]	-	-	-
	Weighted average expected return	11.66	10.34	4,202
HKAS 19.120A(l)	The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation.			
HKAS 19.120A (m)	The actual return on plan assets was HK\$0.72 million (31 December 2010: HK\$0.354 million).			

## Section 2

Source	Hong Kong GAAP Limited					
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>					
HKAS 19.120A(k)	The plan assets include ordinary shares of the Company with a fair value of HK\$0.38 million (31 December 2010: HK\$0.252 million) and property occupied by a subsidiary of the Company with a fair value of HK\$0.62 million (31 December 2010: HK\$0.62 million).					
HKAS 19.120A(p)	The history of experience adjustments is as follows:					
		<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000	<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000	<u>31/12/07</u> HK\$'000
	Present value of defined benefit obligation	5,905	5,808	5,814	5,321	4,113
	Fair value of plan assets	<u>(4,202)</u>	<u>(4,326)</u>	<u>(4,788)</u>	<u>(4,418)</u>	<u>(3,298)</u>
	Deficit	<u>1,703</u>	<u>1,482</u>	<u>1,026</u>	<u>903</u>	<u>815</u>
	Experience adjustments on plan liabilities	<u>230</u>	<u>135</u>	<u>210</u>	<u>198</u>	<u>193</u>
	Experience adjustments on plan assets	<u>220</u>	<u>(91)</u>	<u>156</u>	<u>163</u>	<u>148</u>
HKAS 19.120A(q)	The Group expects to make a contribution of HK\$0.18 million (2010: HK\$0.14 million) to the defined benefit plan during the next financial year.					

Source	Hong Kong GAAP Limited																																																								
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b>47. Share-based payment transactions</b></p> <p><b>47.1. The Company</b></p> <p>The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 28 November 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 27 November 2016. 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.</p> <p>At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 181,000 (31 December 2010: 275,000), representing 1.0% (31 December 2010: 1.2%) 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% 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 issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% 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% 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.</p> <p>No consideration is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the second anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.</p> <p>Details of specific categories of options are as follows:</p> <table><tr><th>Option type</th><th>Date of grant</th><th>Exercise period</th><th>Exercise price HK\$</th><th>Fair value at grant date HK\$</th></tr><tr><td>2010A</td><td>31/03/10</td><td>31/03/10 to 30/03/12</td><td>1.15</td><td>0.95</td></tr><tr><td>2010B</td><td>30/09/10</td><td>30/09/10 to 29/09/12</td><td>1.30</td><td>0.85</td></tr><tr><td>2011</td><td>31/03/11</td><td>31/03/11 to 30/03/13</td><td>3.15</td><td>0.99</td></tr></table> <p>In accordance with the terms of the Scheme, options granted during the financial year ended 31 December 2010 and 31 December 2011 vested at the date of grant.</p> <p>The fair value of the share options is determined using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was two and a half times the exercise price.</p> <p>The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.</p> <p><b>Inputs into the model</b></p> <table><tr><th></th><th colspan="3">Option type</th></tr><tr><th></th><th>2010A</th><th>2010B</th><th>2011</th></tr><tr><td>Grant date share price</td><td>HK\$1.14</td><td>HK\$1.27</td><td>HK\$3.15</td></tr><tr><td>Exercise price</td><td>HK\$1.15</td><td>HK\$1.30</td><td>HK\$3.15</td></tr><tr><td>Expected volatility</td><td>70.20%</td><td>70.40%</td><td>56.10%</td></tr><tr><td>Option life</td><td>2 years</td><td>2 years</td><td>2 years</td></tr><tr><td>Dividend yield</td><td>13.27%</td><td>13.12%</td><td>13.00%</td></tr><tr><td>Risk-free interest rate</td><td>5.13%</td><td>5.14%</td><td>5.50%</td></tr><tr><td>Others [describe]</td><td>-</td><td>-</td><td>-</td></tr></table>	Option type	Date of grant	Exercise period	Exercise price HK\$	Fair value at grant date HK\$	2010A	31/03/10	31/03/10 to 30/03/12	1.15	0.95	2010B	30/09/10	30/09/10 to 29/09/12	1.30	0.85	2011	31/03/11	31/03/11 to 30/03/13	3.15	0.99		Option type				2010A	2010B	2011	Grant date share price	HK\$1.14	HK\$1.27	HK\$3.15	Exercise price	HK\$1.15	HK\$1.30	HK\$3.15	Expected volatility	70.20%	70.40%	56.10%	Option life	2 years	2 years	2 years	Dividend yield	13.27%	13.12%	13.00%	Risk-free interest rate	5.13%	5.14%	5.50%	Others [describe]	-	-	-
Option type	Date of grant	Exercise period	Exercise price HK\$	Fair value at grant date HK\$																																																					
2010A	31/03/10	31/03/10 to 30/03/12	1.15	0.95																																																					
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HKFRS 2.45(a) LR 17.09 GR 23.09																																																									
HKFRS 2.45(d)																																																									
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LR 17.08 Note 4 GR 23.08 Note 4																																																									

Source	Hong Kong GAAP Limited																																																	
HKFRS 2.45(b) LR 17.07 GR 23.07	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>																																																	
	The following table discloses movements of the Company's share options held by employees and directors during the year.																																																	
	<table><tr><th>Option type</th><th>Outstanding at 1/1/11</th><th>Granted during the year</th><th>Exercised during the year</th><th>Forfeited during the year</th><th>Expired during the year</th><th>Outstanding at 31/12/11</th></tr><tr><td>2010A</td><td>125,000</td><td>-</td><td>(125,000)</td><td>-</td><td>-</td><td>-</td></tr><tr><td>2010B</td><td>150,000</td><td>-</td><td>(150,000)</td><td>-</td><td>-</td><td>-</td></tr><tr><td>2011</td><td>-</td><td>220,000</td><td>(39,000)</td><td>-</td><td>-</td><td>181,000</td></tr><tr><td></td><td><u>275,000</u></td><td><u>220,000</u></td><td><u>(314,000)</u></td><td><u>-</u></td><td><u>-</u></td><td><u>181,000</u></td></tr><tr><td>Exercisable at the end of the year</td><td></td><td></td><td></td><td></td><td></td><td><u>181,000</u></td></tr><tr><td>Weighted average exercise price</td><td><u>HK\$1.23</u></td><td><u>HK\$3.15</u></td><td><u>HK\$2.47</u></td><td><u>-</u></td><td><u>-</u></td><td><u>HK\$3.15</u></td></tr></table>	Option type	Outstanding at 1/1/11	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/11	2010A	125,000	-	(125,000)	-	-	-	2010B	150,000	-	(150,000)	-	-	-	2011	-	220,000	(39,000)	-	-	181,000		<u>275,000</u>	<u>220,000</u>	<u>(314,000)</u>	<u>-</u>	<u>-</u>	<u>181,000</u>	Exercisable at the end of the year						<u>181,000</u>	Weighted average exercise price	<u>HK\$1.23</u>	<u>HK\$3.15</u>	<u>HK\$2.47</u>	<u>-</u>	<u>-</u>	<u>HK\$3.15</u>
	Option type	Outstanding at 1/1/11	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/11																																											
	2010A	125,000	-	(125,000)	-	-	-																																											
	2010B	150,000	-	(150,000)	-	-	-																																											
	2011	-	220,000	(39,000)	-	-	181,000																																											
		<u>275,000</u>	<u>220,000</u>	<u>(314,000)</u>	<u>-</u>	<u>-</u>	<u>181,000</u>																																											
	Exercisable at the end of the year						<u>181,000</u>																																											
	Weighted average exercise price	<u>HK\$1.23</u>	<u>HK\$3.15</u>	<u>HK\$2.47</u>	<u>-</u>	<u>-</u>	<u>HK\$3.15</u>																																											
The following table discloses movements of the Company's share options held by employees and directors during prior year:																																																		
<table><tr><th>Option type</th><th>Outstanding at 1/1/10</th><th>Granted during the year</th><th>Exercised during the year</th><th>Forfeited during the year</th><th>Expired during the year</th><th>Outstanding at 31/12/10</th></tr><tr><td>2010A</td><td>-</td><td>125,000</td><td>-</td><td>-</td><td>-</td><td>125,000</td></tr><tr><td>2010B</td><td>-</td><td>150,000</td><td>-</td><td>-</td><td>-</td><td>150,000</td></tr><tr><td></td><td><u>-</u></td><td><u>275,000</u></td><td><u>-</u></td><td><u>-</u></td><td><u>-</u></td><td><u>275,000</u></td></tr><tr><td>Exercisable at the end of the year</td><td></td><td></td><td></td><td></td><td></td><td><u>275,000</u></td></tr><tr><td>Weighted average exercise price</td><td><u>-</u></td><td><u>HK\$1.23</u></td><td><u>-</u></td><td><u>-</u></td><td><u>-</u></td><td><u>HK\$1.23</u></td></tr></table>	Option type	Outstanding at 1/1/10	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/10	2010A	-	125,000	-	-	-	125,000	2010B	-	150,000	-	-	-	150,000		<u>-</u>	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,000</u>	Exercisable at the end of the year						<u>275,000</u>	Weighted average exercise price	<u>-</u>	<u>HK\$1.23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>HK\$1.23</u>								
Option type	Outstanding at 1/1/10	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/10																																												
2010A	-	125,000	-	-	-	125,000																																												
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	<u>-</u>	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,000</u>																																												
Exercisable at the end of the year						<u>275,000</u>																																												
Weighted average exercise price	<u>-</u>	<u>HK\$1.23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>HK\$1.23</u>																																												
HKFRS 2.45(c) LR 17.07 GR 23.07	The following share options granted under the employee share option plan were exercised in the current year:																																																	
	<table><tr><th>Options type</th><th>Number exercised</th><th>Exercise date</th><th>Share price at exercise date</th></tr><tr><td></td><td></td><td></td><td>HK\$</td></tr><tr><td>2010A</td><td>30,000</td><td>05/01/11</td><td>2.50</td></tr><tr><td>2010A</td><td>45,000</td><td>31/01/11</td><td>2.25</td></tr><tr><td>2010A</td><td>50,000</td><td>15/03/11</td><td>3.00</td></tr><tr><td>2010B</td><td>65,000</td><td>03/07/11</td><td>2.95</td></tr><tr><td>2010B</td><td>85,000</td><td>28/08/11</td><td>2.75</td></tr><tr><td>2011</td><td><u>39,000</u></td><td><u>15/04/11</u></td><td><u>3.50</u></td></tr><tr><td></td><td><u>314,000</u></td><td></td><td></td></tr></table>	Options type	Number exercised	Exercise date	Share price at exercise date				HK\$	2010A	30,000	05/01/11	2.50	2010A	45,000	31/01/11	2.25	2010A	50,000	15/03/11	3.00	2010B	65,000	03/07/11	2.95	2010B	85,000	28/08/11	2.75	2011	<u>39,000</u>	<u>15/04/11</u>	<u>3.50</u>		<u>314,000</u>															
	Options type	Number exercised	Exercise date	Share price at exercise date																																														
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	2010A	30,000	05/01/11	2.50																																														
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	2010B	85,000	28/08/11	2.75																																														
	2011	<u>39,000</u>	<u>15/04/11</u>	<u>3.50</u>																																														
	<u>314,000</u>																																																	



Source	Hong Kong GAAP Limited																
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b>47.2. The Subsidiaries</b></p> <p><b>47.2.1 Employee share option plan of Kowloon Limited</b></p>																
HKFRS 2.45(a) LR 17.09 GR 23.09	<p>A subsidiary of the Company, Kowloon Limited, also operates a share option scheme (the “Kowloon Limited’s Scheme”). The Kowloon Limited’s Scheme was adopted pursuant to a resolution passed on 17 January 2007 for the primary purpose of providing incentives to directors and eligible employees of Kowloon Limited, and will expire on 16 May 2017. Under the Kowloon Limited’s Scheme, the board of directors of Kowloon Limited may grant options to eligible employees, including directors of Kowloon Limited, to subscribe for shares of Kowloon Limited.</p> <p>At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Kowloon Limited’s Scheme was 1,707,000 (31 December 2010: 1,707,000), representing 4% (2010: 4%) of the shares of Kowloon Limited in issue at that date. The total number of shares in respect of which options may be granted under the Kowloon Limited’s Scheme is not permitted to exceed 10% of the shares of Kowloon Limited in issue at any point in time, without prior approval from the shareholders of Kowloon Limited. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Kowloon Limited in issue at any point in time, without prior approval from the shareholders of Kowloon Limited.</p> <p>No consideration is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the fifth anniversary of the date of grant. The exercise price is determined by the directors of Kowloon Limited, and will not be less than the fair value of each share of Kowloon Limited on the date of grant.</p>																
HKFRS 2.45(d)	<p>Details of the options are as follows:</p> <table><tr><th><u>Option type</u></th><th><u>Date of grant</u></th><th><u>Exercise period</u></th><th><u>Exercise price HK\$</u></th><th><u>Fair value at grant date HK\$</u></th></tr><tr><td>2008</td><td>01/04/08</td><td>01/04/08 to 31/03/13</td><td>1.32</td><td>0.70</td></tr></table>	<u>Option type</u>	<u>Date of grant</u>	<u>Exercise period</u>	<u>Exercise price HK\$</u>	<u>Fair value at grant date HK\$</u>	2008	01/04/08	01/04/08 to 31/03/13	1.32	0.70						
<u>Option type</u>	<u>Date of grant</u>	<u>Exercise period</u>	<u>Exercise price HK\$</u>	<u>Fair value at grant date HK\$</u>													
2008	01/04/08	01/04/08 to 31/03/13	1.32	0.70													
HKFRS 2.46, 47(a) LR 17.08 GR 23.08	<p>Options that were granted during the year ended 31 December 2008 vested at the date of grant.</p> <p>The fair value of the share options is determined using the binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management’s best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years.</p>																
LR 17.08 Note 4 GR 23.08 Note 4	<p>The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. The value of an option varies with different variables of certain subjective assumptions.</p> <p><b>Inputs into the model</b></p> <table><tr><th></th><th><u>Option type 2008</u></th></tr><tr><td>Grant date share price</td><td>1.32</td></tr><tr><td>Exercise price</td><td>1.32</td></tr><tr><td>Expected volatility</td><td>60.70%</td></tr><tr><td>Option life</td><td>5 years</td></tr><tr><td>Dividend yield</td><td>2.38%</td></tr><tr><td>Risk-free interest rate</td><td>5.25%</td></tr><tr><td>Others [describe]</td><td>-</td></tr></table>		<u>Option type 2008</u>	Grant date share price	1.32	Exercise price	1.32	Expected volatility	60.70%	Option life	5 years	Dividend yield	2.38%	Risk-free interest rate	5.25%	Others [describe]	-
	<u>Option type 2008</u>																
Grant date share price	1.32																
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Risk-free interest rate	5.25%																
Others [describe]	-																

Source	Hong Kong GAAP Limited																												
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>																												
HKFRS 2.45(b) LR 17.07 GR 23.07	<p>The following table discloses movements of share options held by employees and directors of Kowloon Limited during the year under the Kowloon Limited's share option scheme:</p> <table><tr><th>Option type</th><th>Outstanding at 1/1/2010 &amp; 1/1/2011</th><th>Granted during the year</th><th>Exercised during the year</th><th>Forfeited during the year</th><th>Expired during the year</th><th>Outstanding at 31/12/2010 &amp; 31/12/2011</th></tr><tr><td>2008</td><td>1,707,000</td><td>-</td><td>-</td><td>-</td><td>-</td><td>1,707,000</td></tr><tr><td>Exercisable at the end of the year</td><td></td><td></td><td></td><td></td><td></td><td>1,707,000</td></tr><tr><td>Exercise price</td><td>HK\$1.32</td><td>-</td><td>-</td><td>-</td><td>-</td><td>HK\$1.32</td></tr></table>	Option type	Outstanding at 1/1/2010 & 1/1/2011	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/2010 & 31/12/2011	2008	1,707,000	-	-	-	-	1,707,000	Exercisable at the end of the year						1,707,000	Exercise price	HK\$1.32	-	-	-	-	HK\$1.32
Option type	Outstanding at 1/1/2010 & 1/1/2011	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/2010 & 31/12/2011																							
2008	1,707,000	-	-	-	-	1,707,000																							
Exercisable at the end of the year						1,707,000																							
Exercise price	HK\$1.32	-	-	-	-	HK\$1.32																							
HKFRS 2.51(a) HKFRS 2.50	<p>The Group recognised an expense of HK\$218,000 for the year ended 31 December 2011 (2010: HK\$246,000) in relation to share options granted by the Company.</p> <p><b>47.2.2. Employee share option plan of Subsix Limited</b></p>																												
HKFRS 2.45(a) LR 17.09 GR 23.09	<p>Subsix Limited has a share option scheme for its executives and senior employees. The outstanding share options were not replaced and were still in existence at the time when the Group acquired Subsix Limited in the current year.</p> <p>Each employee share option of Subsix Limited converts into one ordinary share of Subsix Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. All outstanding share options granted by Subsix Limited had vested by the date when the Group acquired Subsix Limited.</p> <p>At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under Subsix Limited's Scheme was 5,000, representing 1% of the shares of Subsix Limited at that date. The total number of shares in respect of which options may be granted under Subsix Limited's Scheme is not permitted to exceed 10% of the shares of Subsix Limited in issue at any point in time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Subsix Limited in issue at any point in time, without prior approval from Subsix Limited's shareholders.</p> <p>The following share-based payment arrangements were in existence at the acquisition date:</p> <table><tr><th>Options series</th><th>Number</th><th>Grant date</th><th>Expiry date</th><th>Exercise price HK\$</th><th>Market-based measure at the acquisition date of Subsix Limited HK\$</th></tr><tr><td>(1) Granted on 13 March 2010</td><td>2,000</td><td>13/03/10</td><td>12/03/13</td><td>0.5</td><td>1.00</td></tr><tr><td>(2) Granted on 18 September 2010</td><td>3,000</td><td>18/09/10</td><td>17/09/13</td><td>0.5</td><td>1.00</td></tr></table> <p>All options vested on their date of grant and expire within three years of their grant.</p>	Options series	Number	Grant date	Expiry date	Exercise price HK\$	Market-based measure at the acquisition date of Subsix Limited HK\$	(1) Granted on 13 March 2010	2,000	13/03/10	12/03/13	0.5	1.00	(2) Granted on 18 September 2010	3,000	18/09/10	17/09/13	0.5	1.00										
Options series	Number	Grant date	Expiry date	Exercise price HK\$	Market-based measure at the acquisition date of Subsix Limited HK\$																								
(1) Granted on 13 March 2010	2,000	13/03/10	12/03/13	0.5	1.00																								
(2) Granted on 18 September 2010	3,000	18/09/10	17/09/13	0.5	1.00																								

Source	Hong Kong GAAP Limited																										
HKFRS 2.46, 47(a)	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>																										
	<b>Market-based measure of share options at the acquisition date</b>																										
	All outstanding vested share options were measured in accordance with HKFRS 2 <i>Share-based Payment</i> at their market-based measure at the acquisition date. The market-based measure of each share option determined at the acquisition date of Subsix Limited is HK\$1.00. Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was three and a half times the exercise price.																										
	<b>Inputs into the model</b>																										
	<table><tr><td></td><td colspan="2">Option series</td></tr><tr><td></td><td>Series 1</td><td>Series 2</td></tr><tr><td>Acquisition date share price</td><td>HK\$1.12</td><td>HK\$1.12</td></tr><tr><td>Exercise price</td><td>HK\$0.50</td><td>HK\$0.50</td></tr><tr><td>Expected volatility</td><td>8.10%</td><td>8.50%</td></tr><tr><td>Option life</td><td>1.7 years</td><td>2.2 years</td></tr><tr><td>Dividend yield</td><td>3.00%</td><td>3.11%</td></tr><tr><td>Risk-free interest rate</td><td>5.50%</td><td>5.45%</td></tr><tr><td>Others [describe]</td><td>-</td><td>-</td></tr></table>		Option series			Series 1	Series 2	Acquisition date share price	HK\$1.12	HK\$1.12	Exercise price	HK\$0.50	HK\$0.50	Expected volatility	8.10%	8.50%	Option life	1.7 years	2.2 years	Dividend yield	3.00%	3.11%	Risk-free interest rate	5.50%	5.45%	Others [describe]	-
	Option series																										
	Series 1	Series 2																									
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Dividend yield	3.00%	3.11%																									
Risk-free interest rate	5.50%	5.45%																									
Others [describe]	-	-																									
	<b>Movements in share options during the year</b>																										
	No more share options were granted and exercised after the Group obtained control over Subsix Limited. The share options outstanding at the end of the year had an exercise price of HK\$1.00, and a weighted average remaining contractual life of 551 days.																										

Source	Hong Kong GAAP Limited																		
HKAS 1.134 HKAS 1.135	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b>48. Capital management</b></p> <p><i>Note: The following are <u>examples</u> 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, by the significance of judgements and estimates made to the financial performance and financial position, and based on information provided internally to the entity's key management personnel.</i></p> <p>The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.</p> <p>The capital structure of the Group consists of net debt (which includes borrowings, loan from government, convertible notes and obligations under finance leases net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and retained profits).</p> <p><b>Gearing ratio</b></p> <p>The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on the committee's recommendation, the Group has a target gearing ratio of 25-30% determined as the proportion of net debt to equity. The Group expects to increase its gearing ratio closer to 30% through the issue of new debts and the payment of dividends.</p> <p>The gearing ratio at the end of the reporting period was as follows:</p> <table><tr><td></td><td><u>31/12/11</u> HK\$'000</td><td><u>31/12/10</u> HK\$'000</td></tr><tr><td>Debts (Note 1)</td><td>60,580</td><td>60,012</td></tr><tr><td>Cash and cash equivalents (see note 52)</td><td><u>(20,473)</u></td><td><u>(22,010)</u></td></tr><tr><td>Net debt</td><td>40,107</td><td>38,002</td></tr><tr><td>Equity (Note 2)</td><td>146,286</td><td>145,762</td></tr><tr><td>Net debt to equity ratio</td><td><u>27%</u></td><td><u>26%</u></td></tr></table> <p>Notes:</p> <p>1) Debt comprises long-term and short-term borrowings, loan from government, convertible notes and obligations under finance leases as detailed in notes 36, 37, 38 and 39 respectively.</p> <p>2) Equity includes all capital and reserves attributable to owners of the Company.</p>		<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000	Debts (Note 1)	60,580	60,012	Cash and cash equivalents (see note 52)	<u>(20,473)</u>	<u>(22,010)</u>	Net debt	40,107	38,002	Equity (Note 2)	146,286	145,762	Net debt to equity ratio	<u>27%</u>	<u>26%</u>
	<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000																	
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Source	Hong Kong GAAP Limited	
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>	
	<b>49. Financial instruments</b>	
	<b>49.1 Categories of financial instruments</b>	
		<div> <div>31/12/11</div> <div>31/12/10</div> </div> <div> <div>HK\$'000</div> <div>HK\$'000</div> </div>
	<u>Financial assets</u>	
	Fair value through profit or loss	
HKFRS 7.8(a)	Held for trading	12,480 8,448
HKFRS 7.8(a)	Designated as at FVTPL (see below)	- -
	Derivative instruments in designated hedge accounting relationships	528 397
HKFRS 7.8(b)	Held-to-maturity investments	6,863 5,262
HKFRS 7.8(c)	Loans and receivables (including cash and cash equivalents)	44,487 39,287
HKFRS 7.8(d)	Available-for-sale investments	5,600 4,857
	<u>Financial liabilities</u>	
	Fair value through profit or loss	
HKFRS 7.8(e)	Held for trading	- -
HKFRS 7.8(e)	Designated as at FVTPL (see below)	- -
	Derivative instruments in designated hedge accounting relationships	96 -
HKFRS 7.8(f)	Amortised cost	73,191 80,789
	Financial guarantee contracts	20 18
	Contingent consideration for a business combination	75 -
	<u>Loans and receivables designated as at FVTPL</u>	
	Carrying amount of loans and receivables designated as at FVTPL	- -
HKFRS 7.9(c)	Cumulative changes in fair value attributable to changes in credit risk	- -
HKFRS 7.9(c)	Changes in fair value attributable to changes in credit risk recognised during the year	- -
HKFRS 7.9(b),(d)	<u>Credit derivatives over loans and designated as at FVTPL</u>	
		<div> <div>Year ended</div> <div>Year ended</div> </div> <div> <div>31/12/11</div> <div>31/12/10</div> </div> <div> <div>HK\$'000</div> <div>HK\$'000</div> </div>
	Opening fair value	- -
	Additions during the year	- -
	Realised during the year	- -
	Change in fair value	- -
	Closing fair value	- -

Source	Hong Kong GAAP Limited	
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>	
	<i>Financial liabilities designated as at FVTPL</i>	
		<div> <div>31/12/11</div> <div>31/12/10</div> <div>HK\$'000</div> <div>HK\$'000</div> </div>
HKFRS 7.10(b)	Difference between carrying amount and maturity amount	
	Fair value	-
	Amount payable at maturity	-
		-
HKFRS 7.10(a)	Cumulative changes in fair value attributable to changes in credit risk (Note)	-
HKFRS 7.10(a)	Changes in fair value attributable to changes in credit risk recognised during the year (Note)	-
HKFRS 7.11	<p>Note: The change in fair value attributable to change in credit risk is calculated as the difference between total change in fair value of financial liabilities designated as at FVTPL and the change in fair value of financial liabilities designated as at FVTPL due to change in market risk factors alone. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding credit risk margin constant. The fair value of financial liabilities designated as at FVTPL is estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowing of similar maturity to estimate credit risk margin.</p>	
HKFRS 7.31	<b>49.2 Financial risk management objectives and policies</b> <p>The Group's Corporate Treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.</p> <p>The Group seeks to minimise the effects of some of these risks by using derivative financial instruments. The use of derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign currency risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.</p> <p>The Corporate Treasury function reports monthly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate exposures.</p>	
HKFRS 7.33(c)	There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.	
HKFRS 7.33	<b>49.2.1 Market risk</b> <p>The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risks, including:</p> <ul style="list-style-type: none"> <li>• forward foreign exchange contracts to hedge the exchange rate risk arising on foreign currency sales; and</li> <li>• interest rate swaps to mitigate the fair value interest rate risk.</li> </ul>	

Source	Hong Kong GAAP Limited																																																													
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p>Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.</p>																																																													
HKFRS 7.33(c)	There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.																																																													
HKFRS 7.41	<p><i>49.2.1.1 Value at Risk (VaR) analysis</i></p> <p>The VaR risk measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.</p> <p>VaR methodologies employed to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.</p> <table><tr><th rowspan="3">Historical VaR (99%, one-day) by risk type</th><th colspan="2">Average</th><th colspan="2">Minimum</th><th colspan="2">Maximum</th><th colspan="2">Year ended</th></tr><tr><th>2011</th><th>2010</th><th>2011</th><th>2010</th><th>2011</th><th>2010</th><th>31/12/11</th><th>31/12/10</th></tr><tr><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th></tr><tr><td>Foreign exchange</td><td>980</td><td>1,340</td><td>546</td><td>943</td><td>1,200</td><td>1,600</td><td>980</td><td>1,350</td></tr><tr><td>Interest rate</td><td>115</td><td>60</td><td>85</td><td>45</td><td>150</td><td>95</td><td>105</td><td>55</td></tr><tr><td>Diversification</td><td>(45)</td><td>(40)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>(55)</td><td>(50)</td></tr><tr><td>Total VaR exposure</td><td>1,050</td><td>1,360</td><td></td><td></td><td></td><td></td><td>1,030</td><td>1,355</td></tr></table> <p>While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk and interest rate risk are set out below.</p> <p><i>49.2.1.2 Foreign currency risk management</i></p>	Historical VaR (99%, one-day) by risk type	Average		Minimum		Maximum		Year ended		2011	2010	2011	2010	2011	2010	31/12/11	31/12/10	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Foreign exchange	980	1,340	546	943	1,200	1,600	980	1,350	Interest rate	115	60	85	45	150	95	105	55	Diversification	(45)	(40)	-	-	-	-	(55)	(50)	Total VaR exposure	1,050	1,360					1,030	1,355
Historical VaR (99%, one-day) by risk type	Average		Minimum		Maximum		Year ended																																																							
	2011		2010	2011	2010	2011	2010	31/12/11	31/12/10																																																					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000																																																						
Foreign exchange	980	1,340	546	943	1,200	1,600	980	1,350																																																						
Interest rate	115	60	85	45	150	95	105	55																																																						
Diversification	(45)	(40)	-	-	-	-	(55)	(50)																																																						
Total VaR exposure	1,050	1,360					1,030	1,355																																																						
HKFRS 7.33, 34	<p>Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 28% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 90% of costs are denominated in the group entity's respective functional currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign currency contracts.</p> <p>The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:</p> <table><tr><th rowspan="3"></th><th colspan="2">Liabilities</th><th colspan="2">Assets</th></tr><tr><th>31/12/11</th><th>31/12/10</th><th>31/12/11</th><th>31/12/10</th></tr><tr><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th></tr><tr><td>RMB</td><td>8,297</td><td>7,469</td><td>1,574</td><td>1,671</td></tr><tr><td>Euro</td><td>186</td><td>135</td><td>-</td><td>-</td></tr><tr><td>Others (please specify)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr></table>		Liabilities		Assets		31/12/11	31/12/10	31/12/11	31/12/10	HK\$'000	HK\$'000	HK\$'000	HK\$'000	RMB	8,297	7,469	1,574	1,671	Euro	186	135	-	-	Others (please specify)	-	-	-	-																																	
	Liabilities		Assets																																																											
	31/12/11		31/12/10	31/12/11	31/12/10																																																									
	HK\$'000	HK\$'000	HK\$'000	HK\$'000																																																										
RMB	8,297	7,469	1,574	1,671																																																										
Euro	186	135	-	-																																																										
Others (please specify)	-	-	-	-																																																										

Source	Hong Kong GAAP Limited																														
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p>Foreign currency sensitivity analysis</p> <p>The Group is mainly exposed to the effects of fluctuation in RMB and Euro.</p> <p>The following table details the Group's sensitivity to a 5% and 10% (2010: 5%) increase and decrease in Hong Kong dollars against RMB and Euro respectively. The management adjusted the sensitivity rate from 5% to 10% for the purpose of assessing foreign currency risk against Euro. Hence, 5% and 10% (2010: 5%) are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as hedging instruments in cash flow hedges. It also includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the Hong Kong dollars strengthen 5% (2010: 5%) against RMB and 10% (2010: 5%) against Euro. For a 5% (2010: 5%) weakening of the Hong Kong dollars against RMB and 10% (2010: 5%) against Euro, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.</p> <table><tr><th></th><th colspan="2">Impact of RMB</th><th colspan="2">Impact of Euro</th></tr><tr><th></th><th>2011</th><th>2010</th><th>2011</th><th>2010</th></tr><tr><th></th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th></tr><tr><td>Sensitivity rate</td><td>5%</td><td>5%</td><td>10%</td><td>5%</td></tr><tr><td>Profit or loss</td><td>252</td><td>217 (Note 1)</td><td>14</td><td>5 (Note 3)</td></tr><tr><td>Equity</td><td>35</td><td>50 (Note 2)</td><td>-</td><td>-</td></tr></table> <p>Notes:</p> <p>1) This is mainly attributable to the exposure outstanding on receivables and payables denominated in RMB not subject to cash flow hedge at the end of the reporting period.</p> <p>2) This is as a result of the changes in fair value of foreign currency forward contracts designated as hedging instruments in cash flow hedges in relation to the Group's foreign currency forecast sales.</p> <p>3) This is mainly attributable to the exposure to outstanding payables denominated in Euro at the end of the reporting period.</p>		Impact of RMB		Impact of Euro			2011	2010	2011	2010		HK\$'000	HK\$'000	HK\$'000	HK\$'000	Sensitivity rate	5%	5%	10%	5%	Profit or loss	252	217 (Note 1)	14	5 (Note 3)	Equity	35	50 (Note 2)	-	-
	Impact of RMB		Impact of Euro																												
	2011	2010	2011	2010																											
	HK\$'000	HK\$'000	HK\$'000	HK\$'000																											
Sensitivity rate	5%	5%	10%	5%																											
Profit or loss	252	217 (Note 1)	14	5 (Note 3)																											
Equity	35	50 (Note 2)	-	-																											
HKFRS 7.34(a), 40(b)																															
HKFRS 7.40(a) HKFRS 7.40(a)																															
HKFRS 7.42	<p>In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year. RMB denominated sales are seasonal with lower sales volumes in the last quarter of the financial year, which results in a reduction in RMB receivables at the end of the reporting period.</p>																														
HKFRS 7.33 HKFRS 7.34	<p><i>49.2.1.3 Interest rate risk management</i></p> <p>The Group's fair value interest rate risk relates primarily to fixed rate borrowings from a financial institution (see note 36 for details of these borrowings). In relation to these fixed rate borrowings, the Group enters into interest rate swaps to hedge against its exposures to changes in fair values of those borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is applied (see note 41 for details).</p> <p>The Group's cash flow interest rate risk relates primarily to variable rate borrowings (see note 36 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.</p>																														
HKFRS 7.34(c)	<p>The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.</p>																														



Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
	<p><b>Interest rate sensitivity analysis</b></p>
HKFRS 7.40(b) HKFRS 7.34(a)	<p>The sensitivity analyses below have been determined based on the exposure to interest rates for derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2010: 50 basis points) increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.</p>
HKFRS 7.40(a)	<p>If interest rates had been 50 basis points (2010: 50 basis points) higher/lower and all other variables were held constant, the Group's:</p> <ul style="list-style-type: none"> <li>• post-tax profit for the year ended 31 December 2011 would decrease/increase by HK\$179,000 (2010: decrease/increase by HK\$207,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and</li> <li>• other comprehensive income for the year ended 31 December 2011 would decrease/increase by HK\$11,000 (2010: decrease/increase by HK\$11,000) mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.</li> </ul>
HKFRS 7.33, 34 HKFRS 7.34(c)	<p><b>49.2.1.4 Other price risks</b></p> <p>The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in banking, telecommunication and construction industry sectors quoted in The Stock Exchange of Hong Kong Limited. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.</p>
	<p><b>Equity price sensitivity analysis</b></p>
HKFRS 7.40(b)	<p>The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.</p>
HKFRS 7.40(a)	<p>If equity prices had been 15% higher/lower (2010: 15% higher/lower):</p> <ul style="list-style-type: none"> <li>• post-tax profit for the year ended 31 December 2011 would increase/decrease by HK\$1,404,000 (2010: increase/decrease by HK\$950,000). This is mainly due to the changes in fair value of held-for-trading investments; and</li> <li>• other comprehensive income for the year ended 31 December 2011 would increase/decrease by HK\$630,000 (2010: increase/decrease by HK\$546,000) as a result of the changes in fair value of available-for-sale investments.</li> </ul>
	<p><b>49.2.2 Credit risk management</b></p>
HKFRS 7.33, 34, 36, B8, B9	<p>As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:</p> <ul style="list-style-type: none"> <li>• the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and</li> </ul>
HKFRS 7.B10(c)	<ul style="list-style-type: none"> <li>• the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 57.</li> </ul> <p>In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investment at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
	<p>Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivable and, where appropriate, credit guarantee insurance cover is purchased.</p>
	<p>Apart from Company A, the largest customer of the Group (see below and refer to notes 6 and 30), the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to Company A did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.</p>
	<p>The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.</p>
HKFRS 7.34(c)	<p>Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.</p>
	<p><i>49.2.2.1 Collateral held as security and other credit enhancements</i></p>
HKFRS 7.36(b)	<p>The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for finance lease receivables and an amount due from a director. Credit risks associated with the finance lease receivables and an amount due from a director are mitigated because the finance lease receivables and the amount due from a director are secured over the leased storage equipment and a residential property respectively. The carrying amounts of the finance lease receivables and the amount due from a director amounted to HK\$1,028,000 and HK\$440,000 respectively (31 December 2010: HK\$905,000 and HK\$nil respectively).</p>
	<p>As at 31 December 2011, the fair value of the leased assets and the residential property are estimated to be approximately HK\$1,000,000 and HK\$2,500,000 respectively. As at 31 December 2010, the fair value of the leased assets amounted to HK\$900,000.</p>
	<p>The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee and the director.</p>
	<p><i>Note: HKFRS 7.36(b) (amended as part of Improvements to HKFRSs issued in 2010) specifies that entities should give a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk.</i></p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
	<p><u>49.2.3 Liquidity risk management</u></p>
HKFRS 7.33, 39(c)	<p>Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.</p>
HKAS 7.50(a)	<p>As at 31 December 2011, the Group has available unutilised overdrafts, and short and medium term bank loan facilities of approximately HK\$2 million (31 December 2010: HK\$1 million) and HK\$5 million (31 December 2010: HK\$3 million) respectively.</p>
HKFRS 7.34, 35, 39	<p><u>Liquidity tables</u></p> <p>The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.</p> <p>Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.</p> <p>The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.</p>
HKFRS 7.B11E	<p>In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.</p>
HKFRS 7.B10A(b)	<p>The amounts included below for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.</p> <p>Moreover, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of these derivatives, which have been entered into for hedging purposes.</p>

Source	Hong Kong GAAP Limited							
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>							
	<i>Note: The tables below include the weighted average interest rate and the presentation of the corresponding carrying amounts in the consolidated statement of financial position as an example of summary quantitative data about exposure to interest rates at the end of the reporting period that an entity may provide internally to key management personnel.</i>							
	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	>5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>31/12/11</b>								
<b>Non-derivative financial assets</b>								
Trade and other receivables	-	9,064	10,950	462	519	-	20,995	20,995
Debt investments	6.9%	18	88	5,766	4,000	-	9,872	9,063
Equity investments	-	-	-	-	15,880	-	15,880	15,880
Pledged bank deposits	3.5%	-	-	-	2,140	-	2,140	2,000
Cash and bank balances	3.0%	9,500	11,982	-	-	-	21,482	20,836
Amounts due from directors	-	-	-	656	-	-	656	656
Others (please specify)	-	-	-	-	-	-	-	-
		18,582	23,020	6,884	22,539	-	71,025	69,430
<b>Non-derivative financial liabilities</b>								
Trade and other payables	-	(5,733)	(6,354)	-	-	-	(12,087)	(12,087)
Borrowings								
- fixed rate	6.2%	(198)	(594)	(1,584)	(4,764)	-	(7,140)	(5,961)
- variable rate (note 1)	6.1%	(11,735)	(4,825)	(1,389)	(12,035)	(20,586)	(50,570)	(47,663)
Loan from government	7.2%	-	-	(3,000)	-	-	(3,000)	(2,798)
Convertible notes	5.5%	-	-	(248)	(4,994)	-	(5,242)	(4,144)
Bank overdrafts	7.5%	(547)	-	-	-	-	(547)	(538)
Obligations under finance leases	4.0%	(1)	(2)	(7)	(6)	-	(16)	(14)
Financial guarantee contracts (note 2)	-	(970)	-	-	-	-	(970)	(20)
Others (please specify)	-	-	-	-	-	-	-	-
		(19,184)	(11,775)	(6,228)	(21,799)	(20,586)	(79,572)	(73,225)
<b>31/12/10</b>								
<b>Non-derivative financial assets</b>								
Trade and other receivables	-	5,409	8,800	333	250	-	14,792	14,792
Debt investments	6.7%	20	1,165	3,630	2,818	-	7,633	7,384
Equity investments	-	-	-	-	11,183	-	11,183	11,183
Pledged bank deposits	4.3%	-	-	-	2,140	-	2,140	2,000
Cash and bank balances	3.7%	13,450	9,854	-	-	-	23,304	22,388
Amount due from a director	-	-	-	107	-	-	107	107
Others (please specify)	-	-	-	-	-	-	-	-
		18,879	19,819	4,070	16,391	-	59,159	57,854
<b>Non-derivative financial liabilities</b>								
Trade and other payables	-	(7,991)	(8,089)	(4,408)	-	-	(20,488)	(20,488)
Borrowings								
- fixed rate	6.1%	(14)	(28)	(1,120)	(1,424)	-	(2,586)	(2,037)
- variable rate (note 1)	6.2%	(17,701)	(5,409)	(17,389)	(10,517)	(6,850)	(57,866)	(55,276)
Loan from government	7.2%	-	-	-	(3,000)	-	(3,000)	(2,610)
Bank overdrafts	6.4%	(392)	-	-	-	-	(392)	(378)
Obligations under finance leases	4.5%	(5)	(10)	(43)	(44)	-	(102)	(89)
Financial guarantee contracts (note 2)	-	(1,050)	-	-	-	-	(1,050)	(18)
Others (please specify)	-	-	-	-	-	-	-	-
		(27,153)	(13,536)	(22,960)	(14,985)	(6,850)	(85,484)	(80,896)

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
	<p>Notes:</p>
HKFRS 7.39(c)	<p>1) Bank loans with a repayment on demand clause are included in the 'on demand or less than 1 month' time band in the above maturity analysis. As at 31 December 2011 and 31 December 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$11,000,000 and HK\$10,180,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$11,500,000.</p>
HKFRS 7.B10(c)	<p>2) The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.</p>

Source	Hong Kong GAAP Limited																																																																																																																																																																								
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><i>Liquidity tables - continued</i></p> <p>HKFRS 7.39(b) The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.</p> <table><tr><th></th><th>Less than 1 month HK\$'000</th><th>1-3 months HK\$'000</th><th>3 months to 1 year HK\$'000</th><th>1-5 years HK\$'000</th><th>5+ years HK\$'000</th><th>Total undiscounted cash flows HK\$'000</th><th>Total carrying amount HK\$'000</th></tr><tr><td><b>31/12/11</b></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td><b>Derivatives - net settlement</b></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Interest rate swaps</td><td>13</td><td>38</td><td>16</td><td>212</td><td>-</td><td>279</td><td>279</td></tr><tr><td>Foreign exchange forward contracts</td><td>(5)</td><td>(21)</td><td>9</td><td>-</td><td>-</td><td>(17)</td><td>(17)</td></tr><tr><td></td><td>8</td><td>17</td><td>25</td><td>212</td><td>-</td><td>262</td><td>262</td></tr><tr><td><b>Derivatives - gross settlement</b></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Foreign exchange forward contracts</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>- inflow</td><td>-</td><td>6,054</td><td>5,079</td><td>-</td><td>-</td><td>11,133</td><td>11,133</td></tr><tr><td>- outflow</td><td>-</td><td>(5,811)</td><td>(5,152)</td><td>-</td><td>-</td><td>(10,963)</td><td>(10,963)</td></tr><tr><td></td><td>-</td><td>243</td><td>(73)</td><td>-</td><td>-</td><td>170</td><td>170</td></tr><tr><td><b>31/12/10</b></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td><b>Derivatives - net settlement</b></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Interest rate swaps</td><td>12</td><td>5</td><td>20</td><td>140</td><td>-</td><td>177</td><td>177</td></tr><tr><td>Foreign exchange forward contracts</td><td>(10)</td><td>(15)</td><td>(9)</td><td>-</td><td>-</td><td>(34)</td><td>(34)</td></tr><tr><td></td><td>2</td><td>(10)</td><td>11</td><td>140</td><td>-</td><td>143</td><td>143</td></tr><tr><td><b>Derivatives - gross settlement</b></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Foreign exchange forward contracts</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>- inflow</td><td>-</td><td>3,423</td><td>5,316</td><td>-</td><td>-</td><td>8,739</td><td>8,739</td></tr><tr><td>- outflow</td><td>-</td><td>(3,240)</td><td>(5,245)</td><td>-</td><td>-</td><td>(8,485)</td><td>(8,485)</td></tr><tr><td></td><td>-</td><td>183</td><td>71</td><td>-</td><td>-</td><td>254</td><td>254</td></tr></table> <p><b>49.3 Fair value of financial instruments</b></p> <p>HKFRS 7.27 The fair values of financial assets and financial liabilities are determined as follows.</p> <ul style="list-style-type: none"><li>• The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.</li><li>• The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.</li><li>• The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.</li></ul>		Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000	<b>31/12/11</b>								<b>Derivatives - net settlement</b>								Interest rate swaps	13	38	16	212	-	279	279	Foreign exchange forward contracts	(5)	(21)	9	-	-	(17)	(17)		8	17	25	212	-	262	262	<b>Derivatives - gross settlement</b>								Foreign exchange forward contracts								- inflow	-	6,054	5,079	-	-	11,133	11,133	- outflow	-	(5,811)	(5,152)	-	-	(10,963)	(10,963)		-	243	(73)	-	-	170	170	<b>31/12/10</b>								<b>Derivatives - net settlement</b>								Interest rate swaps	12	5	20	140	-	177	177	Foreign exchange forward contracts	(10)	(15)	(9)	-	-	(34)	(34)		2	(10)	11	140	-	143	143	<b>Derivatives - gross settlement</b>								Foreign exchange forward contracts								- inflow	-	3,423	5,316	-	-	8,739	8,739	- outflow	-	(3,240)	(5,245)	-	-	(8,485)	(8,485)		-	183	71	-	-	254	254
	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	5+ years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000																																																																																																																																																																		
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Source	Hong Kong GAAP Limited																																																							
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>																																																							
HKFRS 7.25 HKFRS 7.29(a)	<p>Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:</p> <table><tr><th></th><th colspan="2">31/12/11</th><th colspan="2">31/12/10</th></tr><tr><th></th><th>Carrying amount</th><th>Fair value</th><th>Carrying amount</th><th>Fair value</th></tr><tr><th></th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th></tr><tr><td colspan="5"><b>Financial assets</b></td></tr><tr><td>Held-to-maturity investments:</td><td></td><td></td><td></td><td></td></tr><tr><td>Debt securities</td><td>6,863</td><td>6,880</td><td>5,262</td><td>5,273</td></tr><tr><td>Finance lease receivables (Note 1)</td><td>1,028</td><td>1,071</td><td>905</td><td>919</td></tr><tr><td colspan="5"><b>Financial liabilities</b></td></tr><tr><td>Convertible notes (Note 2)</td><td>4,144</td><td>4,150</td><td>-</td><td>-</td></tr><tr><td>Obligations under finance leases</td><td>14</td><td>13</td><td>89</td><td>85</td></tr><tr><td>Fixed-rate borrowings</td><td>5,961</td><td>5,941</td><td>2,037</td><td>2,143</td></tr></table> <p>Notes:</p> <p>1) The fair value of finance lease receivables is estimated to be HK\$1,070,500 (31 December 2010: HK\$919,000) using an 8.5% (31 December 2010: 8.25%) discount rate based on a quoted four-year swap rate and adding a credit margin that reflects the secured nature of the receivables.</p> <p>2) The fair value of the liability component of convertible notes is determined assuming redemption on 1 September 2014 and using a 7.95% interest rate based on a quoted swap rate of 6.8% for a 20 months loan and holding the credit risk margin constant.</p> <p><u>49.3.1 Fair value measurements recognised in the consolidated statement of financial position</u></p>		31/12/11		31/12/10			Carrying amount	Fair value	Carrying amount	Fair value		HK\$'000	HK\$'000	HK\$'000	HK\$'000	<b>Financial assets</b>					Held-to-maturity investments:					Debt securities	6,863	6,880	5,262	5,273	Finance lease receivables (Note 1)	1,028	1,071	905	919	<b>Financial liabilities</b>					Convertible notes (Note 2)	4,144	4,150	-	-	Obligations under finance leases	14	13	89	85	Fixed-rate borrowings	5,961	5,941	2,037	2,143
	31/12/11		31/12/10																																																					
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HKFRS 7.27B(a)	<p>The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:</p> <ul style="list-style-type: none"><li>Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;</li><li>Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and</li><li>Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).</li></ul>																																																							

Source	Hong Kong GAAP Limited				
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>				
		31/12/11			
		Level 1	Level 2	Level 3	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Financial assets</b>				
	Derivative financial assets	-	528	-	528
	Held for trading-listed equity securities	12,480	-	-	12,480
	<b>Available-for-sale investments</b>				
	Listed equity securities	2,560	-	-	2,560
	Listed debt securities	2,200	-	-	2,200
	Unlisted equity securities (Note)	-	-	840	840
	Total	17,240	528	840	18,608
	<b>Financial liabilities</b>				
	Contingent consideration for a business combination (Note)	-	-	(75)	(75)
	Other derivative financial liabilities	-	(96)	-	(96)
	Total	-	(96)	(75)	(171)
	Note: The fair values of unlisted equity investments classified as available-for-sale investments and contingent consideration for a business combination are measured using a discounted cash flow model that includes some assumptions that are not supportable by observable market prices or rates (see notes 27 and 50 for details).				
		31/12/10			
		Level 1	Level 2	Level 3	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Financial assets</b>				
	Derivative financial assets	-	397	-	397
	Held for trading-listed equity securities	8,448	-	-	8,448
	<b>Available-for-sale investments</b>				
	Listed equity securities	2,315	-	-	2,315
	Listed debt securities	2,122	-	-	2,122
	Unlisted equity securities (Note)	-	-	420	420
	Total	12,885	397	420	13,702
	<b>Financial liabilities</b>				
	Others [describe]	-	-	-	-
	Total	-	-	-	-
	Note: The fair value of unlisted equity investments classified as available-for-sale investments is measured using a discounted cash flow model that includes some assumptions that are not supportable by observable market prices or rates (see note 27 for details).				
HKFRS 7.27B(b)	There were no transfers between Levels 1 and 2 in both years.				



Source	Hong Kong GAAP Limited																																																																																																				
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>																																																																																																				
HKFRS 7.27B(c)	<p><u>49.3.2 Reconciliation of Level 3 fair value measurements of financial assets</u></p> <table><tr><th></th><th colspan="3">Year ended 31/12/11</th></tr><tr><th></th><th>Unquoted equity investments</th><th>Others [describe]</th><th>Total</th></tr><tr><th></th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th></tr><tr><td>Opening balance</td><td>420</td><td>-</td><td>420</td></tr><tr><td>Gains or losses recognised in:</td><td></td><td></td><td></td></tr><tr><td>- profit or loss</td><td>-</td><td>-</td><td>-</td></tr><tr><td>- other comprehensive income</td><td>(10)</td><td>-</td><td>(10)</td></tr><tr><td>Reclassification of remaining interest in E Plus Limited from investment in associate to available-for-sale (see note 24)</td><td>360</td><td>-</td><td>360</td></tr><tr><td>Purchases</td><td>70</td><td>-</td><td>70</td></tr><tr><td>Issues</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Settlements</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Transfers out of level 3</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Closing balance</td><td>840</td><td>-</td><td>840</td></tr></table> <table><tr><th></th><th colspan="3">Year ended 31/12/10</th></tr><tr><th></th><th>Unquoted equity investments</th><th>Others [describe]</th><th>Total</th></tr><tr><th></th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th></tr><tr><td>Opening balance</td><td>400</td><td>-</td><td>400</td></tr><tr><td>Gains or losses recognised in:</td><td></td><td></td><td></td></tr><tr><td>- profit or loss</td><td>-</td><td>-</td><td>-</td></tr><tr><td>- other comprehensive income</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Purchases</td><td>20</td><td>-</td><td>20</td></tr><tr><td>Issues</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Settlements</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Transfers out of level 3</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Closing balance</td><td>420</td><td>-</td><td>420</td></tr></table> <p>The tables above only include financial assets. The only financial liability that is subsequently measured at fair value is contingent consideration for the acquisition of Subsix Limited. Such a financial liability is classified as Level 3 (see note 50). No gain or loss for the current year relating to this contingent liability has been recognised in the consolidated [statement of comprehensive income/income statement].</p>		Year ended 31/12/11				Unquoted equity investments	Others [describe]	Total		HK\$'000	HK\$'000	HK\$'000	Opening balance	420	-	420	Gains or losses recognised in:				- profit or loss	-	-	-	- other comprehensive income	(10)	-	(10)	Reclassification of remaining interest in E Plus Limited from investment in associate to available-for-sale (see note 24)	360	-	360	Purchases	70	-	70	Issues	-	-	-	Settlements	-	-	-	Transfers out of level 3	-	-	-	Closing balance	840	-	840		Year ended 31/12/10				Unquoted equity investments	Others [describe]	Total		HK\$'000	HK\$'000	HK\$'000	Opening balance	400	-	400	Gains or losses recognised in:				- profit or loss	-	-	-	- other comprehensive income	-	-	-	Purchases	20	-	20	Issues	-	-	-	Settlements	-	-	-	Transfers out of level 3	-	-	-	Closing balance	420	-	420
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Closing balance	420	-	420																																																																																																		
HKFRS 7.27B(d)	<p>All of the above gains and losses included in other comprehensive income for the current year relate to unquoted equity investments held at the end of the reporting period and are reported as changes of "investments revaluation reserve" (see note 45).</p>																																																																																																				

## Section 2

Source	Hong Kong GAAP Limited			
HKFRS 3.B64(a) to (d)	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>			
	<b>50. Business combinations</b>			
	<b>Subsidiaries acquired</b>			
		<u>Principal activity</u>	<u>Date of acquisition</u>	<u>Proportion of shares acquired (%)</u> <u>Consideration transferred HK\$'000</u>
	<b>2011</b>			
	Subsix Limited	Manufacture of electronic equipment	15/07/11	80 505
	Subseven Limited	Manufacture of electronic equipment	30/11/11	100 687
				<u>1,192</u>
	Subsix Limited and Subseven Limited were acquired so as to continue the expansion of the Group's electronic equipment operations.			
	<b>2010</b>			
	[Please describe]			<u>-</u>
				<u>-</u>
HKFRS 3.B66	<p><i>Note: For clarity of presentation in these illustrative financial statements, it has been assumed that there were no business combinations in the comparative period. If there had been a business combination in 2010, all of the disclosures set out in HKFRS 3 would also be required for that prior year business combination.</i></p> <p><i>The disclosures illustrated are also required for business combinations after the end of the reporting period but before the financial statements are authorised for issue unless the initial accounting for the acquisition is incomplete at the time the financial statements are authorised for issue. In such circumstances, the entity is required to describe which disclosures could not be made and the reasons why they could not be made.</i></p>			
HKFRS 3.B64(f)	<b>Consideration transferred</b>			
			<u>Subsix Limited HK\$'000</u>	<u>Subseven Limited HK\$'000</u>
	Cash		430	647
	Contingent consideration arrangement (Note 1)		75	-
	Plus: effect of settlement of legal claim against Subseven Limited (Note 2)		<u>-</u>	<u>40</u>
HKAS 7.40(a)	Total		<u>505</u>	<u>687</u>
	Notes:			
HKFRS 3.B64(g)	<p>1) The contingent consideration requires the Group to pay the vendors an additional HK\$300,000 if Subsix Limited's profit before interest and tax (PBIT) in each of the years 2011 and 2012 exceeds HK\$500,000. Subsix's PBIT for the past three years has been HK\$350,000 on average and the directors do not consider it probable that this payment will be required. HK\$75,000 represents the estimated fair value of this obligation. Fair value is estimated based on discounted cash flow model, using an earnings growth rate of 5.0% for 2011 and 2012 and a risk adjusted discount factor of 12.5% as inputs.</p>			

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>			
HKFRS 3.B64(l)	2) Prior to the acquisition of Subseven Limited, the Group was pursuing a legal claim against that company in respect of damage to goods in transit to a customer. Although the Group was confident of recovery, this amount has not previously been recognised as an asset. In line with the requirements of HKFRS 3, the Group has recognised the effective settlement of this legal claim on the acquisition of Subseven Limited by recognising HK\$40,000 (being the estimated fair value of the claim) as a gain in the consolidated [statement of comprehensive income/income statement] within the 'other gains and losses' line item. This has resulted in a corresponding increase in the consideration transferred.			
HKFRS 3.B64(m)	Acquisition-related costs amounting to HK\$145,000 (Subsix Limited: HK\$65,000; Subseven Limited: HK\$80,000) have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'other expenses' line item in the [statement of comprehensive income/income statement].			
HKFRS 3.B64(i)	<b>Assets acquired and liabilities recognised at the date of acquisition</b>			
HKAS 7.40(d)		<u>Subsix Limited</u> HK\$'000	<u>Subseven Limited</u> HK\$'000	<u>Total</u> HK\$'000
	<u>Current assets</u>			
	Cash and cash equivalents	200	-	200
	Trade and other receivables	87	105	192
	Inventories	-	57	57
	<u>Non-current assets</u>			
	In-process research and development	-	-	-
	Plant and equipment	143	369	512
	<u>Current liabilities</u>			
	Trade and other payables	(18)	(35)	(53)
	<u>Non-current liabilities</u>			
	Deferred tax liabilities	(17)	-	(17)
	Contingent liabilities (see note 40)	(45)	-	(45)
		<u>350</u>	<u>496</u>	<u>846</u>
HKFRS 3.B64(h)	The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of HK\$87,000 (Subsix Limited) and HK\$105,000 (Subseven Limited) had gross contractual amounts of HK\$104,000 and HK\$120,000 respectively. The best estimate at acquisition date of the contractual cash flows not expected to be collected are HK\$17,000 (Subsix Limited) and HK\$15,000 (Subseven Limited).			
	<b>Non-controlling interests</b>			
HKFRS 3.B64(o)	The non-controlling interests (20%) in Subsix Limited recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK\$127,000. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:			
	<ul style="list-style-type: none"><li>assumed discount rate of 18%;</li><li>assumed long-term sustainable growth rate of 3%; and</li><li>assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Subsix Limited.</li></ul>			

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>			
	In addition, the non-controlling interests recognised at the acquisition date include the market-based measure of all outstanding share options granted by Subsix Limited to its employees. These outstanding share options had been vested at the acquisition date and were measured in accordance with HKFRS 2 <i>Share-based Payment</i> at their market-based measure of HK\$5,000. Methods and significant assumptions used in determining the market-based measure at the acquisition date are set out in note 47.2.2.			
	<b>Goodwill arising on acquisition</b>			
		<u>Subsix Limited</u> HK\$'000	<u>Subseven Limited</u> HK\$'000	<u>Total</u> HK\$'000
	Consideration transferred	505	687	1,192
	Plus: non-controlling interests (20% in Subsix Limited)	127	-	127
	Plus: non-controlling interests (outstanding share options granted by Subsix Limited)	5		5
	Less: fair value of identifiable net assets acquired	<u>(350)</u>	<u>(496)</u>	<u>(846)</u>
	Goodwill arising on acquisition	<u>287</u>	<u>191</u>	<u>478</u>
HKFRS 3.B64(e)	Goodwill arose in the acquisition of Subsix Limited and Subseven Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Subsix Limited and Subseven Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.			
HKFRS 3.B64(k)	None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.			
	<b>Net cash outflow on acquisition of subsidiaries</b>			
		<u>Year ended 31/12/11</u> HK\$'000	<u>Year ended 31/12/10</u> HK\$'000	
HKAS 7.40(b)	Consideration paid in cash	1,077	-	
HKAS 7.40(c)	Less: cash and cash equivalent balances acquired	<u>(200)</u>	<u>-</u>	
		<u>877</u>	<u>-</u>	

Source	Hong Kong GAAP Limited																																								
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b><i>Impact of acquisitions on the results of the Group</i></b></p> <p>HKFRS 3.B64(q) Included in the profit for the year is HK\$35,000 attributable to the additional business generated by Subsix Limited, and HK\$13,000 attributable to Subseven Limited. Revenue for the year includes HK\$2.3 million in respect of Subsix Limited and HK\$2.8 million in respect of Subseven Limited.</p> <p>HKFRS 3.B64(q) Had these business combinations been effected at 1 January 2011, the revenue of the Group from continuing operations would have been HK\$145 million, and the profit for the year from continuing operations would have been HK\$19.7 million. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.</p> <p>In determining the 'pro-forma' revenue and profit of the Group had Subsix Limited and Subseven Limited been acquired at the beginning of the current year, the directors have:</p> <ul style="list-style-type: none"><li>• calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and</li><li>• based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination.</li></ul> <p><b>51. Disposal of a subsidiary</b></p> <p>On 30 November 2011, the Group disposed of Subzero Limited which carried out its entire toy manufacturing operations.</p> <p><b><i>Consideration received</i></b></p> <table><tr><td></td><td>Year ended 31/12/11 HK\$'000</td><td>Year ended 31/12/10 HK\$'000</td></tr><tr><td>HKAS 7.40(b) Consideration received in cash and cash equivalents</td><td>7,854</td><td>-</td></tr><tr><td>Deferred sales proceeds (see note 30)</td><td>960</td><td>-</td></tr><tr><td>HKAS 7.40(a) Total consideration received</td><td><u>8,814</u></td><td><u>-</u></td></tr></table> <p><b><i>Analysis of asset and liabilities over which control was lost</i></b></p> <table><tr><td>HKAS 7.40(d)</td><td>30/11/11 HK\$'000</td></tr><tr><td><u><i>Current assets</i></u></td><td></td></tr><tr><td>Cash and cash equivalents</td><td>288</td></tr><tr><td>Trade receivables</td><td>1,034</td></tr><tr><td>Inventories</td><td>2,716</td></tr><tr><td><u><i>Non-current assets</i></u></td><td></td></tr><tr><td>Property, plant and equipment</td><td>5,662</td></tr><tr><td>Goodwill</td><td>3,080</td></tr><tr><td><u><i>Current liabilities</i></u></td><td></td></tr><tr><td>Payables</td><td>(822)</td></tr><tr><td><u><i>Non-current liabilities</i></u></td><td></td></tr><tr><td>Borrowings</td><td>(4,342)</td></tr><tr><td>Deferred tax liabilities</td><td><u>(471)</u></td></tr><tr><td>Net assets disposed of</td><td><u>7,145</u></td></tr></table>		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	HKAS 7.40(b) Consideration received in cash and cash equivalents	7,854	-	Deferred sales proceeds (see note 30)	960	-	HKAS 7.40(a) Total consideration received	<u>8,814</u>	<u>-</u>	HKAS 7.40(d)	30/11/11 HK\$'000	<u><i>Current assets</i></u>		Cash and cash equivalents	288	Trade receivables	1,034	Inventories	2,716	<u><i>Non-current assets</i></u>		Property, plant and equipment	5,662	Goodwill	3,080	<u><i>Current liabilities</i></u>		Payables	(822)	<u><i>Non-current liabilities</i></u>		Borrowings	(4,342)	Deferred tax liabilities	<u>(471)</u>	Net assets disposed of	<u>7,145</u>
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000																																							
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Source	Hong Kong GAAP Limited	
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>	
	<b><i>Gain on disposal of a subsidiary</i></b>	
		Year ended 31/12/11 <u>HK\$'000</u>
	Consideration received and receivable	8,814
	Net assets disposed of	(7,145)
	Non-controlling interests	-
	Cumulative gain/loss on available-for-sale financial assets reclassified from equity on loss of control of subsidiary	-
	Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	<u>120</u>
HKAS 27.41(f)	Gain on disposal	<u>1,789</u>
HKAS 27.41(f)	The gain on disposal is included in the profit for the year from discontinued operations in the consolidated [statement of comprehensive income/income statement] (see note 11).	
	<b><i>Net cash inflow on disposal of a subsidiary</i></b>	
		Year ended 31/12/11 <u>HK\$'000</u>
		Year ended 31/12/10 <u>HK\$'000</u>
HKAS 7.40(c)	Consideration received in cash and cash equivalents	7,854
	Less: cash and cash equivalent balances disposed of	<u>(288)</u>
		<u>7,566</u>
		<u>-</u>
	<b>52. Cash and cash equivalents</b>	
HKAS 7.45	For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the statement of financial position as follows:	
		31/12/11 <u>HK\$'000</u>
		31/12/10 <u>HK\$'000</u>
	Cash and bank balances	20,836
	Bank overdrafts	<u>(538)</u>
		20,298
	Cash and bank balances included in a disposal group classified as held for sale	<u>175</u>
		<u>20,473</u>
		<u>22,010</u>
HKAS 7.43	<b>53. Non-cash transactions</b>	
	In addition to non-cash transactions disclosed in note 50, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:	
	<ul style="list-style-type: none"> <li>In the current year, the Group disposed of part of its interest in E Plus Limited and its entire interest in Subzero Limited, sales proceeds of HK\$1.245 million and HK\$960,000 respectively had not been received in cash at the end of the reporting period (see notes 24 and 51).</li> <li>In prior year, the Group acquired HK\$40,000 of equipment under a finance lease (2011: nil).</li> </ul>	

Source	Hong Kong GAAP Limited	
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>	
	<b>54. Operating leases</b>	
	<i>The Group as lessee</i>	
		<div> <div>Year ended</div> <div>31/12/11</div> <div>HK\$'000</div> </div> <div> <div>Year ended</div> <div>31/12/10</div> <div>HK\$'000</div> </div>
	Minimum lease payments paid under operating leases during the period:	
HKAS 17.35(c) Sch 10:13(1)(i)	Premises	2,008
	Other assets [please describe]	-
		2,008
HKAS 17.35(a)	At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:	
		<div>31/12/11</div> <div>HK\$'000</div> <div>31/12/10</div> <div>HK\$'000</div>
	Within one year	1,734
	In the second to fifth years inclusive	3,568
	Over five years	1,618
		6,920
HKAS 17.35(d)	Operating leases relate to warehouse facilities with lease terms of between 3 to 7 years (31 December 2010: 2 to 7 years), with an option to extend for a further 3 years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.	
	<i>The Group as lessor</i>	
HKAS 17.56(c)	Property rental income earned during the year was HK\$18,000 (2010: HK\$14,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 7% on an ongoing basis. All of the properties held have committed tenants for the next 4 years.	
HKAS 17.56(a)	At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:	
		<div>31/12/11</div> <div>HK\$'000</div> <div>31/12/10</div> <div>HK\$'000</div>
	Within one year	10
	In the second to fifth years inclusive	44
	After five years	-
		54
	<b>55. Commitments</b>	
		<div>31/12/11</div> <div>HK\$'000</div> <div>31/12/10</div> <div>HK\$'000</div>
HKAS 16.74(c) Sch 10:12(6)	Commitments for the acquisition of property, plant and equipment	4,856
HKAS 40.75(h)	In addition, the Group has entered into a contract for the management and maintenance of its investment properties for the next 5 years, which will give rise to an annual charge of HK\$3,500 (2010: HK\$3,250).	6,010

Source	Hong Kong GAAP Limited																						
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>																						
	<b>56. Pledge of assets</b>																						
	Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group (see note 36):																						
		<table> <tr> <th></th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr> <tr> <td>HKAS 16.74(a) Leasehold land and buildings</td><td>22,502</td><td>27,425</td></tr> <tr> <td>HKAS 40.75(g) Investment properties</td><td>2,086</td><td>1,942</td></tr> <tr> <td>HKFRS 7.14(a) Trade receivables</td><td>-</td><td>-</td></tr> <tr> <td>HKFRS 7.14(a) Bank deposits</td><td>2,000</td><td>2,000</td></tr> <tr> <td></td><td><u>26,588</u></td><td><u>31,367</u></td></tr> </table>		31/12/11 HK\$'000	31/12/10 HK\$'000	HKAS 16.74(a) Leasehold land and buildings	22,502	27,425	HKAS 40.75(g) Investment properties	2,086	1,942	HKFRS 7.14(a) Trade receivables	-	-	HKFRS 7.14(a) Bank deposits	2,000	2,000		<u>26,588</u>	<u>31,367</u>			
	31/12/11 HK\$'000	31/12/10 HK\$'000																					
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HKFRS 7.14(a) Bank deposits	2,000	2,000																					
	<u>26,588</u>	<u>31,367</u>																					
	In addition, the Group's obligations under finance leases (see note 39) are secured by the lessors' title to the leased assets, which have a carrying amount of HK\$28,000 (31 December 2010: HK\$162,000).																						
HKAS 37.86 Sch 10:12(5)	<b>57. Contingent liabilities and contingent assets</b>																						
		<table> <tr> <th></th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr> <tr> <td colspan="3"><b>Contingent liabilities</b></td></tr> <tr> <td>Court proceedings (Note 1)</td><td>-</td><td>-</td></tr> <tr> <td>HKAS 31.54(a) Contingent liabilities incurred by the Group arising from interests in jointly controlled entities (Note 2)</td><td>110</td><td>116</td></tr> <tr> <td>Financial guarantees given to banks (Note 3)</td><td>970</td><td>1,050</td></tr> <tr> <td colspan="3"><b>Contingent assets</b></td></tr> <tr> <td>HKAS 37.89 Faulty goods claim (Note 4)</td><td>140</td><td>-</td></tr> </table>		31/12/11 HK\$'000	31/12/10 HK\$'000	<b>Contingent liabilities</b>			Court proceedings (Note 1)	-	-	HKAS 31.54(a) Contingent liabilities incurred by the Group arising from interests in jointly controlled entities (Note 2)	110	116	Financial guarantees given to banks (Note 3)	970	1,050	<b>Contingent assets</b>			HKAS 37.89 Faulty goods claim (Note 4)	140	-
	31/12/11 HK\$'000	31/12/10 HK\$'000																					
<b>Contingent liabilities</b>																							
Court proceedings (Note 1)	-	-																					
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<b>Contingent assets</b>																							
HKAS 37.89 Faulty goods claim (Note 4)	140	-																					
	Notes:																						
	1) A subsidiary of the Group is a defendant in a legal action involving the alleged failure of the subsidiary to supply goods in accordance with the terms of contract. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including claims for costs) will be incurred. The legal claim is expected to be settled in the course of the next eighteen months.																						
	2) A number of contingent liabilities have arisen as a result of the Group's interests in jointly controlled entities. The amount disclosed represents the aggregate amount of such contingent liabilities for which the Group as an investor is liable. The extent to which an outflow of funds will be required is dependent on the future operations of the jointly controlled entities being more or less favourable than currently expected. The Group is not contingently liable for the liabilities of other venturers in its jointly controlled entities.																						
	3) This represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety, of which HK\$0.5 million (31 December 2010: HK\$0.55 million) has been utilised by the bank's borrowers. At the end of the reporting period, an amount of HK\$20,000 (31 December 2010: HK\$18,000) has been recognised in the consolidated statement of financial position as liabilities (see note 41).																						
	4) A subsidiary of the Group has a claim outstanding against a supplier for the supply of faulty products. Based on negotiations to date, the directors believe that it is probable that their claim will be successful and that compensation of HK\$0.14 million will be recovered.																						



Source	Hong Kong GAAP Limited																																																																											
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b>58. Related party transactions</b></p> <p>Balances and 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.</p> <p>During the year, the Group entered into the following transactions with related parties:</p> <table><tr><th></th><th colspan="2">Trade sales</th><th colspan="2">Trade purchases</th><th colspan="2">Amounts due from related parties</th><th colspan="2">Amounts due to related parties</th></tr><tr><th></th><th>Year ended 31/12/11 HK\$'000</th><th>Year ended 31/12/10 HK\$'000</th><th>Year ended 31/12/11 HK\$'000</th><th>Year ended 31/12/10 HK\$'000</th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr><tr><td>Fellow subsidiaries</td><td>693</td><td>582</td><td>439</td><td>427</td><td>209</td><td>197</td><td>231</td><td>139</td></tr><tr><td>Holding company</td><td>1,299</td><td>981</td><td>897</td><td>883</td><td>398</td><td>293</td><td>149</td><td>78</td></tr><tr><td>Associates of Group Holdings Limited</td><td>398</td><td>291</td><td>-</td><td>-</td><td>29</td><td>142</td><td>-</td><td>-</td></tr></table> <p>Sales of goods to related parties were made at the Group's usual list prices, less average discounts of 5%. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.</p> <p>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 due from related parties. The above amounts due from/to related parties are included in "trade and other receivables" and "trade and other payables" respectively.</p> <p><b>Loans from / to related parties</b></p> <table><tr><th></th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr><tr><td>Amounts due from directors (see note 32)</td><td>656</td><td>107</td></tr><tr><td>Loans from fellow subsidiaries (see note 36)</td><td>12,917</td><td>31,124</td></tr></table> <p>In addition to the above, the Group received certain consultancy services from a company controlled by Mr. Gary D.K Wong, a director and the ultimate controlling party of the Company, for which management fee of HK\$240,000 (2010: HK\$240,000) was charged.</p> <p><b>Compensation of key management personnel</b></p> <p>The remuneration of directors and other members of key management during the year was as follows:</p> <table><tr><th></th><th>Year ended 31/12/11 HK\$'000</th><th>Year ended 31/12/10 HK\$'000</th></tr><tr><td>Short-term benefits</td><td>2,368</td><td>2,027</td></tr><tr><td>Post-employment benefits</td><td>60</td><td>139</td></tr><tr><td>Other long-term benefits</td><td>115</td><td>176</td></tr><tr><td>Share-based payments</td><td>218</td><td>246</td></tr><tr><td>Termination benefits</td><td>-</td><td>-</td></tr><tr><td></td><td>2,761</td><td>2,588</td></tr></table> <p>The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.</p>		Trade sales		Trade purchases		Amounts due from related parties		Amounts due to related parties			Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	31/12/11 HK\$'000	31/12/10 HK\$'000	31/12/11 HK\$'000	31/12/10 HK\$'000	Fellow subsidiaries	693	582	439	427	209	197	231	139	Holding company	1,299	981	897	883	398	293	149	78	Associates of Group Holdings Limited	398	291	-	-	29	142	-	-		31/12/11 HK\$'000	31/12/10 HK\$'000	Amounts due from directors (see note 32)	656	107	Loans from fellow subsidiaries (see note 36)	12,917	31,124		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	Short-term benefits	2,368	2,027	Post-employment benefits	60	139	Other long-term benefits	115	176	Share-based payments	218	246	Termination benefits	-	-		2,761	2,588
	Trade sales		Trade purchases		Amounts due from related parties		Amounts due to related parties																																																																					
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Source	Hong Kong GAAP Limited										
s128(1),(2) App 16.9(1),(2) GR 18.10(1),(2)	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>										
	<b>59. Subsidiaries</b>										
	Name of subsidiary	Place of incorporation / registration / operations	Class of shares held	Paid up registered capital	Proportion ownership interest held by the Company				Proportion of voting power held		Principal activities
					Directly		Indirectly		2011 %	2010 %	
	2011 %	2010 %	2011 %	2010 %							
	Subzero Limited	Hong Kong	Ordinary	HK\$50,000,000	-	-	-	100	-	100	Manufacture of toy
	Subone Limited	Hong Kong	Ordinary	HK\$1,000	-	-	90	100	90	100	Manufacture of electronic equipment
	Subtwo Limited	PRC	Registered	RMB5,000,000	-	-	100	100	100	100	Construction of residential properties
	Subthree Limited	Malaysia	Ordinary	RMB10,000,000	-	-	70	70	70	70	Manufacture of leisure good
	Subfour Limited	PRC	Registered	USD100	100	100	-	-	100	100	Manufacture of electronic equipment
	Subfive Limited	PRC	Registered	USD5,000	100	100	-	-	100	100	Manufacture of electronic equipment
	Subsix Limited	Hong Kong	Ordinary	HK\$100	-	-	80	-	80	-	Manufacture of electronic equipment
	Kowloon Limited	Hong Kong	Ordinary	HK\$100	-	-	100	-	100	-	Manufacture of electronic equipment
HKAS 27.41(e)	During the year, the Group disposed of 10% of its interest in Subone Limited, reducing its continuing interest to 90%. The proceeds on disposal of HK\$213,000 were received in cash. An amount of HK\$179,000 (being the proportionate share of the carrying amount of the net assets of Subone Limited) has been transferred to non-controlling interests. The difference of HK\$34,000 between that amount and the consideration received has been credited to retained earnings.										
s128(4)&(5) App 16 Note 9.2 GR 18.10	The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.  Subtwo Limited, Subfour and Subfive Limited are wholly owned foreign enterprises.										

Source	Hong Kong GAAP Limited																									
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>																									
	<b>60. Information about the statement of financial position of the Company</b>																									
	Information about the statement of financial position of the Company at the end of the reporting period includes:																									
		<table> <tr> <th></th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr> <tr> <td>Unlisted investments in subsidiaries</td><td>133,030</td><td>133,030</td></tr> <tr> <td>Bank balances and cash</td><td>2,000</td><td>4,000</td></tr> <tr> <td>Other current assets</td><td>3,610</td><td>3,210</td></tr> <tr> <td>Total assets</td><td>138,640</td><td>140,240</td></tr> <tr> <td>Share capital (see note 44)</td><td>17,819</td><td>23,005</td></tr> <tr> <td>Reserves</td><td>120,821</td><td>117,235</td></tr> <tr> <td>Total equity</td><td>138,640</td><td>140,240</td></tr> </table>		31/12/11 HK\$'000	31/12/10 HK\$'000	Unlisted investments in subsidiaries	133,030	133,030	Bank balances and cash	2,000	4,000	Other current assets	3,610	3,210	Total assets	138,640	140,240	Share capital (see note 44)	17,819	23,005	Reserves	120,821	117,235	Total equity	138,640	140,240
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Reserves	120,821	117,235																								
Total equity	138,640	140,240																								
	<b>61. Events after the reporting period</b>																									
HKAS 10.21	On 18 January 2012, 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 amount that will be reimbursed by HK\$8.3 million.																									

Source	Hong Kong GAAP Limited					
App 16.19 GR 18.33	Financial summary					
	For the year ended 31 December					
	2007	2008	2009	2010	2011	
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	
	Results					
	Revenue	146,904	118,675	125,849	151,840	140,918
	Costs of sales	(90,505)	(73,634)	(75,706)	(91,840)	(87,897)
	Gross profit	56,399	45,041	50,143	60,000	53,021
	Investment and other income	692	784	1,626	2,351	3,608
	Other gains and losses	896	1,620	1,431	(173)	(1,128)
	Distribution and selling expenses	(4,891)	(3,214)	(4,216)	(10,055)	(11,520)
	Administrative expenses	(13,246)	(12,160)	(14,032)	(13,570)	(9,380)
	Finance costs	(4,321)	(3,610)	(2,480)	(6,313)	(4,178)
	Other expenses	(1,230)	(896)	(1,645)	(1,711)	(1,280)
	Share of profits of associates	-	-	-	1,589	1,186
	Gain recognised on disposal of an associate	-	-	-	-	581
	Profit before tax	34,299	27,565	30,827	32,118	30,910
	Income tax expense	(12,432)	(10,121)	(11,201)	(11,885)	(11,650)
	Profit for the year from continuing operations	21,867	17,444	19,626	20,233	19,260
	Profit for the year from discontinued operations	-	-	-	9,995	8,310
		21,867	17,444	19,626	30,228	27,570
	Attributable to:					
	Owners of the Company	21,841	17,390	19,529	27,465	23,570
	Non-controlling interests	26	54	97	2,763	4,000
		21,867	17,444	19,626	30,228	27,570
	Earnings per share					
	Basic (HK cents)	112.8	109.6	120.3	119.4	105.0
Diluted (HK cents)	110.7	101.4	118.2	118.6	99.4	
Note: The format outlined above aggregates expenses according to their function.						
As at 31 December						
2007	2008	2009	2010	2011		
HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	
Assets and liabilities						
Total Assets	216,847	202,839	274,255	264,772	267,080	
Total Liabilities	(91,001)	(75,865)	(131,650)	(97,810)	(95,283)	
	125,846	126,974	142,605	166,962	171,797	
Equity attributable to owners of the Company	115,321	117,303	124,168	145,762	146,286	
Non-controlling interests	10,525	9,671	18,437	21,200	25,511	
	125,846	126,974	142,605	166,962	171,797	

Source	Hong Kong GAAP Limited		
App 16.23 GR 18.23	Particulars of major investment properties at 31 December 2011		
	<i>Completed properties held for investment</i>		
	Location	Type	Lease term
	Carpark Lot 21, XYZ Plaza, 10 XYZ Road, Hong Kong	Carpark	Medium-term lease
	Flat 1402, Dragon Garden, 21 Flying Road, Hong Kong	Commercial	Medium-term lease



## Section 3 – Examples of early application of some new and revised HKFRSs

### Appendix 1: Early application of HKFRSs 10, 11 and 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) (as issued by the HKICPA in June 2011)

In June 2011, the HKICPA issued a package of five standards on consolidation, joint arrangements, associates and disclosures, including HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosures of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*.

These five standards are effective for annual periods beginning on or after 1 January 2013, with early application permitted. However, if an entity wishes early application, it should apply all of the five standards early at the same time. Entities are encouraged to provide information set out in HKFRS 12 earlier than annual periods beginning on or after 1 January 2013.

This appendix gives you examples of the application of the requirements of these five standards.

Key assumptions used in the preparation of this appendix are as follows:

- Hong Kong GAAP Limited is assumed to have early applied these five standards in the current year in advance of their effective dates. For illustrative purposes, the application of these five standards has resulted in (a) an investee that was not previously consolidated becoming a subsidiary of the Group and (b) joint arrangements that were previously classified as jointly controlled entities and were accounted for using the proportionate consolidation method being classified as joint ventures under the new standard and accounted for using the equity method of accounting. These changes have resulted in changes in amounts reported in the financial statements (see note 2 for more details).
- These five standards have been applied in accordance with the relevant transitional provisions. Amounts for the comparative period are restated, where appropriate. Therefore, a statement of financial position as at the beginning of the earliest comparative period in accordance with HKAS 1.10(f) is included.
- This appendix does not include a full set of financial statements; only the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and certain notes are included. Regarding the statement of comprehensive income, one single statement presentation method is used and expenses are aggregated according to their function. In addition, regarding the statement of cash flows, indirect method is used to report cash flows from operating activities.
- This appendix does not include separate financial statements for the parent. When an entity presents separate financial statements that comply with HKFRSs, the requirements of HKAS 27 *Separate Financial Statements* will apply. Separate statements of comprehensive income, financial position, changes in equity and cash flows for the parent will generally be required, together with supporting notes.

Note that in this appendix, we have frequently included line items for which a nil amount is shown, so as to illustrate items that, although not applicable to Hong Kong GAAP Limited, are commonly encountered in practice. This does not mean that we have illustrated all possible disclosures. Nor should it be taken to mean that, in practice, entities are required to display line items for such 'nil' amounts.

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Source	Hong Kong GAAP Limited		
HKAS1.82(c)	<b>Consolidated statement of comprehensive income for the year ended 31 December 2011</b>		
	<u>Notes</u>	<u>Year ended 31/12/11</u> HK\$'000	<u>Year ended 31/12/10</u> HK\$'000 (restated)
	<b>Continuing operations</b>		
		140,934	152,075
		(87,688)	(91,645)
		53,246	60,430
		3,633	2,396
		(1,128)	(173)
		(11,524)	(10,075)
		(9,189)	(13,337)
		(4,178)	(6,313)
		(1,280)	(1,711)
	25	337	242
	24	866	1,209
	24	581	-
		31,364	32,668
		(11,712)	(11,971)
		19,652	20,697
	<b>Discontinued operations</b>		
		8,310	9,995
		27,962	30,692
	<b>Profit for the year</b>		
	<b>Other comprehensive income, net of income tax</b>		
		(191)	177
		(300)	57
		36	36
		-	-
		(455)	270
		27,507	30,962
	<b>Total comprehensive income for the year</b>		
	Profit attributable to:		
	Owners of the Company	23,570	27,465
	Non-controlling interests	4,392	3,227
		27,962	30,692
	Total comprehensive income attributable to:		
	Owners of the Company	23,115	27,735
	Non-controlling interests	4,392	3,227
		27,507	30,962

Source	Hong Kong GAAP Limited		
	<b>Consolidated statement of comprehensive income for the year ended 31 December 2011 - continued</b>		
	Note	Year ended 31/12/11	Year ended 31/12/10 (restated)
<b>Earnings per share</b>	17		
From continuing and discontinued operations			
Basic (cents per share)		<u>105.0</u>	<u>119.4</u>
Diluted (cents per share)		<u>99.3</u>	<u>118.6</u>
From continuing operations			
Basic (cents per share)		<u>68.0</u>	<u>75.9</u>
Diluted (cents per share)		<u>64.3</u>	<u>75.3</u>
<i>Note: The above illustrates the presentation of comprehensive income in one statement. The expenses above are aggregated according to their function.</i>			

Source	Hong Kong GAAP Limited			
HKAS1.54(e)	<b>Consolidated statement of financial position at 31 December 2011</b>			
	<u>Notes</u>	<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000 (restated)	<u>01/01/10</u> HK\$'000 (restated)
	<b>Non-current assets</b>			
	Property, plant and equipment	106,015	133,674	160,657
	Prepaid lease payments	2,300	2,400	2,500
	Investment properties	2,086	1,942	170
	Goodwill	20,485	24,260	24,120
	Other intangible assets	9,739	11,325	12,523
	Investments in associates	24 5,319	5,590	4,406
	Investments in joint ventures	25 3,999	3,662	3,420
	Held-to-maturity investments	2,059	1,658	1,212
	Available-for-sale investments	5,600	4,857	3,403
	Deferred tax assets	1,714	1,023	1,726
	Finance lease receivables	830	717	739
	Other financial assets	212	140	135
		<u>160,358</u>	<u>191,248</u>	<u>215,011</u>
	<b>Current assets</b>			
	Inventories	17,827	19,245	24,352
	Trade and other receivables	20,615	13,878	11,515
	Finance lease receivables	198	188	182
	Amounts due from directors	656	107	82
	Amounts due from customers for contract work	240	230	220
	Held-to-maturity investments	4,804	3,604	2,200
	Held-for-trading investments	12,480	8,448	6,201
	Pledged bank deposits	2,000	2,000	2,000
	Other financial assets	316	257	201
	Current tax assets	125	60	81
	Cash and bank balances	<u>21,486</u>	<u>22,888</u>	<u>9,382</u>
		80,747	70,905	56,416
	Assets classified as held for sale	<u>22,336</u>	-	-
		<u>103,083</u>	<u>70,905</u>	<u>56,416</u>
<p><i>Note: HKAS 1.10(f) requires that an entity should present a statement of financial position as at the beginning of the earliest comparative period when it applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. In this appendix, the application of the package of the five standards on consolidation, joint arrangements, associates and disclosures has resulted in retrospective restatement of items in the financial statements (see note 2). Therefore, this appendix includes the additional statement of financial position.</i></p>				

Source	Hong Kong GAAP Limited		
	<b>Consolidated statement of financial position at 31 December 2011 – continued</b>		
	<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000 (restated)	<u>01/01/10</u> HK\$'000 (restated)
<b>Current liabilities</b>			
Trade and other payables	11,373	19,690	52,369
Amounts due to customers for contract work	36	15	12
Borrowings	22,446	25,600	33,618
Loan from government	2,798	-	-
Other financial liabilities	116	18	-
Current tax liabilities	5,328	5,927	4,990
Provisions	3,356	3,195	2,235
Deferred revenue	355	240	63
Obligations under finance leases	9	54	72
Bank overdrafts	538	378	312
	<u>46,355</u>	<u>55,117</u>	<u>93,671</u>
Liabilities directly associated with assets classified as held for sale	3,684	-	-
	<u>50,039</u>	<u>55,117</u>	<u>93,671</u>
<b>Net current assets/(liabilities)</b>	<u>53,044</u>	<u>15,788</u>	<u>(37,255)</u>
<b>Total assets less current liabilities</b>	<u>213,402</u>	<u>207,036</u>	<u>177,756</u>
<b>Capital and reserves</b>			
Share capital	17,819	23,005	23,005
Share premium and reserves	128,467	122,757	101,163
Equity attributable to owners of the Company	146,286	145,762	124,168
Non-controlling interests	27,956	23,253	20,026
<b>Total equity</b>	<u>174,242</u>	<u>169,015</u>	<u>144,194</u>
<b>Non-current liabilities</b>			
Borrowings	25,870	27,792	24,301
Loan from government	-	2,610	-
Convertible notes	4,144	-	-
Retirement benefit obligations	508	352	739
Deferred tax liabilities	6,240	4,704	4,328
Provisions	2,294	2,231	4,102
Deferred revenue	24	297	41
Obligations under finance leases	5	35	51
Other financial liabilities	75	-	-
	<u>39,160</u>	<u>38,021</u>	<u>33,562</u>
	<u>213,402</u>	<u>207,036</u>	<u>177,756</u>

Source

Hong Kong GAAP Limited

### Consolidated statement of changes in equity for the year ended 31 December 2011

	Attributable to owners of the Company								Attributable to non-controlling interests	Total
	Share capital	Share premium	Investments revaluation reserve	Share options reserve	Cash flow hedging reserve	Foreign currency translation reserve	Convertible notes equity reserve	Retained earnings		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2010</b>	23,005	26,474	470	-	242	140	-	73,837	124,168	18,437
Adjustments (note 2)	-	-	-	-	-	-	-	-	-	1,589
<b>Balance at 1 January 2010 (restated)</b>	23,005	26,474	470	-	242	140	-	73,837	124,168	20,026
Profit for the year	-	-	-	-	-	-	-	27,465	27,465	3,227
Other comprehensive income for the year	-	-	57	-	36	177	-	-	270	-
Total comprehensive income for the year	-	-	57	-	36	177	-	27,465	27,735	3,227
Recognition of equity-settled share-based payments	-	-	-	246	-	-	-	-	246	-
Payment of dividends	-	-	-	-	-	-	-	(6,387)	(6,387)	-
<b>Balance at 31 December 2010 (restated)</b>	23,005	26,474	527	246	278	317	-	94,915	145,762	23,253
Profit for the year	-	-	-	-	-	-	-	23,570	23,570	4,392
Other comprehensive income (expense) for the year	-	-	(300)	-	36	(191)	-	-	(455)	-
Total comprehensive income (expense) for the year	-	-	(300)	-	36	(191)	-	23,570	23,115	4,392
Non-controlling interests arising on the acquisition of Subsix Limited	-	-	-	-	-	-	-	-	-	132
Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 59)	-	-	-	-	-	-	-	-	-	179
Difference arising on disposal of interest in Subone Limited	-	-	-	-	-	-	-	34	34	-
Recognition of equity-settled share-based payments	-	-	-	218	-	-	-	-	218	-
Issue of ordinary shares under employee share option plan	314	433	-	(285)	-	-	-	-	462	-
Recognition of the equity component of convertible notes	-	-	-	-	-	-	834	-	834	-
Transaction costs attributable to issue of new ordinary shares	-	(6)	-	-	-	-	-	-	(6)	-
Repurchase of ordinary shares	(5,500)	(11,247)	-	-	-	-	-	(555)	(17,302)	-
Transaction costs attributable to repurchase of ordinary shares	-	(227)	-	-	-	-	-	-	(227)	-
Income tax relating to transactions with owners	-	-	-	-	-	-	(208)	-	(208)	-
Payment of dividends	-	-	-	-	-	-	-	(6,396)	(6,396)	-
<b>Balance at 31 December 2011</b>	17,819	15,427	227	179	314	126	626	111,568	146,286	27,956

Source	Hong Kong GAAP Limited	
	<b>Consolidated statement of cash flows for the year ended 31 December 2011</b>	
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000 (restated)
<b>Cash flows from operating activities</b>		
Profit for the year	27,962	30,692
Adjustments for:		
Income tax expense recognised in profit or loss	14,721	14,969
Share of profits of associates	(866)	(1,209)
Share of profits of jointly controlled entities	(337)	(242)
Finance costs recognised in profit or loss	4,178	6,313
Investment and other income recognised in profit or loss	(3,633)	(2,396)
Gain on disposal of property, plant and equipment	(6)	(67)
Gain arising on change in fair value of investment properties	(50)	(298)
Gain on disposal of a subsidiary	(1,789)	-
Gain recognised on disposal of an associate	(581)	-
(Gain)/loss on sale of available-for-sale financial assets	-	-
Impairment loss on available-for-sale financial assets	-	-
Impairment loss on trade receivables	63	430
Reversal of impairment loss on trade receivables	(103)	-
Depreciation and amortisation of non-current assets	14,179	17,350
Impairment loss on non-current assets	1,439	-
Net foreign exchange (gain)/loss	(78)	116
Expense recognised in respect of equity-settled share-based payments	218	246
Gain arising on effective settlement of legal claim against Subseven Limited	(40)	-
	55,277	65,904
Movements in working capital		
Increase in trade and other receivables	(9,282)	(3,407)
Decrease / (increase) in amount due from customers for contract work	11	(7)
Decrease in inventories	1,418	5,107
Increase in held-for-trading investments	(4,032)	(2,247)
Decrease in trade and other payables	(3,564)	(31,597)
Increase/(decrease) in provisions	224	(911)
(Decrease)/increase in deferred revenue	(158)	433
Cash generated from operations	39,894	33,275
Interest paid	(3,945)	(6,340)
Income taxes paid	(13,185)	(12,902)
Net cash generated by operating activities	22,764	14,033

Source	Hong Kong GAAP Limited		
	<b>Consolidated statement of cash flows</b> <b>for the year ended 31 December 2011 - continued</b>		
	<u>Notes</u>	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000 (restated)
<b>Cash flows from investing activities</b>			
Purchase of held-to-maturity investments		(5,601)	(4,850)
Redemption of held-to-maturity investments		4,000	3,000
Purchase of available-for-sale investments		(783)	(1,378)
Interest received		2,563	1,153
Other investment income received		889	1,044
Dividends received from associates		113	25
Other dividends received		156	154
Amounts advanced to related parties		(5,637)	(4,311)
Repayments by related parties		5,088	4,286
Payments for property, plant and equipment		(19,183)	(11,252)
Proceeds from disposal of property, plant and equipment		10,262	21,245
Payments for investment properties		(100)	(1,532)
Proceeds from disposal of investment properties		-	58
Payments for intangible assets		(6)	(358)
(Additions)/repayments of finance lease receivables		(123)	16
Net cash outflow on acquisition of subsidiaries		(877)	-
Net cash inflow on disposal of a subsidiary		7,566	-
Net cash (used in)/generated by investing activities		(1,673)	7,300
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares		462	-
Proceeds from issue of convertible notes		4,950	-
Payment for transaction costs attributable to issue of new ordinary shares		(6)	-
Payment for repurchase of ordinary shares		(17,302)	-
Payment for transaction costs attributable to repurchase of ordinary shares		(227)	-
Proceeds from borrowings		20,122	26,798
Repayment of borrowings		(24,198)	(31,325)
Proceeds from a government loan		-	3,000
Proceeds on disposal of partial interest in a subsidiary (without losing control)		213	-
Repayment of obligations under finance leases		(75)	(34)
Dividends paid to owners of the Company		(6,396)	(6,387)
Net cash used in financing activities		(22,457)	(7,948)
<b>Net (decrease) increase in cash and cash equivalents</b>		(1,366)	13,385
<b>Cash and cash equivalents at the beginning of year</b>		22,510	9,070
Effects of exchange rate changes on the balance of cash held in foreign currencies		(21)	55
<b>Cash and cash equivalents at the end of year</b>		21,123	22,510
<i>Note: The above illustrates the indirect method of reporting cash flows from operating activities.</i>			

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011</b></p> <p><b>2. Application of new and revised Hong Kong Financial Reporting Standards (HKFRSs)</b></p> <p><i>Note: The note below gives an example of the impact of the application of HKFRSs 10, 11 and 12 and HKAS 28 (as revised in 2011). HKAS 27 (as revised in 2011) is not applicable as the model financial statements illustrate consolidated financial statements (not separate financial statements). Regarding impact of other new and revised Standards, please refer to Section 2 of this publication and other appendices.</i></p>
HKAS 8.28	<p><b>Application of new and revised Standards on consolidation, joint arrangements, associates and disclosures</b></p> <p>In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures were issued including HKFRS 10 <i>Consolidated Financial Statements</i>, HKFRS 11 <i>Joint Arrangements</i>, HKFRS 12 <i>Disclosures of Interests in Other Entities</i>, HKAS 27 (as revised in 2011) <i>Separate Financial Statements</i> and HKAS 28 (as revised in 2011) <i>Investments in Associates and Joint Ventures</i>. In the current year, the Group has applied these five standards in advance of their effective dates (annual periods beginning on or after 1 January 2013).</p> <p>The impact of the application of these standards is set out below.</p> <p><b>Impact of the application of HKFRS 10</b></p> <p>HKFRS 10 replaces the parts of HKAS 27 <i>Consolidated and Separate Financial Statements</i> that deal with consolidated financial statements and HK(SIC)-Int 12 <i>Consolidation – Special Purpose Entities</i>. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in HKFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.</p>
HKFRS 10.7	
HKFRS 10.8	<p>The application of HKFRS 10 has affected the accounting for the Group's 45 per cent ownership interest in C Plus Limited. C Plus Limited is listed on the stock exchange of C Land. As at 31 December 2011, the Group owns 45 per cent of the ordinary shares of C Plus Limited and holds the same per cent of the voting rights in C Plus Limited. The Group's 45 per cent ownership interest in C Plus Limited was acquired in June 2009 and there has been no change in the Group's ownership in C Plus Limited since then. The remaining 55 per cent of the ordinary shares of C Plus Limited are owned by thousands of shareholders, none individually holding more than two per cent.</p> <p>The directors assessed whether or not the Group has control over C Plus Limited in accordance with the new definition of control and the related guidance set out in HKFRS 10. After assessment, the directors concluded that it has had control over C Plus Limited since the acquisition in June 2009 on the basis of the Group's absolute size of holding in C Plus Limited and the relative size of and dispersion of the shareholdings owned by the other shareholders. Therefore, in accordance with the requirements of HKFRS 10, C Plus Limited has been a subsidiary of the Company since June 2009. Previously, C Plus Limited was treated as an associate of the Group and accounted for using the equity method of accounting.</p>
HKFRS 10.C4(a)	<p>The change in accounting of the Group's investment in C Plus Limited has been applied in accordance with the relevant transitional provisions as if the acquisition of the 45 per cent ownership interest in C Plus Limited had been accounted for in accordance with HKFRS 3 at the date of acquisition.</p>



Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 - continued</b></p>
	<p>Such a change in accounting has affected the amounts reported in the Group's consolidated financial statements (see the tables below).</p>
	<p><b>Impact of the application of HKFRS 11</b></p>
<p>HKFRS 11.14 HKFRS 11.17</p>	<p>HKFRS 11 replaces HKAS 31 <i>Interests in Joint Ventures</i> and HK(SIC)-Int 13 <i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i>. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 <i>Interests in Joint Ventures</i> had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).</p>
<p>HKFRS 11.15&amp;16</p>	<p>The subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises and measures the assets and liabilities (and the related revenues and expenses) in relation to its interest in the arrangement in accordance with the applicable Standards.</p>
<p>HKFRS 11.C2</p>	<p>Upon the application of HKFRS 11, the directors reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Group's investments in joint arrangements. The application of HKFRS 11 has changed the classification and subsequent accounting of the Group's investments in A JV Limited and B JV Limited, which were classified as jointly controlled entities under the previous standard and were accounted for using the proportionate consolidation method. Under HKFRS 11, A JV Limited and B JV Limited are treated as the Group's joint ventures and are required to be accounted for using the equity method.</p> <p>The change in accounting of the Group's investments in A JV Limited and B JV Limited has been applied in accordance with the relevant transitional provisions. The initial investment as at 1 January 2010 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated. Such a change in accounting has affected the amounts reported in the Group's consolidated financial statements (see the tables below).</p>
	<p><b>Impact of the application of HKFRS 12</b></p>
	<p>HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.</p>

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 - continued</b>		
HKAS 8.28(f)(i)	<b><i>Impact on profit (loss) for the year of the application of HKFRS 10</i></b>	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Increase in revenue	2,140	2,240
	Increase in cost of sales	(1,141)	(1,105)
	Increase in investment income	25	45
	Increase in distribution expenses	(114)	(120)
	Increase in administration expenses	(103)	(106)
	Increase in income tax expenses	(95)	(110)
	Decrease in share of profits of associates	(320)	(380)
	<b>Increase (decrease) in profit for the year</b>	<b>392</b>	<b>464</b>
	Increase (decrease) in profit for the year attributable to:		
	Owners of the Company	-	-
	Non-controlling interests	392	464
		<b>392</b>	<b>464</b>
HKAS 8.28(f)(i)	<b><i>Impact on profit (loss) for the year of the application of HKFRS 11</i></b>	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Decrease in revenue	(2,124)	(2,005)
	Decrease in cost of sales	1,350	1,300
	Decrease in distribution expenses	110	100
	Decrease in administration expenses	294	339
	Decrease in income tax expenses	33	24
	Increase in share of profits of a joint venture	337	242
	<b>Increase (decrease) in profit for the year</b>	<b>-</b>	<b>-</b>
	Increase (decrease) in profit for the year attributable to:		
	Owners of the Company	-	-
	Non-controlling interests	-	-
		<b>-</b>	<b>-</b>

Source	Hong Kong GAAP Limited				
	Notes to the consolidated financial statements for the year ended 31 December 2011 - continued				
HKAS 8.28(f)(i)	Impact on profit (loss) for the year of the application of the above new and revised Standards	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000		
	Increase in revenue	16	235		
	Decrease in cost of sales	209	195		
	Increase in investment income	25	45		
	Increase in distribution expenses	(4)	(20)		
	Decrease in administration expenses	191	233		
	Increase in income tax expenses	(62)	(86)		
	Increase in share of profits of a joint venture	337	242		
	Decrease in share of profits of associates	(320)	(380)		
	Increase (decrease) in profit for the year	392	464		
	Increase (decrease) in profit for the year attributable to:				
	Owners of the Company	-	-		
	Non-controlling interests	392	464		
		392	464		
HKAS 8.28(f)(i) HKFRS 11.C5	Impact on net assets and equity as at 1 January 2010 of the application of the above new and revised Standards	As at 01/01/10 as previously reported HK\$'000	HKFRS 10 adjustments HK\$'000	HKFRS 11 adjustments HK\$'000	
	Property, plant and equipment	164,503	2,908	(6,754)	160,657
	Goodwill	23,920	200	-	24,120
	Investments in associates	5,706	(1,300)	-	4,406
	Investments in a joint venture	-	-	3,420	3,420
	Inventories	25,112	240	(1,000)	24,352
	Trade and other receivables	12,357	350	(1,192)	11,515
	Cash and bank balances	9,082	300	-	9,382
	Borrowings – non-current	(28,014)	(500)	4,213	(24,301)
	Deferred tax liabilities	(4,319)	(209)	200	(4,328)
	Trade and other payables	(53,162)	(300)	1,093	(52,369)
	Current tax liabilities	(4,910)	(100)	20	(4,990)
	Impact on net assets	150,275	1,589	-	151,864
	Non-controlling interests	(18,437)	(1,589)	-	(20,026)
	Others (please specify)	-	-	-	-
	Impact on equity	(18,437)	(1,589)	-	(20,026)

Source	Hong Kong GAAP Limited				
	Notes to the consolidated financial statements for the year ended 31 December 2011 - continued				
HKAS 8.28(f)(i)	<b>Impact on net assets and equity as at 31 December 2010 of the application of the above new and revised Standards</b>	As at 31/12/10 as previously reported HK\$'000	HKFRS 10 adjustments HK\$'000	HKFRS 11 adjustments HK\$'000	As at 31/12/10 as restated HK\$'000
	Property, plant and equipment	137,211	3,317	(6,854)	133,674
	Goodwill	24,060	200	-	24,260
	Investments in associates	7,270	(1,680)	-	5,590
	Investments in a joint venture	-	-	3,662	3,662
	Inventories	20,095	250	(1,100)	19,245
	Trade and other receivables	14,792	320	(1,234)	13,878
	Cash and bank balances	22,388	500	-	22,888
	Borrowings – non-current	(31,713)	(380)	4,301	(27,792)
	Deferred tax liabilities	(4,716)	(208)	220	(4,704)
	Trade and other payables	(20,488)	(186)	984	(19,690)
	Current tax liabilities	(5,868)	(80)	21	(5,927)
	Impact on net assets	163,031	2,053	-	165,084
	Non-controlling interests	(21,200)	(2,053)	-	(23,253)
	Others (please specify)	-	-	-	-
	Impact on equity	(21,200)	(2,053)	-	(23,253)
HKAS 8.28(f)(i)	<b>Increase (decrease) in net assets and equity as at 31 December 2011 of the application of the above new and revised Standards</b>		HKFRS 10 adjustments HK\$'000	HKFRS 11 adjustments HK\$'000	Total HK\$'000
	Increase (decrease) in property, plant and equipment		3,425	(8,993)	(5,568)
	Increase in goodwill		200	-	200
	Decrease in investments in associates		(2,000)	-	(2,000)
	Increase in investments in a joint venture		-	3,999	3,999
	Increase (decrease) in inventories		360	(900)	(540)
	Increase (decrease) in trade and other receivables		520	(900)	(380)
	Increase in cash and bank balances		650	-	650
	(Increase) decrease in borrowings		(220)	5,528	5,308
	(Increase) decrease in deferred tax liabilities		(210)	330	120
	(Increase) decrease in trade and other payables		(200)	914	714
	(Increase) decrease in current tax liabilities		(80)	22	(58)
	Increase (decrease) in net assets		2,445	-	2,445
	Increase in non-controlling interests		(2,445)	-	(2,445)
	Others (please specify)		-	-	-
	Impact on equity		(2,445)	-	(2,445)

Source	Hong Kong GAAP Limited			
	Notes to the consolidated financial statements for the year ended 31 December 2011 – continued			
HKAS 8.28(f)(i)	Impact on cash flows for the year ended 31 December 2010 of the application of the above new and revised Standards	HKFRS 10 adjustments HK\$'000	HKFRS 11 adjustments HK\$'000	Total HK\$'000
	Net cash inflow (outflow) from operating activities	359	(251)	108
	Net cash inflow (outflow) from investing activities	(600)	900	300
	Net cash inflow (outflow) from financing activities	(120)	(88)	(208)
	Net cash inflow (outflow)	(361)	561	200
HKAS 8.28(f)(i)	Impact on cash flows for the year ended 31 December 2011 of the application of the above new and revised Standards	HKFRS 10 adjustments HK\$'000	HKFRS 11 adjustments HK\$'000	Total HK\$'000
	Net cash inflow (outflow) from operating activities	(63)	(400)	(463)
	Net cash inflow (outflow) from investing activities	(200)	1,200	1,000
	Net cash inflow (outflow) from financing activities	(160)	(227)	(387)
	Net cash inflow (outflow)	(423)	573	150

Source	Hong Kong GAAP Limited
HKAS 1.112(a), 117	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b>3. Significant accounting policies</b></p>
	<p><i>Note: The note below only illustrates accounting policies regarding basis of consolidation, investments in associates, investments in joint arrangements, non-current assets classified held for sale and foreign currencies.</i></p>
	<p><b>Basis of consolidation</b></p> <p>The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (its subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:</p>
HKFRS 10.7	<ul style="list-style-type: none"> <li>• power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);</li> <li>• exposure, or rights, to variable returns from its involvement with the investee; and</li> <li>• the ability to use its power over the investee to affect its returns.</li> </ul>
	<p>When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:</p>
HKFRS 10.B34-B38	<ul style="list-style-type: none"> <li>• the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;</li> </ul>
HKFRS 10.B46	<ul style="list-style-type: none"> <li>• potential voting rights held by the Company, other vote holders or other parties;</li> </ul>
HKFRS 10.B40	<ul style="list-style-type: none"> <li>• rights arising from other contractual arrangements; and</li> </ul>
HKFRS 10.B41&B42	<ul style="list-style-type: none"> <li>• any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.</li> </ul>
HKFRS 10.B80	<p>The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.</p> <p>Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.</p>
HKFRS 10.B94	<p>Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.</p>
HKFRS 10.B87	<p>When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.</p>
HKFRS 10.B86	<p>All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
	<p><u>Changes in the Group's ownership interests in existing subsidiaries</u></p>
	<p>Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.</p>
	<p>When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 <i>Financial Instruments: Recognition and Measurement</i>, or HKFRS 9 <i>Financial Instruments</i>, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.</p>
	<p><u>Investments in associates and joint ventures</u></p>
HKAS 28.3	<p>An associate is an entity over which the Group has significant influence. 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.</p>
	<p>A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.</p>
HKAS 28.20	<p>The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated 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 in accordance with HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.</p>
HKAS 28.38&39	<p>An investment is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss.</p>
HKAS 28.40 HKAS 28.42	<p>The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 <i>Impairment of Assets</i> as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.</p>



Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>
HKAS 28.22&23	<p>The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture or when the investment (or a portion of the investment) meets the criteria to be classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.</p>
HKAS 28.24	<p>The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.</p>
HKAS 28.25	<p>When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.</p> <p>When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.</p>
	<p><b><i>Investments in joint operations</i></b></p>
HKFRS 11.7 HKFRS 11.15	<p>A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.</p>
HKFRS 11.20	<p>When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:</p> <ul style="list-style-type: none"> <li>• its assets, including its share of any assets held jointly;</li> <li>• its liabilities, including its share of any liabilities incurred jointly;</li> <li>• its revenue from the sale of its share of the output arising from the joint operation;</li> <li>• its share of the revenue from the sale of the output by the joint operation; and</li> <li>• its expenses, including its share of any expenses incurred jointly.</li> </ul>
HKFRS 11.21	<p>The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with HKFRSs applicable to the particular assets, liabilities, revenues and expenses.</p>
HKFRS 11.B34	<p>When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered conducting the transaction with other parties to the joint operation, profits and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.</p>
HKFRS 11.B36	<p>When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.</p>



Source	Hong Kong GAAP Limited
HKAS 28.20	<p data-bbox="363 250 935 304"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="363 333 735 360"><i><b>Non-current assets held for sale</b></i></p> <p data-bbox="363 389 1449 551">Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current 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.</p> <p data-bbox="363 580 1449 689">When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.</p> <p data-bbox="363 719 1449 880">When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.</p> <p data-bbox="363 909 1449 1019">After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).</p> <p data-bbox="363 1048 1449 1102">Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.</p> <p data-bbox="363 1131 584 1158"><i><b>Foreign currencies</b></i></p> <p data-bbox="363 1187 1449 1377">In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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.</p> <p data-bbox="363 1406 1449 1460">Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:</p> <ul data-bbox="363 1489 1449 1798" style="list-style-type: none"> <li>• exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;</li> <li>• exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 3.28 below for hedging accounting policies); and</li> <li>• exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.</li> </ul> <p data-bbox="363 1827 1449 2018">For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).</p>

Source	Hong Kong GAAP Limited
	<p data-bbox="363 248 935 304"><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p data-bbox="363 333 1442 499">On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a partial disposal of an interest in a joint arrangement or an associate of which the retained interest becomes a financial interest that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.</p> <p data-bbox="363 528 1404 692">In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.</p> <p data-bbox="363 721 1396 831">Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.</p>

Source	Hong Kong GAAP Limited																																																
	<p>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</p> <p>4. Critical accounting judgements and key sources of estimation uncertainty</p> <p>Note: HKFRS 12.7 requires entities to disclose information about significant judgements and assumptions they have made in determining (i) whether they have control of another entity, (ii) whether they have joint control of an arrangement or significant influence over another entity, and (iii) the type of arrangement when the arrangement has been structured through a separate vehicle.</p> <p>Critical judgements in applying accounting policies</p> <p>The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.</p> <p>HKFRS 12.7(a) HKFRS 12.9(b) <u>Control over C Plus Limited</u></p> <p>Note 59 describes that C Plus Limited is a subsidiary of the Group although the Group has only 45 per cent ownership interest and voting rights in C Plus Limited. C Plus Limited is listed on the stock exchange of C Land. The Group has the 45 per cent ownership since June 2009 and the remaining 55 per cent of shareholdings are owned by thousands of shareholders that are unrelated to the Group. Details of C Plus Limited are set out in note 59.</p> <p>The directors assessed whether or not the Group has control over C Plus Limited based on whether the Group has the practical ability to direct the relevant activities of C Plus Limited unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in C Plus Limited and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of C Plus Limited and therefore the Group has control over C Plus Limited.</p> <p>HKFRS 12.7(b) HKFRS 12.9(e) <u>Significant influence over A Plus Limited</u></p> <p>Note 24 describes that A Plus Limited is an associate of the Group although the Group only owns 17% ownership interest in A Plus Limited. The Group has significant influence over A Plus Limited by virtue of the contractual right to appoint two out of the six directors to the board of directors of that company.</p> <p>17. Earnings per share</p> <p>Impact of changes in accounting policies</p> <p>HKAS 8.28(f)(ii) 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 2011 and 2010, they have had an impact on the amounts reported for earnings per share.</p> <p>The following table summarises that effect on both basic and diluted earnings per share.</p> <table><tr><th colspan="2">Increase (decrease) in profit for the year attributable to the owners of the Company</th><th colspan="2">Increase (decrease) in basic earnings per share</th><th colspan="2">Increase (decrease) in diluted earnings per share</th></tr><tr><th>Year ended 31/12/11</th><th>Year ended 31/12/10</th><th>Year ended 31/12/11</th><th>Year ended 31/12/10</th><th>Year ended 31/12/11</th><th>Year ended 31/12/10</th></tr><tr><th>HK\$'000</th><th>HK\$'000</th><th>Cents per share</th><th>Cents per share</th><th>Cents per share</th><th>Cents per share</th></tr><tr><td colspan="6">Changes in accounting policies relating to:</td></tr><tr><td>- Application of HKFRS 10 (see note 2)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>- Application of HKFRS 11 (see note 2)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>- Others (please specify)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr></table>	Increase (decrease) in profit for the year attributable to the owners of the Company		Increase (decrease) in basic earnings per share		Increase (decrease) in diluted earnings per share		Year ended 31/12/11	Year ended 31/12/10	Year ended 31/12/11	Year ended 31/12/10	Year ended 31/12/11	Year ended 31/12/10	HK\$'000	HK\$'000	Cents per share	Cents per share	Cents per share	Cents per share	Changes in accounting policies relating to:						- Application of HKFRS 10 (see note 2)	-	-	-	-	-	- Application of HKFRS 11 (see note 2)	-	-	-	-	-	- Others (please specify)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in profit for the year attributable to the owners of the Company		Increase (decrease) in basic earnings per share		Increase (decrease) in diluted earnings per share																																													
Year ended 31/12/11	Year ended 31/12/10	Year ended 31/12/11	Year ended 31/12/10	Year ended 31/12/11	Year ended 31/12/10																																												
HK\$'000	HK\$'000	Cents per share	Cents per share	Cents per share	Cents per share																																												
Changes in accounting policies relating to:																																																	
- Application of HKFRS 10 (see note 2)	-	-	-	-	-																																												
- Application of HKFRS 11 (see note 2)	-	-	-	-	-																																												
- Others (please specify)	-	-	-	-	-																																												
-	-	-	-	-	-																																												

Source	Hong Kong GAAP Limited																								
	<p>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</p> <p>24. Investments in associates</p> <p>Details of the Group's investments in associates are as follows:</p> <table><tr><td></td><td>31/12/11 HK\$'000</td><td>31/12/10 HK\$'000</td></tr><tr><td>Cost of investments in associates</td><td></td><td></td></tr><tr><td>    Listed in Hong Kong</td><td>-</td><td>-</td></tr><tr><td>    Listed outside Hong Kong</td><td>-</td><td>-</td></tr><tr><td>    Unlisted</td><td>2,624</td><td>2,824</td></tr><tr><td>Share of post-acquisition profits and other     comprehensive income, net of dividends received</td><td>2,695</td><td>2,766</td></tr><tr><td></td><td>5,319</td><td>5,590</td></tr></table>		31/12/11 HK\$'000	31/12/10 HK\$'000	Cost of investments in associates			Listed in Hong Kong	-	-	Listed outside Hong Kong	-	-	Unlisted	2,624	2,824	Share of post-acquisition profits and other comprehensive income, net of dividends received	2,695	2,766		5,319	5,590			
	31/12/11 HK\$'000	31/12/10 HK\$'000																							
Cost of investments in associates																									
Listed in Hong Kong	-	-																							
Listed outside Hong Kong	-	-																							
Unlisted	2,624	2,824																							
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,695	2,766																							
	5,319	5,590																							
HKFRS 12.21(a)	<p>Details of each of the Group's material associates at the end of the reporting period are as follow:</p> <table><tr><th>Name of entity</th><th>Form of entity</th><th>Place of incorporation</th><th>Principal place of operation</th><th>Class of shares held</th><th>Proportion of nominal value of issued capital held by the Group</th><th>Proportion of voting power held</th><th>Principal activities</th></tr><tr><td>A Plus Limited</td><td>Incorporated</td><td>A Land</td><td>A Land</td><td>Ordinary</td><td>17%</td><td>17% (Note 1)</td><td>Transport</td></tr><tr><td>B Plus Limited</td><td>Incorporated</td><td>B Land</td><td>B Land</td><td>Ordinary</td><td>56%</td><td>56% (Note 2)</td><td>Finance</td></tr></table> <p>Note: To illustrate the disclosure requirements of HKFRS 12, it is assumed that the Group only has two material associates, A Plus Limited and B Plus Limited.</p> <p>Notes:</p>	Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities	A Plus Limited	Incorporated	A Land	A Land	Ordinary	17%	17% (Note 1)	Transport	B Plus Limited	Incorporated	B Land	B Land	Ordinary	56%	56% (Note 2)	Finance
Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities																		
A Plus Limited	Incorporated	A Land	A Land	Ordinary	17%	17% (Note 1)	Transport																		
B Plus Limited	Incorporated	B Land	B Land	Ordinary	56%	56% (Note 2)	Finance																		
HKFRS 12.9(e)	1) The Group is able to exercise significant influence over A Plus Limited because it has the power to appoint two out of the six directors of that company under the Articles of Association of that company.																								
HKFRS 12.9(d)	2) The Group holds 56% of the issued share capital of B Plus Limited. However, under a shareholders' agreement, the other shareholder controls the composition of the board of directors of B Plus Limited and therefore the Group does not control B Plus Limited. The directors of the Company consider that the Group does have significant influence over B Plus Limited and it is therefore classified as an associate of the Group.																								

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<b>24.1 Summarised financial information of material associates</b>		
HKFRS 12.B14	Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs [adjusted by the Group for equity accounting purposes].		
HKFRS 12.21(b)(i)	All of these associates are accounted for using the equity method in these consolidated financial statements.		
HKFRS 12.21(b)(ii) HKFRS 12.B12 HKFRS 12.B14	<b>A Plus Limited</b>	<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000
	Current assets	<u>19,151</u>	<u>18,442</u>
	Non-current assets	<u>18,460</u>	<u>17,221</u>
	Current liabilities	<u>(15,981)</u>	<u>(14,220)</u>
	Non-current liabilities	<u>(6,206)</u>	<u>(8,290)</u>
		<u>Year ended</u> <u>31/12/11</u> HK\$'000	<u>Year ended</u> <u>31/12/10</u> HK\$'000
	Revenue	<u>5,790</u>	<u>5,890</u>
	Profit or loss from continuing operations	<u>2,271</u>	<u>2,262</u>
	Post-tax profit (loss) from discontinued operations	<u>-</u>	<u>-</u>
	Profit (loss) for the year	<u>2,271</u>	<u>2,262</u>
	Other comprehensive income for the year	<u>-</u>	<u>-</u>
	Total comprehensive income for the year	<u>2,271</u>	<u>2,262</u>
	Dividends received from the associate during the year	<u>-</u>	<u>-</u>
HKFRS 12.B14(b)	Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:		
		<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000
	Net assets of the associate	15,424	13,153
	Proportion of the Group's ownership interest in the associate	17%	17%
	Goodwill	-	-
	Other adjustments (please specify)	<u>-</u>	<u>-</u>
	Carrying amount of the Group's interest in the associate	<u>2,622</u>	<u>2,236</u>

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKFRS 12.21(b)(ii) HKFRS 12.B12 HKFRS 12.B14	<b>B Plus Limited</b>	31/12/11 HK\$'000	31/12/10 HK\$'000
	Current assets	7,570	7,269
	Non-current assets	4,574	3,579
	Current liabilities	(3,562)	(3,061)
	Non-current liabilities	(4,228)	(4,216)
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Revenue	2,554	2,560
	Profit or loss from continuing operations	783	833
	Post-tax profit (loss) from discontinued operations	-	-
	Profit (loss) for the year	783	833
	Other comprehensive income for the year	-	-
	Total comprehensive income for the year	783	833
	Dividends received from the associate during the year	30	22
HKFRS 12.B14(b)	Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:		
		31/12/11 HK\$'000	31/12/10 HK\$'000
	Net assets of the associate	4,354	3,571
	Proportion of the Group's ownership interest in the associate	56%	56%
	Goodwill	-	-
	Other adjustments (please specify)	-	-
	Carrying amount of the Group's interest in the associate	2,438	2,000
HKFRS 12.21(c)(ii) HKFRS 12.B16	<b>Aggregate information of associates that are not individually material</b>	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	The Group's share of profit (loss) from continuing operations	42	358
	The Group's share of post-tax profit (loss) from discontinued operations	-	-
	The Group's share of other comprehensive income	-	-
	The Group's share of total comprehensive income	42	358
HKFRS 12.22(c)	<b>Unrecognised share of losses of an associate</b>	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	The unrecognised share of loss of an associate for the year	-	-
		31/12/11 HK\$'000	31/12/10 HK\$'000
	Cumulative share of loss of an associate	-	-

Source	Hong Kong GAAP Limited								
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p>								
	<p><b>24.2 Change in ownership interest in an associate</b></p>								
HKAS 28.25	<p>In December 2011, the Group disposed of a 30% interest in E Plus Limited to a third party for proceeds of HK\$1.245 million (received in January 2012). The Group has retained the remaining 10% interest as an available-for-sale investment whose fair value at the date of disposal was HK\$360,000, that is determined using a discounted cash flow model (please describe key factors and assumptions used in determining the fair value). Prior to the disposal, the Group held a 40% interest in E Plus Limited and accounted for the investment as an associate. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.</p> <p style="text-align: right;"><b>HK\$'000</b></p> <table> <tr> <td>Proceeds of disposal</td><td style="text-align: right;">1,245</td></tr> <tr> <td>Plus: fair value of investment retained (10%)</td><td style="text-align: right;">360</td></tr> <tr> <td>Less: carrying amount of investment on the date of loss of significant influence</td><td style="text-align: right;"><u>(1,024)</u></td></tr> <tr> <td>Gain recognised</td><td style="text-align: right;"><u>581</u></td></tr> </table> <p>The gain recognised in the current year comprises a realised profit of HK\$477,000 (being the proceeds of HK\$1.245 million less HK\$768,000 carrying amount of the interest disposed of) and an unrealised profit of HK\$104,000 (being the fair value less the carrying amount of the 10% interest retained). A current tax expense of HK\$143,000 arose on the gain realised in the current year, and a deferred tax expense of HK\$32,000 has been recognised in respect of the portion of the profit recognised that is not taxable until the remaining interest is disposed of.</p>	Proceeds of disposal	1,245	Plus: fair value of investment retained (10%)	360	Less: carrying amount of investment on the date of loss of significant influence	<u>(1,024)</u>	Gain recognised	<u>581</u>
Proceeds of disposal	1,245								
Plus: fair value of investment retained (10%)	360								
Less: carrying amount of investment on the date of loss of significant influence	<u>(1,024)</u>								
Gain recognised	<u>581</u>								
	<p><b>24.3 Significant restriction</b></p>								
HKFRS 12.22(a)	<p>[When there are significant restrictions on the ability of associates to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group, the Group should disclose the nature and extent of significant restrictions in the financial statements. Please see HKFRS 12.22(a) for details.]</p>								

Source	Hong Kong GAAP Limited						
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>						
	<b>25. Investments in joint ventures</b>						
	Details of the Group's investments in joint ventures are as follows:						
					31/12/11 HK\$'000	31/12/10 HK\$'000	
	Cost of investments in joint ventures						
	Listed in Hong Kong						
	Listed outside Hong Kong						
	Unlisted						
	Share of post-acquisition profits and other comprehensive income, net of dividends received						
					2,179	1,842	
					3,999	3,662	
	<i>Note: Similar to the disclosures applicable to associates, HKFRS 12 requires the following information to be disclosed for each of the Group's material joint ventures. In this model, the Group only have two joint ventures, A JV Limited and B JV Limited, and for illustrative purposes, both entities are assumed to be material to the Group.</i>						
HKFRS 12.21(a)	Details of the Group's material joint ventures at the end of the reporting period is as follows:						
	Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held
	A JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	25%	25%
	B JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	40%	40%
							Principal activities
							Manufacture of electronic equipment
							Manufacture of electronic equipment
	<b>25.1 Summarised financial information of material joint ventures</b>						
HKFRS 12.B14	Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs [adjusted by the Group for equity accounting purposes].						
HKFRS 12.21(b)(i)	The joint ventures are accounted for using the equity method in these consolidated financial statements.						
HKFRS 12.21(b)(ii) HKFRS 12.B12 HKFRS 12.B14	<b>A JV Limited</b>						
					31/12/11 HK\$'000	31/12/10 HK\$'000	
	Current assets						
					5,454	7,073	
	Non-current assets						
					23,887	20,769	
	Current liabilities						
					(2,836)	(3,046)	
	Non-current liabilities						
					(13,721)	(13,033)	
HKFRS 12.B13	The above amounts of assets and liabilities include the following:						
	Cash and cash equivalents						
					-	-	
	Current financial liabilities (excluding trade and other payables and provisions)						
					-	-	
	Non-current financial liabilities (excluding trade and other payables and provisions)						
					(13,721)	(13,033)	



Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
HKFRS 12.B12	Revenue	6,436	6,076
	Profit or loss from continuing operations	1,021	733
	Post-tax profit (loss) from discontinued operations	-	-
	Profit (loss) for the year	1,021	733
	Other comprehensive income for the year	-	-
	Total comprehensive income for the year	1,021	733
	Dividends received from the joint venture during the year	-	-
HKFRS 12.B13	The above profit (loss) for the year include the following:		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Depreciation and amortisation	200	180
	Interest income	-	-
	Interest expense	56	48
	Income tax expense	-	-
HKFRS 12.B14(b)	Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:		
		31/12/11 HK\$'000	31/12/10 HK\$'000
	Net assets of the joint venture	12,784	11,763
	Proportion of the Group's ownership interest in the joint venture	25%	25%
	Goodwill	-	-
	Other adjustments (please specify)	-	-
	Carrying amount of the Group's interest in the joint venture	3,196	2,941

## Section 3 – Appendix 1

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKFRS 12.21(b)(ii) HKFRS 12.B12 HKFRS 12.B14	<b>B JV Limited</b>	<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000
	Current assets	<u>1,091</u>	<u>1,414</u>
	Non-current assets	<u>7,344</u>	<u>4,154</u>
	Current liabilities	<u>(568)</u>	<u>(609)</u>
	Non-current liabilities	<u>(5,861)</u>	<u>(3,157)</u>
HKFRS 12.B13	The above amounts of assets and liabilities include the following:		
	Cash and cash equivalents	<u>-</u>	<u>-</u>
	Current financial liabilities (excluding trade and other payables and provisions)	<u>-</u>	<u>-</u>
	Non-current financial liabilities (excluding trade and other payables and provisions)	<u>(5,861)</u>	<u>(3,157)</u>
		<u>Year ended 31/12/11</u> HK\$'000	<u>Year ended 31/12/10</u> HK\$'000
HKFRS 12.B12	Revenue	<u>1,288</u>	<u>1,215</u>
	Profit or loss from continuing operations	<u>204</u>	<u>147</u>
	Post-tax profit (loss) from discontinued operations	<u>-</u>	<u>-</u>
	Profit (loss) for the year	<u>204</u>	<u>147</u>
	Other comprehensive income for the year	<u>-</u>	<u>-</u>
	Total comprehensive income for the year	<u>204</u>	<u>147</u>
	Dividends received from the joint venture during the year	<u>-</u>	<u>-</u>
HKFRS 12.B13	The above profit (loss) for the year include the following:		
		<u>Year ended 31/12/11</u> HK\$'000	<u>Year ended 31/12/10</u> HK\$'000
	Depreciation and amortisation	<u>36</u>	<u>33</u>
	Interest income	<u>-</u>	<u>-</u>
	Interest expense	<u>5</u>	<u>8</u>
	Income tax expense	<u>-</u>	<u>-</u>

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKFRS 12.B14(b)	Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:		
		<div>31/12/11</div> <div>HK\$'000</div>	<div>31/12/10</div> <div>HK\$'000</div>
	Net assets of the joint venture	2,006	1,802
	Proportion of the Group's ownership interest in the joint venture	40%	40%
	Goodwill	-	-
	Other adjustments (please specify)	-	-
	Carrying amount of the Group's interest in the joint venture	803	721
	The Group's share of profit (loss) from continuing operations	-	-
	The Group's share of post-tax profit (loss) from discontinued operations	-	-
	The Group's share of other comprehensive income	-	-
	The Group's share of total comprehensive income	-	-
HKFRS 12.21(c)(i) HKFRS 12.B16	<b>Aggregate information of joint ventures that are not individually material</b>	<div>Year ended 31/12/11</div> <div>HK\$'000</div>	<div>Year ended 31/12/10</div> <div>HK\$'000</div>
	The Group's share of profit (loss) from continuing operations	-	-
	The Group's share of post-tax profit (loss) from discontinued operations	-	-
	The Group's share of other comprehensive income	-	-
	The Group's share of total comprehensive income	-	-
HKFRS 12.22(c)	<b>Unrecognised share of losses of a joint venture</b>	<div>Year ended 31/12/11</div> <div>HK\$'000</div>	<div>Year ended 31/12/10</div> <div>HK\$'000</div>
	The unrecognised share of loss of a joint venture for the year	-	-
		<div>31/12/11</div> <div>HK\$'000</div>	<div>31/12/10</div> <div>HK\$'000</div>
	Cumulative share of loss of a joint venture	-	-
	<b>25.2 Significant restriction</b>		
HKFRS 12.22(a)	[When there are significant restrictions on the ability of joint ventures to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group, the Group should disclose the nature and extent of significant restrictions in the financial statements. Please see HKFRS 12.22(a) for details.]		

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<b>51. Disposal of a subsidiary</b>		
	On 30 November 2011, the Group disposed of Subzero Limited which carried out its entire toy manufacturing operations.		
	<b>Consideration received</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
HKAS 7.40(b)	Consideration received in cash and cash equivalents	7,854	-
	Deferred sales proceeds (note 30)	960	-
HKAS 7.40(a)	Total consideration received	8,814	-
HKAS 7.40(d)	<b>Analysis of asset and liabilities over which control was lost</b>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	<u>Current assets</u>		
	Cash and cash equivalents	288	-
	Trade receivables	1,034	-
	Inventories	2,716	-
	<u>Non-current assets</u>		
	Property, plant and equipment	5,662	-
	Goodwill	3,080	-
	<u>Current liabilities</u>		
	Payables	(973)	-
	<u>Non-current liabilities</u>		
	Borrowings	(4,342)	-
	Deferred tax liabilities	(471)	-
	Net assets disposed of	6,994	-

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	<i>Gain on disposal of subsidiary</i>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Consideration received	8,814	-
	Net assets disposed of	(6,994)	-
	Non-controlling interests	-	-
	Cumulative gain/loss on available-for-sale financial assets reclassified from equity on loss of control of subsidiary	-	-
	Cumulative exchange gain in respect of the net assets of the subsidiary and related hedging instruments reclassified from equity to profit or loss on loss of control of subsidiary	120	-
HKFRS 12.19	Gain on disposal	1,940	-
HKFRS 12.19(b)	The gain on disposal is included in the profit for the year from discontinued operations in the consolidated [statement of comprehensive income/income statement] (see note 11).		
	<i>Net cash inflow on disposal of subsidiary</i>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Consideration received in cash and cash equivalents	7,854	-
	Less: cash and cash equivalent balances disposed of	(288)	-
HKAS 7.40(c)		7,566	-
	<b>55. Commitments</b>		
HKFRS 12.23(a) HKFRS 12.B18 - B19	The Group's commitments, including its share of commitments made jointly with other joint venturers relating to its joint venture, A JV Limited, is as follows:		
		31/12/11 HK\$'000	31/12/10 HK\$'000
	Commitments to contribute funds for the acquisition of property, plant and equipment	983	192
	Commitments to provide loans	-	-
	Commitments to acquire other venturer's ownership interest when a particular event occurs or does not occur in the future (please specify what the particular event is)	-	-
	Others (please specify)	-	-

Source	Hong Kong GAAP Limited	
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>	
	<b>57. Contingent liabilities and contingent assets</b>	
		<div> <div>31/12/11</div> <div>31/12/10</div> <div>HK\$'000</div> <div>HK\$'000</div> </div>
	<b>Contingent liabilities</b>	
HKFRS 12.23(b)	Contingent liabilities incurred by the Group arising from its interests in a joint venture (i)	<div> <div>110</div> <div>116</div> </div>
HKFRS 12.23(b)	Contingent liabilities incurred by the Group arising from its interests in associates (please disclose the details)	<div> <div>-</div> <div>-</div> </div>
HKFRS 12.23(b)	Group's share of associates' contingent liabilities (ii)	<div> <div>150</div> <div>14</div> </div>
HKFRS 12.23(b)	Group's share of joint venture's contingent liabilities (please specify the details)	<div> <div>-</div> <div>-</div> </div>
	<p>(i) A number of contingent liabilities have arisen as a result of the Group's interests in joint ventures. The amount disclosed represents the aggregate amount of such contingent liabilities for which the Group as an investor is liable. The extent to which an outflow of funds will be required is dependent on the future operations of the joint ventures being more or less favourable than currently expected. The Group is not contingently liable for the liabilities of other venturers in its joint ventures.</p>	
	<p>(ii) The amount disclosed represents the Group's share of contingent liabilities of associates. The extent to which an outflow of funds will be required is dependent on the future operations of the associates being more or less favourable than currently expected.</p>	

Source	Hong Kong GAAP Limited										
HKFRS 12.10(a)	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>										
	<b>59. Subsidiaries</b>										
	<b>59.1 General information of subsidiaries</b>										
	Details of the Group's material subsidiaries at the end of the reporting period are set out below.										
	Name of subsidiary	Place of incorporation / registration / operations	Class of shares held	Paid up registered capital	Proportion ownership interest held by the Company				Proportion of voting power held		Principal activity
					Directly		Indirectly				
					2011	2010	2011	2010	2011	2010	
					%	%	%	%	%	%	
	Subzero Limited	Hong Kong	Ordinary	HK\$50,000,000	-	-	-	100	-	100	Manufacture of toy
	Subone Limited	Hong Kong	Ordinary	HK\$1,000	-	-	90	100	90	100	Manufacture of electronic equipment
	Subtwo Limited	PRC	Registered	RMB5,000,000	-	-	100	100	100	100	Construction of residential properties
	Subthree Limited	Malaysia	Ordinary	RMB10,000,000	-	-	70	70	70	70	Manufacture of leisure good
	Subfour Limited	PRC	Registered	USD100	100	100	-	-	100	100	Manufacture of electronic equipment
	Subfive Limited	PRC	Registered	USD5,000	100	100	-	-	100	100	Manufacture of electronic equipment
	Subsix Limited	Hong Kong	Ordinary	HK\$100	-	-	80	-	80	-	Manufacture of electronic equipment
	Kowloon Limited	Hong Kong	Ordinary	HK\$100	-	-	100	-	100	-	Manufacture of electronic equipment
C Plus Limited	C Land	Ordinary	USD100	45	45	-	-	45	45	Manufacture of electronic equipment	
The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.											
Subtwo Limited, Subfour and Subfive Limited are wholly foreign owned enterprises.											

Source	Hong Kong GAAP Limited																																
HKFRS 12.10(a) HKFRS 12.4 HKFRS 12.B4(a) HKFRS 12.B5-B6	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>																																
	At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in A Land. The principal activities of these subsidiaries are summarised as follows:																																
	<table><tr><th rowspan="2">Principal activities</th><th rowspan="2">Principal place of business</th><th colspan="2">Number of subsidiaries</th></tr><tr><th>31/12/11</th><th>31/12/10</th></tr><tr><td rowspan="3">Manufacture of electronic equipment</td><td>A Land</td><td>1</td><td>1</td></tr><tr><td>B Land</td><td>2</td><td>2</td></tr><tr><td></td><td>3</td><td>3</td></tr><tr><td>Manufacture of leisure goods</td><td>A Land</td><td>2</td><td>2</td></tr><tr><td>Construction</td><td>A Land</td><td>1</td><td>1</td></tr><tr><td>Toys manufacturing</td><td>A Land</td><td>Nil</td><td>1</td></tr><tr><td></td><td></td><td>6</td><td>7</td></tr></table>	Principal activities	Principal place of business	Number of subsidiaries		31/12/11	31/12/10	Manufacture of electronic equipment	A Land	1	1	B Land	2	2		3	3	Manufacture of leisure goods	A Land	2	2	Construction	A Land	1	1	Toys manufacturing	A Land	Nil	1			6	7
	Principal activities			Principal place of business	Number of subsidiaries																												
		31/12/11	31/12/10																														
	Manufacture of electronic equipment	A Land	1	1																													
		B Land	2	2																													
			3	3																													
	Manufacture of leisure goods	A Land	2	2																													
	Construction	A Land	1	1																													
Toys manufacturing	A Land	Nil	1																														
		6	7																														
<p><i>Note: HKFRS 12.10(a) requires entities to disclose the composition of the group. The list above discloses information about the Group's material subsidiaries (wholly- and non-wholly-owned subsidiaries). The above illustrates one example as to how the requirements set out in HKFRS 12 can be met. When local laws or regulations require the list of investments in subsidiaries to be disclosed, the above disclosures should be modified to comply with the additional local requirements.</i></p>																																	
<b>59.2 Details of non-wholly subsidiaries that have material non-controlling interests</b>																																	
HKFRS 12.10(a)(ii) HKFRS 12.12	The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:																																
	<p><i>Note: For illustrative purposes, the following non-wholly subsidiaries are assumed to have non-controlling interests that are material to the Group.</i></p>																																
	<table><tr><th rowspan="2">Name of subsidiary</th><th rowspan="2">Place of incorporation and principal place of business</th><th colspan="2">Proportion of ownership interests and voting rights held by non-controlling interests</th><th colspan="2">Profit (loss) allocated to non-controlling interests</th><th colspan="2">Accumulated non-controlling interests</th></tr><tr><th>31/12/11</th><th>31/12/10</th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th><th>31/12/11 HK\$'000</th><th>31/12/10 HK\$'000</th></tr><tr><td>Subthree Limited</td><td>Malaysia</td><td>30%</td><td>30%</td><td>1,020</td><td>980</td><td>10,680</td><td>9,660</td></tr><tr><td>C Plus Limited (i)</td><td>C Land</td><td>55%</td><td>55%</td><td>392</td><td>464</td><td>2,445</td><td>2,053</td></tr></table>	Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests		31/12/11	31/12/10	31/12/11 HK\$'000	31/12/10 HK\$'000	31/12/11 HK\$'000	31/12/10 HK\$'000	Subthree Limited	Malaysia	30%	30%	1,020	980	10,680	9,660	C Plus Limited (i)	C Land	55%	55%	392	464	2,445	2,053		
Name of subsidiary	Place of incorporation and principal place of business			Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests																									
		31/12/11	31/12/10	31/12/11 HK\$'000	31/12/10 HK\$'000	31/12/11 HK\$'000	31/12/10 HK\$'000																										
Subthree Limited	Malaysia	30%	30%	1,020	980	10,680	9,660																										
C Plus Limited (i)	C Land	55%	55%	392	464	2,445	2,053																										
HKFRS 12.9(b)	(i) C Plus Limited is listed on the stock exchange of C Land. Although the Group has only 45 per cent ownership in C Plus Limited, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of C Plus Limited on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The 55 per cent ownership interests in C Plus Limited are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 2 per cent.																																



Source	Hong Kong GAAP Limited		
HKFRS 12.12(g) HKFRS 12.B10 HKFRS 12.B11	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
	Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.		
	<b>Subthree Limited</b>		
		<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000
	Current assets	<u>32,100</u>	<u>31,400</u>
	Non-current assets	<u>10,238</u>	<u>10,441</u>
	Current liabilities	<u>(1,617)</u>	<u>(4,299)</u>
	Non-current liabilities	<u>(5,121)</u>	<u>(5,342)</u>
	Equity attributable to owners of the Company	<u>24,920</u>	<u>22,540</u>
	Non-controlling interests	<u>10,680</u>	<u>9,660</u>
		<u>Year ended</u> <u>31/12/11</u> HK\$'000	<u>Year ended</u> <u>31/12/10</u> HK\$'000
	Revenue	<u>6,200</u>	<u>6,101</u>
	Expenses	<u>(2,800)</u>	<u>(2,834)</u>
	Profit (loss) for the year	<u>3,400</u>	<u>3,267</u>
	Profit (loss) attributable to owners of the Company	2,380	2,287
	Profit (loss) attributable to the non-controlling interests	1,020	980
	Profit (loss) for the year	<u>3,400</u>	<u>3,267</u>
	Other comprehensive income attributable to owners of the Company	-	-
	Other comprehensive income attributable to the non-controlling interests	-	-
	Other comprehensive income for the year	<u>-</u>	<u>-</u>
	Total comprehensive income attributable to owners of the Company	2,380	2,287
	Total comprehensive income attributable to the non-controlling interests	1,020	980
	Total comprehensive income for the year	<u>3,400</u>	<u>3,267</u>
	Dividends paid to non-controlling interests	<u>-</u>	<u>-</u>
	Net cash inflow (outflow) from operating activities	<u>4,405</u>	<u>2,050</u>
	Net cash inflow (outflow) from investing activities	<u>(330)</u>	<u>1,148</u>
	Net cash inflow (outflow) from financing activities	<u>(3,489)</u>	<u>(315)</u>
	Net cash inflow (outflow)	<u>586</u>	<u>2,883</u>

Source	Hong Kong GAAP Limited	
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>	
	<b>C Plus Limited</b>	
		<div> <div>31/12/11</div> <div>31/12/10</div> </div> <div> <div>HK\$'000</div> <div>HK\$'000</div> </div>
	Current assets	<div>1,530</div> <div>3,517</div>
	Non-current assets	<div>3,625</div> <div>1,070</div>
	Current liabilities	<div>(280)</div> <div>(266)</div>
	Non-current liabilities	<div>(430)</div> <div>(588)</div>
	Equity attributable to owners of the Company	<div>2,000</div> <div>1,680</div>
	Non-controlling interests	<div>2,445</div> <div>2,053</div>
		<div> <div>Year ended</div> <div>31/12/11</div> <div>Year ended</div> <div>31/12/10</div> </div> <div> <div>HK\$'000</div> <div>HK\$'000</div> </div>
	Revenue	<div>2,165</div> <div>2,285</div>
	Expenses	<div>(1,453)</div> <div>(1,441)</div>
	Profit (loss) for the year	<div>712</div> <div>844</div>
	Profit (loss) attributable to owners of the Company	<div>320</div> <div>380</div>
	Profit (loss) attributable to the non-controlling interests	<div>392</div> <div>464</div>
	Profit (loss) for the year	<div>712</div> <div>844</div>
	Other comprehensive income attributable to owners of the Company	<div>-</div> <div>-</div>
	Other comprehensive income attributable to the non-controlling interests	<div>-</div> <div>-</div>
	Other comprehensive income for the year	<div>-</div> <div>-</div>
	Total comprehensive income attributable to owners of the Company	<div>320</div> <div>380</div>
	Total comprehensive income attributable to the non-controlling interests	<div>392</div> <div>464</div>
	Total comprehensive income for the year	<div>712</div> <div>844</div>
	Dividends paid to non-controlling interests	<div>-</div> <div>-</div>
	Net cash inflow (outflow) from operating activities	<div>(263)</div> <div>(241)</div>
	Net cash inflow (outflow) from investing activities	<div>-</div> <div>-</div>
	Net cash inflow (outflow) from financing activities	<div>(160)</div> <div>(120)</div>
	Net cash inflow (outflow)	<div>(423)</div> <div>(361)</div>
	<b>59.3 Change in ownership interest in a subsidiary</b>	
HKFRS 12.18	During the year, the Group disposed of 10% of its interest in Subone Limited, reducing its continuing interest to 90%. The proceeds on disposal of HK\$213,000 were received in cash. An amount of HK\$179,000 (being the proportionate share of the carrying amount of the net assets of Subone Limited) has been transferred to non-controlling interests. The difference of HK\$34,000 between the increase in the non-controlling interests and the consideration received has been credited to retained earnings.	
	<b>59.4 Significant restriction</b>	
HKFRS 12.13	[When there are significant restrictions on the Company's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group, the Group should disclose the nature and extent of significant restrictions. Please see HKFRS 12.13 for details.]	
	<b>59.5 Financial support</b>	
HKFRS 12.14-17	[When the Group gives financial support to a consolidated structured entity, the nature and risks (including the type and amount of support provided) should be disclosed in the financial statements. Please see HKFRS 12.14 – 17 for details.]	

## Section 3 – Examples of early application of some new and revised HKFRSs

### Appendix 2: Early application of the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* (as issued by the HKICPA in July 2011)

In July 2011, the HKICPA issued the amendments to HKAS 1 titled *Presentation of Items of Other Comprehensive Income*. The amendments are effective for annual periods beginning on or after 1 July 2012, with early application permitted.

This appendix gives you examples of the application of the amendments to HKAS 1.

Key assumptions used in the preparation of this appendix are as follows:

- Hong Kong GAAP Limited is assumed to have early applied the amendments to HKAS 1 in the current year in advance of the effective date.
- The main change resulting from the amendments to HKAS 1 is that there is a requirement to group and present items in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently as reclassification adjustments. This appendix does not include a full set of financial statements; it includes only the statement of profit or loss and other comprehensive income (previously named as the statement of comprehensive income), and certain notes affected by the amendments to HKAS 1. The use of the new terminology is not mandatory. However, if an entity chooses to use the new terminology, the new terminology should be used consistently throughout the entire set of financial statements. Regarding the statement of profit or loss and other comprehensive income, two presentation options are included for illustrative purposes: (a) a single continuous statement presentation method with expenses analysed by function; and (b) two separate but consecutive statements presentation method with expenses analysed by nature.

Note that in this appendix, we have frequently included line items for which a nil amount is shown, so as to illustrate items that, although not applicable to Hong Kong GAAP Limited, are commonly encountered in practice. This does not mean that we have illustrated all possible disclosures. Nor should it be taken to mean that, in practice, entities are required to display line items for such 'nil' amounts.

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45 Share premium and reserves	202

Source	Hong Kong GAAP Limited		
HKAS 1.10(b)	<b>Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2011</b> <span style="float: right;"><b>[Alt 1]</b></span>		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000 (restated)
	<b>Continuing operations</b>		
	Revenue	140,918	151,840
	Cost of sales	(87,897)	(91,840)
	Gross profit	53,021	60,000
	Investment and other income	3,608	2,351
	Other gains and losses	(1,128)	(173)
	Distribution and selling expenses	(11,520)	(10,055)
	Administrative expenses	(9,380)	(13,570)
	Finance costs	(4,178)	(6,313)
	Other expenses	(1,280)	(1,711)
	Share of profits of associates	1,186	1,589
	Gain recognised on disposal of an associate	581	-
	Profit before tax	30,910	32,118
	Income tax expense	(11,650)	(11,885)
	Profit for the year from continuing operations	19,260	20,233
	<b>Discontinued operations</b>		
HKAS 1.82(ea)	Profit for the year from discontinued operations	8,310	9,995
HKAS 1.81A(a)	<b>Profit for the year</b>	27,570	30,228
HKAS 1.91(a)	<b>Other comprehensive income, net of income tax</b>		
HKAS 1.82A(a)	<b>Items that will not be reclassified to profit or loss:</b>		
	Gain on revaluation of properties	-	-
	Share of gain (loss) on property revaluation of associates	-	-
	Others (describe)	-	-
		-	-
HKAS 1.82A(b)	<b>Items that may be reclassified subsequently to profit or loss:</b>		
	Exchange differences on translating foreign operations	(191)	177
	Net (loss) gain on available-for-sale financial assets	(300)	57
	Net gain on hedging instruments in cash flow hedges	36	36
	Share of exchange differences of associates	-	-
	Others (describe)	-	-
		(455)	270
HKAS 1.81A(b)	Other comprehensive income for the year, net of income tax	(455)	270
HKAS 1.81A(c)	<b>Total comprehensive income for the year</b>	27,115	30,498
HKAS 1.81B(a)(ii)	Profit attributable to:		
HKAS 1.81B(a)(i)	Owners of the Company	23,570	27,465
	Non-controlling interests	4,000	2,763
		27,570	30,228
HKAS 1.81B(b)(ii)	Total comprehensive income attributable to:		
HKAS 1.81B(b)(i)	Owners of the Company	23,115	27,735
	Non-controlling interests	4,000	2,763
		27,115	30,498

Source	Hong Kong GAAP Limited	
	<b>Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2011 – continued</b>	
	<b>[Alt 1] continued</b>	
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
<b>Earnings per share</b>		
From continuing and discontinued operations		
Basic (HK cents per share)	105.0	119.4
Diluted (HK cents per share)	99.4	118.6
From continuing operations		
Basic (HK cents per share)	68.0	75.9
Diluted (HK cents per share)	64.3	75.3
<p><i>Note: Alt 1 above illustrates the presentation of profit or loss and other comprehensive income in one statement with expenses analysed by function. Alt 2 (see next pages) illustrates the presentation of profit or loss and other comprehensive income in two separate but consecutive statements with expenses analysed by nature.</i></p> <p><i>Whichever presentation is selected, the distinction is retained between items recognised in profit or loss and items recognised in other comprehensive income. The only difference between the one-statement and the two-statement approaches is that, for the latter, a total is struck in the separate statement of profit or loss at 'profit for the year' (this is the same amount as is presented as a sub-total under the one-statement approach). This 'profit for the year' is then the starting point for the statement of profit or loss and other comprehensive income, which is required to be presented immediately following the statement of profit or loss. Under the two-statement approach, the analysis of 'profit for the year' between the amount attributable to the owners of the parent and the amount attributable to non-controlling interests is presented at the end of the separate statement of profit or loss.</i></p> <p><i>Irrespective of whether the one-statement or the two-statement approach is followed, the items of other comprehensive income should be classified by nature and grouped into those that, in accordance with other HKFRSs,:</i></p> <p><i>(a) will not be reclassified subsequently to profit or loss; and</i></p> <p><i>(b) may be reclassified subsequently to profit or loss when specific conditions are met.</i></p> <p><i>In addition, consistent with the requirements set out in the previous version of HKAS 1, for items of other comprehensive income, additional presentation options are available, as follows.</i></p> <ul style="list-style-type: none"> <li><i>The individual items of other comprehensive income may be presented net of tax in the statement of profit or loss and other comprehensive income (as illustrated on the previous page), or they may be presented gross with a single line deduction for tax relating to those items by allocating the tax between the items that may be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to profit or loss section (see Alt 2). Whichever option is selected, the income tax relating to each item of other comprehensive income must be disclosed, either in the statement of profit or loss and other comprehensive income or in the notes (see Note 45).</i></li> <li><i>For reclassification adjustments, an aggregated presentation may be adopted, with separate disclosure of the current year gain or loss and reclassification adjustments in the notes (see previous page and note 45). Alternatively, using a disaggregated presentation, the current year gain or loss and reclassification adjustments are shown separately in the statement of profit or loss and other comprehensive income (see Alt 2).</i></li> </ul>		

Source	Hong Kong GAAP Limited		
HKAS 1.10A	<b>Consolidated statement of profit or loss for the year ended 31 December 2011</b> <span style="float: right;"><b>[Alt 2]</b></span>		
	<u>Notes</u>	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	<b>Continuing operations</b>		
	Revenue	140,918	151,840
	Investment and other income	3,608	2,351
	Other gains and losses	(1,128)	(173)
	Changes in inventories of finished goods and work in progress	(7,134)	2,118
	Raw materials and consumables used	(67,625)	(84,037)
	Depreciation and amortisation expenses	(12,412)	(13,878)
	Employee benefits expense	(9,815)	(11,563)
	Finance costs	(4,178)	(6,313)
	Other expenses	(13,091)	(9,816)
	Share of profits of associates	1,186	1,589
	Gain recognised on disposal of an associate	581	-
	Profit before tax	30,910	32,118
	Income tax expense	(11,650)	(11,885)
	Profit for the year from continuing operations	19,260	20,233
	<b>Discontinued operations</b>		
HKAS 1.82(ea)	Profit for the year from discontinued operations	8,310	9,995
HKAS 1.81A(a)	<b>Profit for the year</b>	<b>27,570</b>	<b>30,228</b>
	Attributable to:		
HKAS 1.81B(a)(ii)	Owners of the Company	23,570	27,465
HKAS 1.81B(a)(i)	Non-controlling interests	4,000	2,763
		<b>27,570</b>	<b>30,228</b>
	<b>Earnings per share</b>		
	From continuing and discontinued operations		
	Basic (cents per share)	105.0	119.4
	Diluted (cents per share)	99.4	118.6
	From continuing operations		
	Basic (cents per share)	68.0	75.9
	Diluted (cents per share)	64.3	75.3
<p><i>Note: The format outlined above aggregates expenses according to their nature.</i></p> <p><i>See the previous page for a discussion of the format of the statement of profit or loss and other comprehensive income. Note that where the two-statement approach is adopted (above and on the next page), as required by HKAS 1.10A, the statement of profit or loss must be displayed immediately before the statement presenting comprehensive income which shall begin with profit or loss.</i></p>			

Source	Hong Kong GAAP Limited	
HKAS 1.10A	<b>Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2011</b>	
		<b>[Alt 2] continued</b>
		<div> <div>Year ended</div> <div>31/12/11</div> <div>HK\$'000</div> </div> <div> <div>Year ended</div> <div>31/12/10</div> <div>HK\$'000</div> <div>(restated)</div> </div>
HKAS 1.10A	<b>Profit for the year</b>	27,570 30,228
	<b>Other comprehensive income</b>	
HKAS 1.82A(a)	<b>Items that will not be reclassified to profit or loss:</b>	
	Gain on revaluation of properties	- -
	Share of gain (loss) on property revaluation of associates	- -
	Others (describe)	- -
HKAS 1.91(b)	Income tax	- -
HKAS 1.82A(b)	<b>Items that may be reclassified subsequently to profit or loss:</b>	
	Exchange differences on translating foreign operations	
	Exchange differences arising during the year	(71) 177
	Reclassification adjustments relating to foreign operations disposed of during the year	(120) -
		(191) 177
	Available-for-sale financial assets	
	Net (loss) gain arising on revaluation of available-for-sale financial assets during the year	(400) 76
	Reclassification upon impairment	- -
	Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	- -
		(400) 76
	Cash flow hedges	
	Gains arising during the year	406 316
	Reclassification adjustments for amounts recognised in profit or loss	(355) (287)
		51 29
	Others (describe)	- -
HKAS 1.91(b)	Income tax	85 (12)
HKAS 1.81A(b)	Other comprehensive income for the year, net of income tax	(455) 270
HKAS 1.81A(c)	<b>Total comprehensive income for the year</b>	27,115 30,498
	Total comprehensive income attributable to:	
HKAS 1.81B(b)(ii)	Owners of the Company	23,115 27,735
HKAS 1.81B(b)(i)	Non-controlling interests	4,000 2,763
		27,115 30,498



Source	Hong Kong GAAP Limited
HKAS 8.28	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011</b></p>
	<p><b>2. Application of new and revised Hong Kong Financial Reporting Standards (HKFRSs)</b></p>
	<p><i>Note: The note below gives examples of the application of the amendments to HKAS 1. Regarding impact of other new and revised Standards, please refer to Section 2 of this publication and other appendices.</i></p>
	<p><b>Amendments to HKAS 1 titled <i>Presentation of Items of Other Comprehensive Income</i></b></p> <p>The Group has applied the amendments to HKAS 1 titled <i>Presentation of Items of Other Comprehensive Income</i> in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendments introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.</p>

Source	Hong Kong GAAP Limited	
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>	
	<b>45. Share premium and reserves</b>	
	<b><i>Share premium and reserves</i></b>	
		<div> <div>31/12/11</div> <div>31/12/10</div> <div>HK\$'000</div> <div>HK\$'000</div> </div>
	Share premium	15,427 26,474
	Investments revaluation reserve	227 527
	Share options reserve	179 246
	Cash flow hedging reserve	314 278
	Foreign currency translation reserve	126 317
	Convertible notes equity reserve	626 -
	Retained earnings	111,568 94,915
	Others [describe]	- -
		<div>128,467 122,757</div>
	<b><i>Share premium</i></b>	
		<div> <div>Year ended</div> <div>31/12/11</div> <div>Year ended</div> <div>31/12/10</div> <div>HK\$'000</div> <div>HK\$'000</div> </div>
	Balance at beginning of year	26,474 26,474
	Transaction costs attributable to issue of new ordinary shares	(6) -
	Issue of ordinary shares upon exercise of share options	433 -
	Repurchase of ordinary shares	(11,247) -
	Transaction costs attributable to repurchase of ordinary shares	(227) -
	Balance at end of year	15,427 26,474

Source	Hong Kong GAAP Limited																																																												
	<p><b>Notes to the consolidated financial statements</b> <b>For the year ended 31 December 2011 - continued</b></p> <p><b><i>Investments revaluation reserve</i></b></p> <table><tr><th></th><th>Year ended 31/12/11 HK\$'000</th><th>Year ended 31/12/10 HK\$'000</th></tr><tr><td>Balance at beginning of year</td><td>527</td><td>470</td></tr><tr><td>Net (loss)/gain arising on revaluation of available-for-sale investments</td><td>(400)</td><td>76</td></tr><tr><td>Income tax relating to (loss)/gain arising on revaluation of available-for-sale investments</td><td>100</td><td>(19)</td></tr><tr><td>Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale investments</td><td>-</td><td>-</td></tr><tr><td>Cumulative loss reclassified to profit or loss on impairment of available-for-sale investments</td><td>-</td><td>-</td></tr><tr><td>Balance at end of year</td><td>227</td><td>527</td></tr></table> <p>HKAS 1.82A The investments revaluation reserve represents cumulative gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those investments are disposed of or are determined to be impaired.</p> <p><b><i>Share options reserve</i></b></p> <table><tr><th></th><th>Year ended 31/12/11 HK\$'000</th><th>Year ended 31/12/10 HK\$'000</th></tr><tr><td>Balance at beginning of year</td><td>246</td><td>-</td></tr><tr><td>Recognition of equity-settled share-based payments</td><td>218</td><td>246</td></tr><tr><td>Issue of ordinary shares upon exercise of share options</td><td>(285)</td><td>-</td></tr><tr><td>Balance at end of year</td><td>179</td><td>246</td></tr></table> <p>HKAS 1.82A The share options reserve relates to share options granted to employees under the Company's employee share option plan. Items included in share options reserve will not be reclassified subsequently to profit or loss. Further information about share-based payments to employees is set out in note 47.1.</p> <p><b><i>Cash flow hedging reserve</i></b></p> <table><tr><th></th><th>Year ended 31/12/11 HK\$'000</th><th>Year ended 31/12/10 HK\$'000</th></tr><tr><td>Balance at beginning of year</td><td>278</td><td>242</td></tr><tr><td>Gain recognised in relation to cash flow hedges</td><td>406</td><td>316</td></tr><tr><td>Income tax relating to gains recognised in other comprehensive income</td><td>(101)</td><td>(79)</td></tr><tr><td>Reclassified to profit or loss</td><td>(355)</td><td>(287)</td></tr><tr><td>Income tax relating to amounts reclassified to profit or loss</td><td>86</td><td>86</td></tr><tr><td>Others [describe]</td><td>-</td><td>-</td></tr><tr><td>Balance at end of year</td><td>314</td><td>278</td></tr></table> <p>HKAS 1.82A The cash flow hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain and loss arising on changes in fair value of the hedging instrument that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.</p>		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	Balance at beginning of year	527	470	Net (loss)/gain arising on revaluation of available-for-sale investments	(400)	76	Income tax relating to (loss)/gain arising on revaluation of available-for-sale investments	100	(19)	Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale investments	-	-	Cumulative loss reclassified to profit or loss on impairment of available-for-sale investments	-	-	Balance at end of year	227	527		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	Balance at beginning of year	246	-	Recognition of equity-settled share-based payments	218	246	Issue of ordinary shares upon exercise of share options	(285)	-	Balance at end of year	179	246		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	Balance at beginning of year	278	242	Gain recognised in relation to cash flow hedges	406	316	Income tax relating to gains recognised in other comprehensive income	(101)	(79)	Reclassified to profit or loss	(355)	(287)	Income tax relating to amounts reclassified to profit or loss	86	86	Others [describe]	-	-	Balance at end of year	314	278
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000																																																											
Balance at beginning of year	527	470																																																											
Net (loss)/gain arising on revaluation of available-for-sale investments	(400)	76																																																											
Income tax relating to (loss)/gain arising on revaluation of available-for-sale investments	100	(19)																																																											
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale investments	-	-																																																											
Cumulative loss reclassified to profit or loss on impairment of available-for-sale investments	-	-																																																											
Balance at end of year	227	527																																																											
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000																																																											
Balance at beginning of year	246	-																																																											
Recognition of equity-settled share-based payments	218	246																																																											
Issue of ordinary shares upon exercise of share options	(285)	-																																																											
Balance at end of year	179	246																																																											
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Others [describe]	-	-																																																											
Balance at end of year	314	278																																																											

Source	Hong Kong GAAP Limited																
	<b>Notes to the consolidated financial statements</b> <b>For the year ended 31 December 2011 - continued</b>																
	Cumulative gains and losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line items in the consolidated [statement of profit or loss and other comprehensive income/statement of profit or loss]:																
		<table> <tr> <th></th><th>Year ended 31/12/11 HK\$'000</th><th>Year ended 31/12/10 HK\$'000</th></tr> <tr> <td>Increase in revenue</td><td>(355)</td><td>(287)</td></tr> <tr> <td>Increase in income tax expense</td><td>86</td><td>86</td></tr> <tr> <td>Others [describe]</td><td>-</td><td>-</td></tr> <tr> <td></td><td><u>(269)</u></td><td><u>(201)</u></td></tr> </table>		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000	Increase in revenue	(355)	(287)	Increase in income tax expense	86	86	Others [describe]	-	-		<u>(269)</u>	<u>(201)</u>
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000															
Increase in revenue	(355)	(287)															
Increase in income tax expense	86	86															
Others [describe]	-	-															
	<u>(269)</u>	<u>(201)</u>															
	<b>Foreign currency translation reserve</b>																
		<table> <tr> <th></th><th>Year ended 31/12/11 HK\$'000</th><th>Year ended 31/12/10 HK\$'000</th></tr> </table>		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000												
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000															
HKAS 1.82A	<b>Items that will not be reclassified subsequently to profit or loss:</b>																
	Balance at beginning of year	-															
	Exchange differences arising on translating to presentation currency	-															
	Other (describe)	-															
		<u>-</u>															
HKAS 1.82A	<b>Items that may be reclassified subsequently to profit or loss:</b>																
	Balance at beginning of year	317															
	Exchange differences arising on translating the net assets of foreign operations	(71)															
	Income tax relating to exchange differences arising on translating the net assets of foreign operations	-															
	Reclassified to profit or loss on disposal of foreign operations	(120)															
	Income tax relating to amounts reclassified to profit or loss on disposal of foreign operations	-															
	Other (describe)	-															
		<u>-</u>															
	Balance at end of year	<u>126</u>															
HKAS 1.82A	Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.																
	<b>Convertible notes equity reserve</b>																
		<table> <tr> <th></th><th>Year ended 31/12/11 HK\$'000</th><th>Year ended 31/12/10 HK\$'000</th></tr> </table>		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000												
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000															
	Balance at beginning of year	-															
	Recognition of the equity component of convertible notes	834															
	Deferred tax	(208)															
		<u>-</u>															
	Balance at end of year	<u>626</u>															
HKAS 1.82A	The convertible notes equity reserve represents the equity component (conversion rights) of the 4.5 million 5.5% convertible notes issued during the year (see note 38). Items included in convertible notes equity reserve will not be reclassified subsequently to profit or loss.																

## Section 3 – Examples of early application of some new and revised HKFRSs

### Appendix 3: Early application of the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* (as issued by the HKICPA in December 2010)

In December 2010, the HKICPA issued amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*. The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012, with early application permitted.

This appendix gives you examples of the application of the requirements of the amendments to HKAS 12.

Key assumptions used in the preparation of this appendix are as follows:

- Hong Kong GAAP Limited is assumed to have early applied the amendments to HKAS 12 in the current year in advance of the effective date.
- Hong Kong GAAP Limited and its subsidiaries are assumed not to be subject to any income tax on sale of their investment properties. The application of the amendments to HKAS 12 has resulted in adjustments to deferred tax liabilities and income tax expense regarding the Group's investment properties that is measured using the fair value model in accordance with HKAS 40 *Investment Property*. Amounts for the comparative period are restated, where appropriate. Therefore, a statement of financial position as at the beginning of the earliest comparative period in accordance with HKAS 1.10(f) is included.
- This appendix does not include a full set of financial statements; only the statement of financial position, statement of comprehensive income, statement of changes in equity and certain notes affected by the amendments are included. Regarding the statement of comprehensive income, one single statement presentation method is used and expenses are aggregated according to their function.

Note that in this appendix, we have frequently included line items for which a nil amount is shown, so as to illustrate items that, although not applicable to Hong Kong GAAP Limited, are commonly encountered in practice. This does not mean that we have illustrated all possible disclosures. Nor should it be taken to mean that, in practice, entities are required to display line items for such 'nil' amounts.

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Source	Hong Kong GAAP Limited		
HKAS 1.82(d)	<b>Consolidated statement of comprehensive income for the year ended 31 December 2011</b>		<b>[Alt 1]</b>
	<b>Note</b>	<b>Year ended 31/12/11 HK\$'000</b>	<b>Year ended 31/12/10 HK\$'000 (restated)</b>
	<b>Continuing operations</b>		
		140,918	151,840
		(87,897)	(91,840)
		53,021	60,000
		3,608	2,351
		(1,128)	(173)
		(11,520)	(10,055)
		(9,380)	(13,570)
		(4,178)	(6,313)
		(1,280)	(1,711)
		1,186	1,589
		581	-
		30,910	32,118
	10	(11,642)	(11,836)
		19,268	20,282
	<b>Discontinued operations</b>		
		8,310	9,995
		27,578	30,277
	<b>Other comprehensive income, net of income tax</b>		
		(191)	177
		(300)	57
		36	36
		-	-
		(455)	270
		27,123	30,547
	<b>Total comprehensive income for the year</b>		
	Profit attributable to:		
		23,578	27,514
		4,000	2,763
		27,578	30,277
	Total comprehensive income attributable to:		
		23,123	27,784
		4,000	2,763
		27,123	30,547

Source	Hong Kong GAAP Limited		
	<b>Consolidated statement of comprehensive income for the year ended 31 December 2011 – continued</b>		
		<b>[Alt 1] continued</b>	
	<u>Note</u>	Year ended 31/12/11	Year ended 31/12/10 (restated)
<b>Earnings per share</b>	17		
From continuing and discontinued operations			
Basic (HK cents per share)		<u>105.0</u>	<u>119.6</u>
Diluted (HK cents per share)		<u>99.4</u>	<u>118.8</u>
From continuing operations			
Basic (HK cents per share)		<u>68.0</u>	<u>76.1</u>
Diluted (HK cents per share)		<u>64.4</u>	<u>75.5</u>
<i>Note: The above illustrates the presentation of comprehensive income in one statement. The expenses above are aggregated according to their function.</i>			



Source	Hong Kong GAAP Limited			
	<b>Consolidated statement of financial position at 31 December 2011</b>			
	<u>Note</u>	<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000 (restated)	<u>01/01/10</u> HK\$'000 (restated)
<b>Non-current assets</b>				
Property, plant and equipment		111,583	137,211	164,503
Prepaid lease payments		2,300	2,400	2,500
Investment properties		2,086	1,942	170
Goodwill		20,285	24,060	23,920
Other intangible assets		9,739	11,325	12,523
Interests in associates		7,319	7,270	5,706
Held-to-maturity investments		2,059	1,658	1,212
Available-for-sale investments		5,600	4,857	3,403
Deferred tax assets	42	1,714	1,023	1,726
Finance lease receivables		830	717	739
Other financial assets		212	140	135
		<u>163,727</u>	<u>192,603</u>	<u>216,537</u>
<b>Current assets</b>				
Inventories		18,367	20,095	25,112
Trade and other receivables		20,995	14,792	12,357
Finance lease receivables		198	188	182
Amounts due from directors		656	107	82
Amounts due from customers for contract work		240	230	220
Held-to-maturity investments		4,804	3,604	2,200
Held-for-trading investments		12,480	8,448	6,201
Pledged bank deposits		2,000	2,000	2,000
Other financial assets		316	257	201
Current tax assets		125	60	81
Cash and bank balances		20,836	22,388	9,082
		<u>81,017</u>	<u>72,169</u>	<u>57,718</u>
Assets classified as held for sale		<u>22,336</u>	<u>-</u>	<u>-</u>
		<u>103,353</u>	<u>72,169</u>	<u>57,718</u>
<p><i>Note: HKAS 1.10(f) requires that an entity should present a statement of financial position as at the beginning of the earliest comparative period when it applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. In this appendix, the application of the amendments to HKAS 12 has resulted in retrospective restatement of items in the financial statements (see note 2). Therefore, this appendix includes the additional statement of financial position.</i></p>				

Source	Hong Kong GAAP Limited			
HKAS 1.54(o)	<b>Consolidated statement of financial position at 31 December 2011 – continued</b>			
	<u>Note</u>	<u>31/12/11</u> HK\$'000	<u>31/12/10</u> HK\$'000 (restated)	<u>01/01/10</u> HK\$'000 (restated)
	<b>Current liabilities</b>			
	Trade and other payables	12,087	20,488	53,162
	Amounts due to customers for contract work	36	15	12
	Borrowings	22,446	25,600	33,618
	Loan from government	2,798	-	-
	Other financial liabilities	116	18	-
	Current tax liabilities	5,270	5,868	4,910
	Provisions	3,356	3,195	2,235
	Deferred revenue	355	240	63
	Obligations under finance leases	9	54	72
	Bank overdrafts	538	378	312
		47,011	55,856	94,384
	Liabilities directly associated with assets classified as held for sale	3,684	-	-
		50,695	55,856	94,384
	<b>Net current assets/(liabilities)</b>	<b>52,658</b>	<b>16,313</b>	<b>(36,666)</b>
	<b>Total assets less current liabilities</b>	<b>216,385</b>	<b>208,916</b>	<b>179,871</b>
	<b>Capital and reserves</b>			
	Share capital	17,819	23,005	23,005
	Share premium and reserves	128,524	122,806	101,163
	Equity attributable to owners of the Company	146,343	145,811	124,168
	Non-controlling interests	25,511	21,200	18,437
	<b>Total equity</b>	<b>171,854</b>	<b>167,011</b>	<b>142,605</b>
	<b>Non-current liabilities</b>			
	Borrowings	31,178	31,713	28,014
	Loan from government	-	2,610	-
	Convertible notes	4,144	-	-
	Retirement benefit obligations	508	352	739
	Deferred tax liabilities	6,303	4,667	4,319
	Provisions	2,294	2,231	4,102
	Deferred revenue	24	297	41
	Obligations under finance leases	5	35	51
	Other financial liabilities	75	-	-
		44,531	41,905	37,266
		216,385	208,916	179,871

Source	Hong Kong GAAP Limited										
	Consolidated statement of changes in equity for the year ended 31 December 2011										
	Share capital HK\$'000	Share premium HK\$'000	Investments revaluation reserve HK\$'000	Share options reserve HK\$'000	Cash flow hedging reserve HK\$'000	Foreign currency translation reserve HK\$'000	Convertible notes equity reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000	Attributable to non- controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2010	23,005	26,474	470	-	242	140	-	73,837	124,168	18,437	142,605
Adjustments (see note 2)	-	-	-	-	-	-	-	-	-	-	-
Balance at 1 January 2010 (restated)	23,005	26,474	470	-	242	140	-	73,837	124,168	18,437	142,605
Profit for the year	-	-	-	-	-	-	-	27,514	27,514	2,763	30,277
Other comprehensive income for the year	-	-	57	-	36	177	-	-	270	-	270
Total comprehensive income for the year	-	-	57	-	36	177	-	27,514	27,784	2,763	30,547
Recognition of equity-settled share-based payments	-	-	-	246	-	-	-	-	246	-	246
Payment of dividends	-	-	-	-	-	-	-	(6,387)	(6,387)	-	(6,387)
Balance at 31 December 2010 (restated)	23,005	26,474	527	246	278	317	-	94,964	145,811	21,200	167,011
Profit for the year	-	-	-	-	-	-	-	23,578	23,578	4,000	27,578
Other comprehensive income (expense) for the year	-	-	(300)	-	36	(191)	-	-	(455)	-	(455)
Total comprehensive income (expense) for the year	-	-	(300)	-	36	(191)	-	23,578	23,123	4,000	27,123
Non-controlling interests arising on the acquisition of Subsix Limited (see note 50)	-	-	-	-	-	-	-	-	-	132	132
Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 59)	-	-	-	-	-	-	-	-	-	179	179
Difference arising on disposal of interest in Subone Limited (see note 59)	-	-	-	-	-	-	-	34	34	-	34
Recognition of equity-settled share-based payments	-	-	-	218	-	-	-	-	218	-	218
Issue of ordinary shares under employee share option plan	314	433	-	(285)	-	-	-	-	462	-	462
Recognition of the equity component of convertible notes	-	-	-	-	-	-	834	-	834	-	834
Transaction costs attributable to issue of new ordinary shares	-	(6)	-	-	-	-	-	-	(6)	-	(6)
Repurchase of ordinary shares	(5,500)	(11,247)	-	-	-	-	-	(555)	(17,302)	-	(17,302)
Transaction costs attributable to repurchase of ordinary shares	-	(227)	-	-	-	-	-	-	(227)	-	(227)
Income tax relating to transactions with owners	-	-	-	-	-	-	(208)	-	(208)	-	(208)
Payment of dividends	-	-	-	-	-	-	-	(6,396)	(6,396)	-	(6,396)
Balance at 31 December 2011	17,819	15,427	227	179	314	126	626	111,625	146,343	25,511	171,854

Source	Hong Kong GAAP Limited																		
	<p>Notes to the consolidated financial statements for the year ended 31 December 2011</p> <p>2. Application of new and revised Hong Kong Financial Reporting Standards (HKFRSs)</p> <p><i>Note: The note below gives examples of the application of the amendments to HKAS 12. Regarding impact of other new and revised Standards, please refer to Section 2 of this publication and other appendices.</i></p>																		
HKAS 8.28	<p><b>Amendments to HKAS 12 <i>Income Taxes</i></b></p> <p>The Group has applied the amendments to HKAS 12 titled <i>Deferred Tax: Recovery of Underlying Assets</i> in advance of the effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 <i>Investment Property</i> are presumed to be recovered through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.</p> <p>The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the directors have determined that the presumption set out in the amendments to HKAS 12 is not rebutted. The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties are recovered through use. The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK\$49,000 as at 31 December 2010 (1 January 2010: nil), with the corresponding adjustment being recognised in income tax expense for the year ended 31 December 2010.</p> <p>In the current year, no deferred taxes have been provided for changes in fair value of such investment properties. The change in accounting policy has resulted in the Group's income tax expense for the year ended 31 December 2011 being reduced by HK\$8,000 and profit for the year ended 31 December 2011 being increased by HK\$8,000.</p> <p><b>Impact of the application of amendments to HKAS 12</b></p> <table><tr><th><b>Impact on profit (loss) for the year</b></th><th><div>Year ended 31/12/11 HK\$'000</div></th><th><div>Year ended 31/12/10 HK\$'000</div></th></tr><tr><td>Decrease in income tax expenses and increase in profit for the year</td><td>8</td><td>49</td></tr><tr><td>Increase in profit for the year attributable to:</td><td></td><td></td></tr><tr><td>    Owners of the Company</td><td>8</td><td>49</td></tr><tr><td>    Non-controlling interests</td><td>-</td><td>-</td></tr><tr><td></td><td>8</td><td>49</td></tr></table>	<b>Impact on profit (loss) for the year</b>	<div>Year ended 31/12/11 HK\$'000</div>	<div>Year ended 31/12/10 HK\$'000</div>	Decrease in income tax expenses and increase in profit for the year	8	49	Increase in profit for the year attributable to:			Owners of the Company	8	49	Non-controlling interests	-	-		8	49
<b>Impact on profit (loss) for the year</b>	<div>Year ended 31/12/11 HK\$'000</div>	<div>Year ended 31/12/10 HK\$'000</div>																	
Decrease in income tax expenses and increase in profit for the year	8	49																	
Increase in profit for the year attributable to:																			
Owners of the Company	8	49																	
Non-controlling interests	-	-																	
	8	49																	

Source	Hong Kong GAAP Limited		
	Notes to the consolidated financial statements for the year ended 31 December 2011 – continued		
<b>Impact on net assets and equity as at 1 January 2010</b>	As at 01/01/10 as previously reported HK\$'000	Amendments to HKAS12 adjustments HK\$'000	As at 01/01/10 as restated HK\$'000
Deferred tax liabilities	4,319	-	4,319
Others (please specify)	-	-	-
Impact on net assets	4,319	-	4,319
Retained earnings	73,837	-	73,837
Others (please specify)	-	-	-
Impact on equity	73,837	-	73,837
<b>Impact on net assets and equity as at 31 December 2010</b>	As at 31/12/10 as previously reported HK\$'000	Amendments to HKAS12 adjustments HK\$'000	As at 31/12/10 as restated HK\$'000
Deferred tax liabilities	4,716	(49)	4,667
Others (please specify)	-	-	-
Impact on net assets	4,716	(49)	4,667
Retained earnings	94,915	49	94,964
Others (please specify)	-	-	-
Impact on equity	94,915	49	94,964
<b>Impact on net assets and equity as at 31 December 2011</b>		Amendments to HKAS 12 HK\$'000	
Decrease in deferred tax liabilities		57	
Others (please specify)		-	
Increase in net assets		57	
Increase in retained earnings		57	
Others (please specify)		-	
Impact on equity		57	

Source	Hong Kong GAAP Limited
IAS 12.51C	<p data-bbox="363 248 900 302"><b>Notes to the consolidated financial statements for the year ended 31 December 2011</b></p> <p data-bbox="363 331 748 358"><b>3. Significant accounting policies</b></p> <p data-bbox="363 400 1302 427"><i>Note: The note below only illustrates the accounting policy regarding deferred taxation.</i></p> <p data-bbox="363 472 464 499"><b>Taxation</b></p> <p data-bbox="363 528 1278 555">Income tax expense represents the sum of the tax currently payable and deferred tax.</p> <p data-bbox="363 584 1437 723">The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated [statement of comprehensive income/income statement] because of items of income or expense that are taxable or deductible in other years and 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 end of the reporting period.</p> <p data-bbox="363 752 1449 994">Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.</p> <p data-bbox="363 1023 1437 1216">Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.</p> <p data-bbox="363 1245 1398 1326">The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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.</p> <p data-bbox="363 1355 1449 1516">Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.</p> <p data-bbox="363 1545 1414 1684">Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.</p> <p data-bbox="363 1713 1449 1955">For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 <i>Investment Property</i>, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).</p>

Source	Hong Kong GAAP Limited																																																
	<p>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</p> <p>4. Critical accounting judgements and key sources of estimation uncertainty</p> <p><i>Critical judgements in applying accounting policies</i></p> <p>The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.</p> <p><u>Deferred taxation on investment properties</u></p> <p>For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model in HKAS 40, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption set out in HKAS 12.51C that investment properties measured using the fair value model are recovered through sale is not rebutted.</p> <p>10. Income tax expense (relating to continuing operations)</p> <p><i>Income tax recognised in profit or loss</i></p> <table><tr><td></td><td>Year ended 31/12/11 HK\$'000</td><td>Year ended 31/12/10 HK\$'000 (restated)</td></tr><tr><td>Current tax:</td><td></td><td></td></tr><tr><td>    Hong Kong</td><td>4,389</td><td>4,952</td></tr><tr><td>    PRC Enterprise Income Tax</td><td>5,513</td><td>5,790</td></tr><tr><td>    Other jurisdictions</td><td>34</td><td>55</td></tr><tr><td></td><td><u>9,936</u></td><td><u>10,797</u></td></tr><tr><td>Under/(over) provision in prior year:</td><td></td><td></td></tr><tr><td>    Hong Kong</td><td>-</td><td>-</td></tr><tr><td>    PRC Enterprise Income Tax</td><td>-</td><td>-</td></tr><tr><td>    Other jurisdictions</td><td>-</td><td>-</td></tr><tr><td></td><td><u>-</u></td><td><u>-</u></td></tr><tr><td>Deferred tax (see note 42):</td><td></td><td></td></tr><tr><td>    Current year</td><td>1,706</td><td>1,039</td></tr><tr><td>    Attributable to a change in tax rate</td><td>-</td><td>-</td></tr><tr><td></td><td><u>1,706</u></td><td><u>1,039</u></td></tr><tr><td>Total income tax recognised in profit or loss</td><td><u>11,642</u></td><td><u>11,836</u></td></tr></table> <p>Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.</p> <p>PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both years). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.</p>		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000 (restated)	Current tax:			Hong Kong	4,389	4,952	PRC Enterprise Income Tax	5,513	5,790	Other jurisdictions	34	55		<u>9,936</u>	<u>10,797</u>	Under/(over) provision in prior year:			Hong Kong	-	-	PRC Enterprise Income Tax	-	-	Other jurisdictions	-	-		<u>-</u>	<u>-</u>	Deferred tax (see note 42):			Current year	1,706	1,039	Attributable to a change in tax rate	-	-		<u>1,706</u>	<u>1,039</u>	Total income tax recognised in profit or loss	<u>11,642</u>	<u>11,836</u>
	Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000 (restated)																																															
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Other jurisdictions	-	-																																															
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HKAS 12.51C																																																	
HKAS 12.80																																																	

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b>		
HKAS 12.81(c)	The tax charge for the year can be reconciled to the profit per the consolidated [statement of comprehensive income/income statement] as follows:		
		Year ended 31/12/11 HK\$'000	Year ended 31/12/10 HK\$'000
	Profit before tax (from continuing operations)	30,910	32,118
	Tax at PRC Enterprise Income Tax rate of 25% (2010: 25%)	7,728	8,030
	Tax effect of share of profits of associates	(297)	(397)
	Tax effect of expenses not deductible for tax purpose	4,515	5,673
	Tax effect of income not taxable for tax purpose	(94)	(630)
	Under/(over) provision in prior year	-	-
	Tax effect of [tax losses/deductible temporary differences] not recognised	-	-
	Utilisation of [tax losses/deductible temporary differences] previously not recognised	-	-
	Effect of different tax rates of group entities operating in jurisdictions other than PRC	(210)	(840)
	Income tax expense for the year (relating to continuing operations)	11,642	11,836



Source	Hong Kong GAAP Limited																																																																																																																																																															
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2011 – continued</b></p> <p><b>17. Earnings per share</b></p> <p><b><i>Impact of changes in accounting policies</i></b></p> <p>Changes in the Group's accounting policies during the year are described in detail in note 2. The table below summarises that impact on both basic and diluted earnings per share.</p> <table><tr><th></th><th colspan="2">Increase (decrease) in profit for the year attributable to the owners of the Company</th><th colspan="2">Increase (decrease) in basic earnings per share</th><th colspan="2">Increase (decrease) in diluted earnings per share</th></tr><tr><th></th><th>Year ended 31/12/11</th><th>Year ended 31/12/10</th><th>Year ended 31/12/11</th><th>Year ended 31/12/10</th><th>Year ended 31/12/11</th><th>Year ended 31/12/10</th></tr><tr><th></th><th>HK\$'000</th><th>HK\$'000</th><th>Cents per share</th><th>Cents per share</th><th>Cents per share</th><th>Cents per share</th></tr><tr><td>Changes in accounting policies relating to:</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>- Application of the amendments to HKAS 12 (see note 2)</td><td>8</td><td>49</td><td>0.04</td><td>0.21</td><td>0.03</td><td>0.21</td></tr><tr><td>- Others (describe)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td></td><td><b>8</b></td><td><b>49</b></td><td><b>0.04</b></td><td><b>0.21</b></td><td><b>0.03</b></td><td><b>0.21</b></td></tr></table> <p><b>42. Deferred taxation</b></p> <p>The following are the major deferred tax balances recognised and movements thereon during the current and prior years:</p> <p><b><i>Deferred tax liabilities</i></b></p> <table><tr><th></th><th>Accelerated tax depreciation</th><th>Intangible assets</th><th>Convertible notes</th><th>Hedging instruments</th><th>Undistributed profits of associates</th><th>Available-for- sale investments</th><th>Investment properties</th><th>Others</th><th>Total</th></tr><tr><th></th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th></tr><tr><td>At 1 January 2010</td><td>2,540</td><td>650</td><td>-</td><td>110</td><td>570</td><td>202</td><td>-</td><td>335</td><td>4,407</td></tr><tr><td>Charge (credit) to profit or loss</td><td>440</td><td>(97)</td><td>-</td><td>-</td><td>150</td><td>-</td><td>-</td><td>655</td><td>1,148</td></tr><tr><td>Charge (credit) to other comprehensive income</td><td>-</td><td>-</td><td>-</td><td>(7)</td><td>-</td><td>19</td><td>-</td><td>-</td><td>12</td></tr><tr><td>At 31 December 2010</td><td><b>2,980</b></td><td><b>553</b></td><td><b>-</b></td><td><b>103</b></td><td><b>720</b></td><td><b>221</b></td><td><b>-</b></td><td><b>990</b></td><td><b>5,567</b></td></tr><tr><td>Charge (credit) to profit or loss</td><td>1,606</td><td>(214)</td><td>(9)</td><td>-</td><td>400</td><td>-</td><td>-</td><td>(47)</td><td>1,736</td></tr><tr><td>Charge (credit) to other comprehensive income</td><td>-</td><td>-</td><td>-</td><td>15</td><td>-</td><td>(100)</td><td>-</td><td>-</td><td>(85)</td></tr><tr><td>Recognised directly in equity</td><td>-</td><td>-</td><td>208</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>208</td></tr><tr><td>Acquisitions/ disposals</td><td>(454)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>(454)</td></tr><tr><td>At 31 December 2011</td><td><b>4,132</b></td><td><b>339</b></td><td><b>199</b></td><td><b>118</b></td><td><b>1,120</b></td><td><b>121</b></td><td><b>-</b></td><td><b>943</b></td><td><b>6,972</b></td></tr></table>		Increase (decrease) in profit for the year attributable to the owners of the Company		Increase (decrease) in basic earnings per share		Increase (decrease) in diluted earnings per share			Year ended 31/12/11	Year ended 31/12/10	Year ended 31/12/11	Year ended 31/12/10	Year ended 31/12/11	Year ended 31/12/10		HK\$'000	HK\$'000	Cents per share	Cents per share	Cents per share	Cents per share	Changes in accounting policies relating to:							- Application of the amendments to HKAS 12 (see note 2)	8	49	0.04	0.21	0.03	0.21	- Others (describe)	-	-	-	-	-	-		<b>8</b>	<b>49</b>	<b>0.04</b>	<b>0.21</b>	<b>0.03</b>	<b>0.21</b>		Accelerated tax depreciation	Intangible assets	Convertible notes	Hedging instruments	Undistributed profits of associates	Available-for- sale investments	Investment properties	Others	Total		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	At 1 January 2010	2,540	650	-	110	570	202	-	335	4,407	Charge (credit) to profit or loss	440	(97)	-	-	150	-	-	655	1,148	Charge (credit) to other comprehensive income	-	-	-	(7)	-	19	-	-	12	At 31 December 2010	<b>2,980</b>	<b>553</b>	<b>-</b>	<b>103</b>	<b>720</b>	<b>221</b>	<b>-</b>	<b>990</b>	<b>5,567</b>	Charge (credit) to profit or loss	1,606	(214)	(9)	-	400	-	-	(47)	1,736	Charge (credit) to other comprehensive income	-	-	-	15	-	(100)	-	-	(85)	Recognised directly in equity	-	-	208	-	-	-	-	-	208	Acquisitions/ disposals	(454)	-	-	-	-	-	-	-	(454)	At 31 December 2011	<b>4,132</b>	<b>339</b>	<b>199</b>	<b>118</b>	<b>1,120</b>	<b>121</b>	<b>-</b>	<b>943</b>	<b>6,972</b>
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Source	Hong Kong GAAP Limited					
	<b>Notes to the consolidated financial statements</b> <b>for the year ended 31 December 2011 – continued</b>					
	<b>Deferred tax assets</b>					
		Deferred revenue	Doubtful debts	Provisions	Tax losses	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010		20	52	1,692	50	1,814
Credit (charge) to profit or loss		12	167	(20)	(50)	109
At 31 December 2010		32	219	1,672	-	1,923
Credit (charge) to profit or loss		10	(12)	32	-	30
At 31 December 2011		42	207	1,704	-	1,953
<p>For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:</p>						
		31/12/11	31/12/10			
		HK\$'000	HK\$'000			
Deferred tax assets		1,714	1,023			
Deferred tax liabilities		(6,303)	(4,667)			
		(4,589)	(3,644)			
Deferred tax liabilities associated with assets held for sale		(430)	-			
		(5,019)	(3,644)			
<p>Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to HK\$18 million (31 December 2010: HK\$17 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.</p>						
<p>At the end of the reporting period, the Group has unused tax losses of HK\$3 million (31 December 2010: HK\$3 million) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.</p>						

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**Hong Kong Financial Reporting Standards - Illustrative Annual Financial Statements 2011** aims to provide useful guidance to preparers of financial statements reporting under Hong Kong Financial Reporting Standards (HKFRSs). Specifically, this publication contains a set of illustrative annual financial statements for the year ended 31 December 2011 of an hypothetical entity with its shares listed on The Stock Exchange of Hong Kong Limited that are prepared in accordance with HKFRSs and the relevant disclosure requirements set out in the Hong Kong Companies Ordinance and the Listing Rules.

The illustrative annual financial statements reflect the impact of the application of some key HKFRSs that are mandatorily effective for 2011 (e.g. HKAS 24 *Related Party Disclosures* (as revised in 2009) and a number of amendments arising from the annual improvements project.

A number of appendices are also included in this publication in order to give examples of the early application of a number of new and revised Standards that are not yet mandatorily effective on 1 January 2011 (e.g. amendments to HKAS 12 titled *Deferred Tax – Recovery of Underlying Assets*, a package of five new and revised Standards on consolidation, joint arrangements, associates and disclosures issued in 2011).

We hope that this publication will help you navigate through the increasingly complex and changing financial reporting requirements in Hong Kong. To keep you up to date with the new international accounting developments that will shape Hong Kong financial reporting in the future, please visit the Deloitte IAS PLUS website ([www.iasplus.com](http://www.iasplus.com)).

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As early as 1917, we opened an office in Shanghai. Backed by our global network, we deliver a full range of audit, tax, consulting and financial advisory services to national, multinational and growth enterprise clients in China.

We have considerable experience in China and have been a significant contributor to the development of China's accounting standards, taxation system and local professional accountants. We also provide services to around one-third of all companies listed on the Stock Exchange of Hong Kong.

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