

Hong Kong Financial  
Reporting Standards  
Illustrative Annual Financial  
Statements 2009





# **Hong Kong Financial Reporting Standards**

**Illustrative Annual Financial Statements 2009**

**Deloitte.**  
德勤

**IAS PLUS**



## Foreword

Welcome to the 2009 edition of Hong Kong Financial Reporting Standards – Illustrative Annual Financial Statements.

This publication includes:

- information about the recent developments in Hong Kong Financial Reporting Standards (HKFRSs) and regulatory updates in Hong Kong (see Section 1); and
- an illustrative annual report for the year ended 31 December 2009 issued by a Hong Kong listed company, *Hong Kong GAAP Limited* (see Section 2).

For the purposes of the preparation of the illustrative financial statements for the year ended 31 December 2009, we assume that Hong Kong GAAP Limited decided to early apply HKFRS 3 (Revised in 2008) *Business Combinations* and HKAS 27 (Revised in 2008) *Consolidated and Separate Financial Statements*. It can be seen from the illustrative financial statements that the application of HKFRS 3 (Revised in 2008) and HKAS 27 (Revised in 2008) have significant impact on how entities account for business combinations and changes in ownership interests.

Other new and revised HKFRSs that are not yet mandatorily effective for the year ended 31 December 2009 generally allow earlier application in advance of their effective dates. Due consideration should be given to these HKFRSs. Even if an entity does not early apply any new and revised HKFRS, it is required to disclose the potential financial impact in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in its financial statements for the year ended 31 December 2009.

We have not included a presentation and disclosure checklist (that is applicable to the 2009 HKFRS annual financial statements) in this publication. However, the checklist will soon be available for download on our IAS Plus website ([www.iasplus.com](http://www.iasplus.com)).

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 future via our IAS Plus website ([www.iasplus.com](http://www.iasplus.com)).

Stephen Taylor  
Partner  
Deloitte Touche Tohmatsu, January 2010



**Contents**

	<b>Page</b>
Section 1 - What's new for 2009 annual financial statements and beyond?	5
I. Overview of new and revised Hong Kong Financial Reporting Standards	5
II. Regulatory update in Hong Kong	25
Section 2 - HKFRS Illustrative Annual Financial Statements 2009	30

## 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 of the IASB (also refers to interpretations issued by IFRIC)
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



## What's new for 2009 annual financial statements and beyond?

### I. Overview of new and revised Hong Kong Financial Reporting Standards

A number of new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") are effective for the year ended 31 December 2009. Some of these new and revised HKFRSs may have significant impact on the financial performance and/or financial position of entities for the year ended 31 December 2009.

In addition, some of the new and revised HKFRSs (although not yet mandatorily effective for the year ended 31 December 2009) allow earlier application. For example, HKFRS 3 (Revised in 2008) *Business Combinations* and HKAS 27 (Revised in 2008) *Consolidated and Separate Financial Statements* (that are effective for annual periods beginning on or after 1 July 2009) permit earlier application and will have significant impact on how business combinations and changes in ownership interests in subsidiaries are accounted for. Some entities may be interested in earlier application of these HKFRSs. Even when some entities may not have any intention to apply these HKFRSs in advance of their effective dates, they do need to be aware of the new and revised HKFRSs in order to satisfy the requirements in HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* that require entities to disclose in their financial statements the potential impact of HKFRSs that are in issue but are not yet effective.

To help you get well-prepared, this section provides you with a high level overview of the new and revised HKFRSs. As always, you should refer to the related HKFRSs to identify all of the changes that may affect your particular circumstances.

Specifically, this section includes the following:

- Overview of new and revised HKFRSs; and
- Regulatory update in Hong Kong.

## Overview of new and revised HKFRSs

***New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2009***

New Standards		Effective for annual periods beginning on or after	Application
HKFRS 8	Operating Segments	1 January 2009	Retrospective application

Revised Standards		Effective for annual periods beginning on or after	Application
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009	Retrospective application
HKAS 23 (Revised)	Borrowing Costs	1 January 2009	Prospective application, with specific transitional provisions

Amendments to Standards		Effective for annual periods beginning on or after	Application
HKFRS 1 & HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	Prospective application
HKFRS 2	Vesting Conditions and Cancellations	1 January 2009	Retrospective application
HKFRS 7	Improving Disclosures about Financial Instruments	1 January 2009	No need to present comparative information for additional disclosures in the first year of application
HKAS 32 & HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	Retrospective application
HK (IFRIC) – Int 9 and HKAS 39	Embedded Derivatives	Annual periods ending on or after 30 June 2009	Retrospective application
Various	Improvements to HKFRSs (issued in 2008)	1 January 2009 except for the amendment to HKFRS 5	Retrospective / prospective application

New Interpretations		Effective for annual periods beginning on or after	Application
HK (IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008	Retrospective application
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate	1 January 2009	Retrospective application
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008	Prospective application, with specific transitional provisions
HK (IFRIC) – Int 18	Transfers of Assets from Customers	Transfers of assets from customers received on or after 1 July 2009	Prospective application

**New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2009 – continued*****Summaries and potential impact******HKFRS 8 Operating Segments******(Effective for annual periods beginning on or after 1 January 2009)***

HKFRS 8 supersedes HKAS 14 *Segment Reporting*. HKFRS 8's core principle is that an entity should disclose information about its reportable segments (which may be operating segments or aggregation of two or more operating segments if the specified aggregation criteria are met) to enable users of the financial statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environments in which it operates.

Operating segments are components of an entity for which separate financial information is available and whose results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The application of HKFRS 8 may or may not change segment reporting of an entity, depending on how the entity applied HKAS 14 in the past. HKAS 14 required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving as the starting point for the identification of such segments. In contrast to HKAS 14, the identification of operating segments under HKFRS 8 is based on the "management" approach – the information management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments.

In addition, HKFRS 8 does not define segment revenue, segment expense, segment result, segment assets and segment liabilities. Nor does it require segment information to be prepared in conformity with the accounting policies adopted for the entities' financial statements. As a consequence, entities will have more discretion in determining what is included in segment profit or loss under HKFRS 8, limited only by their internal reporting practices.

The Financial Reporting Review Panel (FRRP) of the Financial Reporting Council in the United Kingdom has recently reviewed a sample of 2009 interim accounts and 2008 annual accounts of entities that had early applied IFRS 8. In January 2010, the FRRP has issued a Press Notice that sets out questions it raised to companies for further explanations and its recommendations on segment reporting. We believe that such information is useful for entities that apply HKFRS 8 (that is identical to IFRS 8).

**Major questions raised by the FRRP to companies**

- Why only one segment is reported in the financial statements although the companies engage in different businesses or have operations in different countries;
- Why the operating result set out in the narrative report (e.g. Management Discussion and Analysis) differs from the operating segments in the financial statements;
- Why the titles and responsibilities of executive management team imply an organisational structure which is not reflected in the operating segments; and
- Why the commentary in the narrative report focuses on non-IFRS measures whereas the segmental disclosures are based on IFRS amounts.

**Recommendations from the FRRP**

The FRRP gives a number of recommendations on segment reporting. Particularly, the FRRP recommends that entities should ensure that segment reporting is consistent with the internal business review.

***HKAS 1 (Revised) Presentation of Financial Statements******(Effective for annual periods beginning on or after 1 January 2009)***

The text of HKAS 1 has been substantially rewritten, with many changes in terminology, including changes to the titles of individual financial statements (e.g. a 'balance sheet' is now referred to as a 'statement of financial position').

**New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2009 – continued**

The most significant effects of the amendments to HKAS 1 are as follows:

- a new requirement to include a statement of financial position as at the beginning of the earliest comparative period (more commonly referred to as a third statement of financial position) whenever an entity retrospectively applies an accounting policy, or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements;
- the introduction of a statement of comprehensive income for the presentation of 'other comprehensive income' (e.g. gains and losses on revaluation of property, plant and equipment) separately from the statement of changes in equity;
- all items of income and expenses (including items of other comprehensive income) must be presented either in a single statement (a "statement of comprehensive income") or in two statements (a separate "income statement" and "statement of comprehensive income");
- entities are no longer permitted to present transactions with owners in their capacity as owners in the notes – the statement of changes in equity must be presented as a separate statement; and
- new detailed requirements have been introduced regarding the presentation of items of other comprehensive income.

***HKAS 23 (Revised) Borrowing Costs  
(Effective for annual periods beginning on or after 1 January 2009)***

HKAS 23 (Revised) eliminates the option available under the previous version of the Standard to recognise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset immediately as an expense.

To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, HKAS 23 (Revised) requires those borrowing costs to be capitalised as part of the cost of that asset. All other borrowing costs should be expensed as incurred.

The revised Standard is effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The revised Standard gives a transitional provision. That is, when the application of the revised Standard constitutes a change in accounting policy, entities should apply the revised Standard to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date. However, entities may designate any date before the effective date and apply the revised Standard to borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after that date.

***Amendments to HKFRS 1 and HKAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate  
(Effective for annual periods beginning on or after 1 January 2009)***

The amendments to HKFRS 1 deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when applying HKFRSs for the first time, and address concerns that the previous requirement to retrospectively determine cost and to apply the cost method in accordance with HKAS 27 could not, in some circumstances, be achieved without undue cost or effort for first-time adopters.

Following the amendments, HKFRS 1 permits a first-time adopter that has chosen to account for such investments at cost, to measure that cost using a 'deemed cost' approach. The deemed cost would be determined (on an asset-by-asset basis) as either:

- fair value (determined in accordance with HKAS 39) at the entity's date of transition to HKFRSs in its separate financial statements; or
- the previous GAAP carrying amount of the investment at that date.

The amendments to HKAS 27 have removed from HKAS 27 the requirement to distinguish between pre- and post-acquisition dividends. The revised Standard now applies the general requirements of HKAS 18 *Revenue* and requires that dividends received from subsidiaries, jointly controlled entities and associates be recognised in profit or loss when the entity's right to receive the dividend is established.

**New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2009 – continued**

To address concerns that the new rules for recognition of dividends could result in inappropriate recognition of profit, HKAS 36 *Impairment of Assets* has also been amended by the introduction of a new indicator of impairment. In assessing whether an impairment test involving an estimation of the recoverable amount of the investment is required, an entity should consider whether it has recognised a dividend from the investment and evidence is available that:

- the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets; or
- the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period in which the dividend is declared.

**Amendments to HKFRS 2: Vesting Conditions and Cancellations  
(Effective for annual periods beginning on or after 1 January 2009)**

The amendments to HKFRS 2 clarify the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a share-based payment arrangement.

Vesting conditions are the conditions imposed under a share-based payment arrangement that the counterparty (whether an employee or otherwise) must satisfy in order to receive cash, other assets or equity instruments of the entity.

The amendments:

- clarify that vesting conditions are those conditions that determine whether the entity receives the services that result in the counterparty's entitlement;
- restrict the definition of vesting conditions to include only service conditions and performance conditions; and
- amend the definition of a performance condition to require the completion of a service period in addition to specified performance targets.

All features of a share-based payment arrangement other than service conditions and performance conditions are considered to be non-vesting conditions.

The amendments to HKFRS 2 specify that, when estimating the fair value of equity instruments granted, an entity should take into account:

- all non-vesting conditions (i.e. all conditions other than service and performance conditions); and
- vesting conditions that are market conditions (i.e. conditions that are related to the market price of the entity's equity instruments – for example, attaining a specified share price).

The amendments to HKFRS 2 also clarify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Under HKFRS 2, a cancellation of equity instruments is accounted for as an acceleration of the vesting period. Therefore any amount unrecognised that would otherwise have been charged is recognised immediately. Any payments made with the cancellation (up to the fair value of the equity instruments) are accounted for as the repurchase of an equity interest. Any payment in excess of the fair value of the equity instruments granted is recognised as an expense.

**New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2009 – continued**

***Amendments to HKFRS 7: Improving Disclosures about Financial Instruments  
(Effective for annual periods beginning on or after 1 January 2009)***

The amendments expand the disclosures required in respect of financial instruments that are measured at fair value at the end of reporting periods. Specifically, a three-level fair value measurement hierarchy has been introduced, which is similar to the hierarchy set out in the US Accounting Standard SFAS 157 *Fair Value Measurements*.

The amendments have also been made to the liquidity risk disclosures.

- Firstly, the amendments clarify the scope of items to be included in the maturity analyses required under HKFRS 7 by changing the definition of liquidity risk to state that liquidity risk only includes financial liabilities that are settled by delivering cash or another financial asset. This results in the exclusion of financial liabilities that are settled by the entity delivering its own equity instruments or non-financial assets.
- Secondly, the amendments specify different liquidity risk disclosure requirements for derivative and non-derivative financial liabilities.
  - For non-derivative financial liabilities (including issued financial guarantee contracts), the maturity analysis is required to show the remaining contractual maturities; and
  - For derivative financial liabilities, the maturity analysis is required to include the remaining contractual maturities where these are essential for an understanding of the timing of cash flows. This would be the case for all loan commitments and in circumstances such as an interest rate swap in a cash flow hedge for a variable rate financial instrument.

***Amendments to HKAS 32 and HKAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation  
(Effective for annual periods beginning on or after 1 January 2009)***

The amendments to HKAS 32 address the classification of puttable financial instruments and obligations arising only on liquidation.

Following the revisions, puttable financial instruments are presented as equity only if all of the following criteria are met:

- (a) the holder is entitled to a pro-rata share of the entity's net assets on liquidation;
- (b) the instrument is in the class of instruments that is the most subordinate and all instruments in that class have identical features;
- (c) the instrument has no other characteristics that would meet the definition of a financial liability; and
- (d) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity (excluding any effects of the instrument itself). Profit or loss or change in recognised net assets for this purpose is measured in accordance with relevant HKFRSs.

In addition to the criteria set out above, the entity must have no other instrument that has terms equivalent to (d) above and that has the effect of substantially restricting or fixing the residual return to the holders of the puttable financial instruments.

The criteria for equity classification for instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation are the same as above except (c) and (d) do not apply. Criterion (c) does not apply because, if there is a component of the instrument that meets the definition of a liability (other than the right at liquidation itself), this will be recognised separately as a financial liability and the instrument will be presented as a compound instrument, i.e. with both liability and equity components. Criterion (d) does not apply because should any cash flows be paid to the holder of the instrument during the instrument's life, this will reduce the amount ultimately payable at liquidation.

HKAS 1 has been amended by the introduction of new disclosure requirements relating to puttable instruments and obligations arising on liquidation.



**New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2009 – continued*****Amendment to HK (IFRIC) – Int 9 and HKAS 39: Embedded Derivatives  
(Effective for annual periods ending on or after 30 June 2009)***

Following the amendments to HKAS 39 in 2008, which permitted reclassifications out of the fair value through profit or loss (FVTPL) category for certain held-for-trading financial assets in limited circumstances, HK (IFRIC) – Int 9 and HKAS 39 were amended to make clear that an entity is required to assess whether an embedded derivative is closely related to the host contract at the date of reclassification.

The amendments to HK (IFRIC) – Int 9 make clear that reassessment is prohibited, except in the following two circumstances, when it is required:

- when there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract; and
- when there is a reclassification of a financial asset out of the FVTPL category.

***Improvements to HKFRSs (issued in 2008)  
(Effective date: Various (mostly effective for annual periods beginning on or after 1 January 2009))***

The Improvements includes 35 amendments. The amendments that may result in accounting changes for presentation, recognition and measurement are summarised below.

Standard	Subject of amendment	Details
HKFRS 5	Plan to sell the controlling interest in a subsidiary	Clarification that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.
HKAS 1	Current/non-current classification of derivatives	Amendments to paragraphs 68 and 71 of HKAS 1(2007) to clarify that financial instruments classified as held for trading in accordance with HKAS 39 are not always required to be presented as current assets/liabilities.
HKAS 16	Recoverable amount	Replacement of the term 'net selling price' with 'fair value less cost to sell' in the definition of recoverable amount, for consistency with the wording used in HKFRS 5 and HKAS 36.
HKAS 16 / HKAS 17	Sale of assets held for rental	Entities that routinely sell items of property, plant and equipment that they have previously held for rental to others should transfer such assets to inventories at their carrying amount when they cease to be rented and are held for sale. The proceeds from the sale of such assets should be recognised as revenue in accordance with HKAS 18.  Cash payments to manufacture or acquire such assets and cash receipts from rental and sale of such assets are to be included within operating activities.
HKAS 19	Curtailments and negative past service cost	Clarification that: <ul style="list-style-type: none"> <li>• when a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;</li> <li>• negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and</li> <li>• a curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.</li> </ul> In addition, references to materiality have been replaced with 'significant' in paragraph 111 of the Standard.
HKAS 19	Plan administration costs	Amendment of the definition of 'return on plan assets' to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

**New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2009 – continued**

Standard	Subject of amendment	Details
HKAS 19	Replacement of term 'fall due'	Amendment of the definitions of 'short-term employee benefits' and 'other long-term employee benefits' to refer to when the benefits are 'due to be settled', rather than when they 'fall due'.
HKAS 19	Guidance on contingent liabilities	Removal of the reference to 'recognition' in relation to contingent liabilities as it was inconsistent with HKAS 37, which states that an entity should not recognise a contingent liability.
HKAS 20	Government loans with a below-market rate of interest	Amendment to require that the benefit of such loans be accounted for as a government grant – measured as the difference between the initial carrying amount of the loan determined in accordance with HKAS 39 and the proceeds received.
HKAS 23	Components of borrowing costs	Description of specific components replaced with a reference to the guidance in HKAS 39 on effective interest rate.
HKAS 27	Measurement in separate financial statements of investments in subsidiaries, jointly controlled entities and associates held for sale	Amendment to require that investments in subsidiaries, jointly controlled entities and associates accounted for in accordance with HKAS 39 in the parent's separate financial statements should continue to be measured in accordance with HKAS 39 when classified as held for sale (or included in a disposal group classified as held for sale).
HKAS 28 / HKAS 32 / HKFRS 7	Required disclosures when investments in associates are accounted for at fair value through profit or loss	Clarification of disclosures required for investments in associates accounted for at fair value in accordance with HKAS 39 (i.e. only certain of HKAS 28's disclosures are required in addition to those required by HKFRS 7).
HKAS 28	Impairment of investments in associates	Clarification that an investment in an associate is treated as a single asset for impairment testing. Therefore, an impairment loss recorded by an investor after applying the equity method is not allocated against any goodwill included in the equity-accounted investment balance. Such an impairment loss should be reversed in a subsequent period to the extent that the recoverable amount of the associate increases.
HKAS 29	Description of historical cost financial statements	Amendment to reflect the fact that in historical cost financial statements, some assets and liabilities may be measured at current values (e.g. property, plant and equipment measured at fair value).
HKAS 31 / HKAS 32 / HKFRS 7	Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss	Clarification of disclosures required for interests in jointly controlled entities accounted for at fair value in accordance with HKAS 39 (i.e. only certain of HKAS 31's disclosures are required in addition to those required by HKFRS 7).
HKAS 36	Disclosure of estimates used to determine recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives	Amendment to extend the disclosures required when discounted cash flows are used to estimate fair value less costs to sell, to include: <ul style="list-style-type: none"> <li>• the period over which management has projected cash flows;</li> <li>• the growth rate used to extrapolate cash flow projections; and</li> <li>• the discount rate(s) applied to the cash flow projections.</li> </ul>
HKAS 38	Advertising and promotional activities	The amendments clarify the circumstances in which an entity can recognise a prepayment asset for advertising or promotional expenditure. Recognition of an asset would be permitted up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues specifically identified as a form of advertising and promotional activities.



**New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2009 – continued**

Standard	Subject of amendment	Details
HKAS 38	Unit of production method of amortisation	Removal of wording perceived as prohibiting the use of the unit of production method if it results in a lower amount of accumulated amortisation than under the straight-line method. Entities may use the unit of production method when the resulting amortisation charge reflects the expected pattern of consumption of the expected future economic benefits embodied in an intangible asset.
HKAS 39	Reclassifying instruments into and out of the classification of at "fair value through profit or loss"	HKAS 39 prohibits the classification of financial instruments into or out of "the fair value through profit or loss (FVTPL)" category after initial recognition. Amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.
HKAS 39	Designating and documenting hedges at the segment level	Removal of references to the designation of hedging instruments at the segment level.
HKAS 39	Applicable effective interest rate on cessation of fair value hedge accounting	Clarification that the revised effective interest rate calculated on cessation of fair value hedge accounting in accordance with paragraph 92 of the Standard should be used for the remeasurement of the hedged item when paragraph AG8 of the Standard is applicable.
HKAS 40 / HKAS 16	Property under construction or development for future use as investment property	Amendment to bring property under construction or development for future use as an investment property within the scope of HKAS 40. Such property previously fell within the scope of HKAS 16.
HKAS 41	Discount rate for fair value calculations	Previously, HKAS 41 required that the discount rate used to determine fair value should be a pre-tax rate. The amendment requires a current market determined rate to be used, but permits this to be a pre-tax or post-tax rate according to the valuation methodology used to determine fair value.
HKAS 41	Additional biological transformation	Removal of prohibition on taking 'additional biological transformation' into consideration when calculating the fair value of biological assets using discounted cash flows.  In addition, the definition of 'agricultural activity' has been amended to include the harvest of biological assets.

***HK (IFRIC) – Int 13 Customer Loyalty Programmes  
(Effective for annual periods beginning on or after 1 July 2008)***

HK (IFRIC) – Int 13 addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards (called 'award credits' in HK (IFRIC) – Int 13) as part of a sales transaction. Common examples are airline and hotel loyalty schemes and credit card reward schemes. HK (IFRIC) – Int 13 addresses the accounting by the entity that grants the award credits. It applies to customer loyalty award credits that:

- entities grant to their customers as part of a sales transaction under HKAS 18 (a sale of goods, rendering of services or use by the customer of entity assets); and
- subject to meeting any further qualifying conditions, the customers can redeem for free or discounted goods or services in the future.

HK (IFRIC) – Int 13 requires the entity that grants the awards to account for the sales transaction that gives rise to the award credits as a 'multiple-element revenue transaction' and to allocate the fair value of the consideration received or receivable between the award credits granted and the other components of the revenue transaction. This treatment applies irrespective of whether the entity supplies the awards (the discounted goods or services) or whether a third party supplies them.

For arrangements within its scope, HK (IFRIC) – Int 13 explicitly prohibits the alternative treatment of recognising the full consideration received as revenue, with a separate liability for the cost of supplying the awards.

**New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2009 – continued**

***HK (IFRIC) – Int 15 Agreements for the Construction of Real Estate  
(Effective for annual periods beginning on or after 1 January 2009)***

Upon the issuance of HK (IFRIC) Int - 15, HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties* has been withdrawn and an example on real estate sales set out in the Appendix to HKAS 18 *Revenue* has been removed.

The application of HK (IFRIC) – Int 15 may have significant impact on revenue recognition for property developers in Hong Kong and the Mainland China.

HK (IFRIC) – Int 15 deals with:

- Whether agreements for the construction of real estate from property developers' perspective are within the scope of HKAS 11 *Construction Contracts* or HKAS 18; and
- When revenue from the construction of real estate should be recognised by property developers.

**Is the agreement within the scope of HKAS 11 or HKAS 18?**

Similar to the requirements in HK Interpretation 3, the decision depends on whether the agreement meets the definition of a construction contract set out in paragraph 3 of HKAS 11 that states that a construction contract is a contract that is specifically negotiated for the construction of an asset or a combination of assets. In particular, an agreement for the construction of real estate meets the definition of a construction contract when the buyer is able to specify the structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. In contrast, an agreement for the construction of real estate in which buyers have only limited ability to influence the design of the real estate (e.g. to select a design from a range of options specified by the entity, or to specify only minor variations of the basic design) does not meet the definition of a construction contract.

In Hong Kong and the Mainland China, agreements for the construction of condominium units generally do not meet the definition of construction contract in HKAS 11 and are therefore within the scope of HKAS 18.

**When should revenue from the construction of real estate be recognised?**

Previously, under HK Interpretation 3, agreements for construction of real estate that did not meet the definition of a construction contract were accounted for as the sale of goods and hence revenue was recognised in accordance with HKAS 18.

Under HK (IFRIC) – Int 15, agreements that do not meet the definition of a construction contract may be agreements for the rendering of services or for the sale of goods within the scope of HKAS 18. If the agreements are agreements for the sale of goods, and control and the significant risks and rewards of ownership of the real estate in its entirety are transferred to the buyer at a single time (e.g. at completion, upon or after delivery), revenue should be recognised when all the criteria set out in paragraph 14 of HKAS 18 are met.

**When are the criteria set out in paragraph 14 of HKAS 18 met?**

Before HK (IFRIC) Int – 15 was issued, HKAS 18 contained an example on real estate sales that states: *"Revenue is normally recognised when legal title passes to the buyer. However, in some jurisdictions the equitable interest in a property may vest in the buyer before legal title passes and therefore the risks and rewards of ownership have been transferred at that stage. In such cases, provided that the seller has no further substantial acts to complete under the contract, it may be appropriate to recognise revenue."*

The above example has been superseded by HK (IFRIC) - Int 15, and as stated above, reference should be made to paragraph 14 of HKAS 18.

In the light of HK (IFRIC) Int – 15, entities should revisit their accounting policies based on the criteria set out in paragraph 14 of HKAS 18.

**New and revised HKFRSs that are mandatorily effective for the year ended 31 December 2009 – continued*****HK (IFRIC) – Int 16 Hedges of a Net Investment in a Foreign Operation  
(Effective for annual periods beginning on or after 1 October 2008)***

HK (IFRIC) – Int 16 clarifies three main issues, as summarised below.

- Whether hedgeable risk arises from (a) the foreign currency exposure to the functional currencies of the foreign operation and the parent entity, or from (b) the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements. HK (IFRIC) – Int 16 concludes that the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.
- Which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument. HK (IFRIC) – Int 16 concludes that the hedging instrument(s) may be held by any entity or entities within the group (including the foreign operation).
- How an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment. HK (IFRIC) – Int 16 concludes that while HKAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, HKAS 21 *The Effects of Changes in Foreign Exchange Rates* must be applied in respect of the hedged item.

***HK (IFRIC) – Int 18 Transfer of Assets from Customers  
(Effective for transfers of assets from customers received on or after 1 July 2009)***

HK (IFRIC) – Int 18 was issued to address divergent practice in the accounting by recipients for transfers of property, plant and equipment from 'customers'.

HK (IFRIC) – Int 18 concludes that the entity receiving the item of property, plant and equipment recognises it in its statement of financial position when it meets the definition of an asset under the *Framework for the Preparation and Presentation of Financial Statements*. HK (IFRIC) – Int 18 emphasises that, if the entity controls the asset, it should recognise it, whilst noting that right of ownership may not of itself be sufficient to establish control.

Where an entity determines that the item of property, plant and equipment qualifies for recognition as an asset, HK (IFRIC) – Int 18 then directs the entity to recognise the asset in accordance with HKAS 16 *Property, Plant and Equipment*, and to measure its cost on initial recognition at its fair value.

If only one service is included in the agreement (e.g. connecting to the utility network with ongoing goods or services charged at the same rates as for other customers), the entity recognises revenue (the credit resulting from the initial recognition of the asset) when that service is performed in accordance with paragraph 20 of HKAS 18. If more than one service is identified, the fair value of the consideration received is allocated between the services, and the recognition criteria of HKAS 18 are then applied to each service individually. If an ongoing service is identified as part of the agreement, the period over which revenue is recognised for that service is generally determined by the terms of the agreement with the customer. If the agreement does not specify a period, the revenue is recognised over a period no longer than the useful life of the transferred asset used to provide the ongoing service.

When an entity receives a transfer of cash from a customer, it must first determine whether the agreement is within the scope of HK (IFRIC) – Int 18. If it is, the analysis as to whether the item transferred is an asset of the entity and, if so, how to account for the credit side of the transaction is the same as above.

**New and revised HKFRSs that are available for early application for the year ended 31 December 2009**

*Note that where Standards, Amendments and Interpretations are applied in advance of their effective dates, disclosure of that fact is generally required. Where the Standards, Amendments and Interpretations discussed below are not applied for the year ended 31 December 2009, entities need to be aware of such developments in order to comply the requirements set out in paragraph 30 of HKAS 8 (i.e. the requirement to consider and disclose the potential impact of Standards, Amendments and Interpretations that are in issue but are not yet effective).*

New Standards		Effective for annual periods beginning on or after	Application
HKFRS 9	Financial Instruments (in relation to the classification and measurement of financial assets)	1 January 2013	Retrospective application, with specific transitional provisions

Revised Standards		Effective for annual periods beginning on or after	Application
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2009	Applicable to entities that prepare their first financial statements for a period beginning on or after 1 July 2009
HKFRS 3 and HKAS 27 (Revised)	Business Combinations Consolidated and Separate Financial Statements	1 July 2009	HKFRS 3 – Prospective application, with specific transitional provisions HKAS 27 – Retrospective application, with specific transitional provisions
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011	Retrospective application

Amendments to Standards		Effective for annual periods beginning on or after	Application
HKFRS 1	Additional Exemptions for First-time Adopters	1 January 2010	Retrospective application
HKFRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2010	Retrospective application
HKAS 32	Classification of Rights Issues	1 February 2010	Retrospective application
HKAS 39	Eligible Hedged Items	1 July 2009	Retrospective application
Various	Improvements to HKFRSs (issued in 2009)	Most of them 1 January 2010	Retrospective / prospective application

New Interpretations		Effective for annual periods beginning on or after	Application
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners	1 July 2009	Prospective application
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	Retrospective application

**New and revised HKFRSs that are available for early application for the year ended 31 December 2009 – continued**

Amendments to Interpretations		Effective for annual periods beginning on or after	Application
HK (IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement	1 January 2011	Retrospective application with specific transitional provisions

***HKFRS 9 Financial Instruments******(Effective for annual periods beginning on or after 1 January 2013)***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets and is effective from 1 January 2013, with early application permitted. New requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting are expected to be added to HKFRS 9 in 2010. Therefore, by the end of 2010, HKFRS 9 will eventually be a complete replacement for HKAS 39. An early adopter of HKFRS 9 (issued in 2009) continues to apply HKAS 39 for other accounting requirements for financial instruments within its scope that are not covered by HKFRS 9 (e.g. classification and measurement of financial liabilities, recognition and derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, etc.).

Under HKFRS 9, all recognised financial assets that are currently in the scope of HKAS 39 will be measured at either amortised cost or fair value. A debt instrument that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) 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. For debt instruments not designated at FVTPL under the fair value option, reclassification is required between FVTPL and amortised cost, or vice versa, if the entity's business model for its financial assets changes so that its previous model no longer applies.

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 it at fair value through other comprehensive income (FVTOCI) with only dividend income recognised in profit or loss.

Despite the fair value requirement for all equity investments, HKFRS 9 contains guidance on when cost might be the best estimate of fair value and also when it might not be representative of fair value. All derivatives within the scope of HKFRS 9 are required to be measured at fair value. This includes derivatives that are settled by the delivery of unquoted equity instruments, however, in limited circumstances cost might be an appropriate estimate of fair value.

HKFRS 9 does not retain HKAS 39's concept of an embedded derivative for hybrid contracts if the host contract is a financial asset within the scope of HKFRS 9. Consequently, embedded derivatives that would have been separately accounted for at FVTPL under HKAS 39 because they were not closely related to the financial asset host will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety and the asset as a whole is measured at FVTPL if any of its cash flows do not represent payments of principal and interest as described by the Standard.

HKFRS 9 is required to be applied retrospectively. However, the business model assessment is to be made at the date of initial application (which is the date when an entity first applies HKFRS 9). Also, designation as at FVTPL or FVTOCI, or de-designation of financial instruments that were previously designated as at FVTPL, is to be made on the basis of the facts and circumstances that existed at the date of initial application. Entities adopting the new Standard with an initial application date before 1 January 2012 will be exempt from the requirement to restate prior periods.



**New and revised HKFRSs that are available for early application for the year ended 31 December 2009 – continued**

***HKFRS 1(Revised) First-time Adoption of Hong Kong Financial Reporting Standards  
(Applicable to entities that prepare their first HKFRS financial statements for a period beginning on or after 1 July 2009)***

A revised version of HKFRS 1 has been issued in 2008, with the objective to improve the structure of the Standard – no new or revised technical update has been introduced.

***HKFRS 3(Revised) Business Combinations  
HKAS 27(Revised) Consolidated and Separate Financial Statements  
(Effective for annual periods beginning on or after 1 July 2009)***

HKFRS 3 (Revised) and HKAS 27 (Revised) were published as a package in 2008, together with consequential amendments to other Standards, most notably HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The most significant changes introduced by the revised Standards include the following:

- Costs incurred to effect a business combination (e.g. finder's fees, advisory, legal, accounting, valuation, and other professional or consulting fees) are expensed in the period when they are incurred. (Costs incurred to issue debt or equity securities continue to be recognised in accordance with HKAS 32 and HKAS 39).
- Where the acquirer has a pre-existing equity interest in the entity acquired, it remeasures that previously-held interest to fair value as at the date of obtaining control, and recognises any resulting gain or loss in profit or loss.
- The term 'non-controlling interest' (NCI) replaces 'minority interest'. At the acquisition date, the acquirer may choose, on a transaction-by-transaction basis, whether to measure NCI at fair value, or at the NCI's proportionate share of the net identifiable assets of the entity acquired.
- Goodwill is measured at the acquisition date as the difference between:
  - the aggregate of (a) the acquisition-date fair value of the consideration transferred; (b) the amount of any NCI in the entity acquired; and (c) the acquisition-date fair value of any previously-held equity interest in the entity acquired; and
  - the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.
- Once control is obtained, all subsequent increases and decreases in ownership interests that do not involve the loss of that control are treated as transactions with owners. Goodwill is not remeasured or adjusted. Instead, any difference between the change in the NCI and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.
- Consideration for an acquisition, including contingent consideration, is measured at fair value at the acquisition date. Changes in contingent consideration that is classified as an asset or a liability and that results from events after the acquisition date (e.g. the acquiree meeting an earnings target or reaching a specified share price) are recognised in profit or loss.
- The revised HKAS 27 requires an entity to attribute the NCI's share of profit or loss to the NCI even if this results in the NCI having a deficit balance.
- When a parent ceases to have control of a subsidiary, the parent derecognises all assets, liabilities and NCI at their carrying amount. Any interest retained in the former subsidiary is recognised at its fair value at the date control is lost. Any gain or loss arising on loss of control is recognised in profit or loss.
- Other important changes arising from the revision of HKFRS 3 include:
  - widening the scope to include business combinations between mutual entities and business combinations achieved by contract alone;
  - the introduction of specific guidance on whether replacement share-based payment awards are part of the consideration transferred, and measurement of reacquired rights on initial recognition; and
  - clarification that an entity needs to reassess the classification of contractual arrangements on acquisition with the exception of insurance contracts and leases (for which the original classification as finance or operating is retained). This is particularly relevant when looking at financial instruments, embedded derivatives and hedging relationships.

**New and revised HKFRSs that are available for early application for the year ended 31 December 2009 – continued**

For transitional provisions, entities should refer to these Standards for details. HKFRS 3(2008) is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of annual periods beginning on or after 1 July 2009. Earlier application is permitted – although the revised Standard may not be applied in an annual period that begins before 30 June 2007. HKAS 27(2008) is effective for annual periods beginning on or after 1 July 2009, with early application permitted.

If an entity early applies HKFRS 3(2008), it must apply HKAS 27(2008) at the same time, and vice versa.

***HKAS 24 (Revised) Related Party Disclosures  
(Effective for annual periods beginning on or after 1 January 2011)***

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

The previous version of HKAS 24 contained no specific exemption for government-related entities. Many entities, particularly 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 amendments to HKAS 24 provide a partial exemption from the disclosure requirements of HKAS 24 for government-related entities. Specifically, a reporting entity is exempt from the general disclosure requirements 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.

The amendments to HKAS 24 also simplify the definition of a related party, clarify the intended meaning and eliminate a number of inconsistencies. Some important changes / 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 have 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, the entities are not related to each other.

***Amendments to HKFRS 1: Additional Exemptions for First-time Adopters  
(Effective for annual periods beginning on or after 1 January 2010)***

Under some national GAAPs, exploration and development costs for oil and gas properties in the development or production phases are accounted for in cost centres that include all properties in a large geographical area. The Amendments to HKFRS 1 permit a first-time adopter that has previously used this basis of accounting to elect to measure the related oil and gas assets at the date of transition to HKFRSs on the following basis:

- exploration and evaluation assets at amounts determined under the entity's previous GAAP; and
- oil and gas assets in the development or production phases at the amount determined for the cost centre under the entity's previous GAAP.

The entity should allocate this amount to the cost centre's underlying assets on a pro-rata basis using reserve volumes or reserve values as of that date. Entities electing to use the exemption are required to test both exploration and evaluation assets and assets in the development and production phases for impairment at the date of transition to HKFRSs. The exploration and evaluation assets are tested in accordance with HKFRS 6 *Exploration for and Evaluation of Mineral Resources* and development and production assets are tested in accordance with HKAS 36 *Impairment of Assets*. Any identified impairment losses must be recognised at the date of transition.

**New and revised HKFRSs that are available for early application for the year ended 31 December 2009 – continued**

***Amendments to HKFRS 2: Group Cash-settled Share-based Payment Transactions  
(Effective for annual periods beginning on or after 1 January 2010)***

HKFRS 2 *Share-based Payment* has been amended to provide additional guidance on the accounting for share-based payment transactions among group entities. The amendment states that the entity receiving the goods or services will recognise the transaction as an equity-settled share-based payment transaction only if:

- the awards granted are its own equity instruments; or
- it has no obligation to settle the transaction.

In all other circumstances, the entity will measure the transaction as a cash-settled share-based payment.

The entity responsible for settling the transaction will recognise it as an equity-settled share-based payment only if the transaction is settled in its own equity instruments. In all other circumstances, the transaction will be recognised by the entity that settles the award as a cash-settled share-based payment.

As the classification may be different at the subsidiary and parent level, the amount recognised by the entity receiving the goods or services may differ from the amount recognised by the entity settling the transaction and in the consolidated financial statements. Intragroup repayment arrangements will not affect the application of the principles described above for the classification of group-settled share-based payment transactions.

The scope of HKFRS 2 has also been amended to clarify that the Standard applies to all share-based payment transactions, whether or not the goods or services received under the share-based payment transaction can be individually identified. Any unidentifiable goods and services are measured on the grant date as the difference between the fair values of the share-based payment and the identifiable goods and services.

Guidance in these areas was previously provided in HK (IFRIC) – Int 8 *Scope of HKFRS 2* and HK (IFRIC) – Int 11 *HKFRS 2 – Group and Treasury Share Transactions* and as a result, these Interpretations will be withdrawn from the effective date of the amendments.

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

Under the amendments to HKAS 32 rights, options and warrants otherwise meeting the definition of equity instruments in paragraph 11 of HKAS 32 issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in 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.

***Amendments to HKAS 39: Eligible Hedged Items  
(Effective for annual periods beginning on or after 1 July 2009)***

The amendments to HKAS 39 provide clarification on two issues in relation to hedge accounting.

- Identifying inflation as a hedged risk - inflation may only be hedged in the instance where changes in inflation are a contractually-specified portion of cash flows of a recognised financial instrument. This may be the case where an entity acquires or issues inflation-linked debts. In such circumstances, the entity has a cash flow exposure to changes in future inflation that may be cash flow hedged. The amendments, therefore, do not permit an entity to designate an inflation component of issued or acquired fixed-rate debt in a fair value hedge as such a component is not considered separately identifiable and reliably measurable. The amendments also clarify that a risk-free or benchmark interest rate portion of the fair value of a fixed-rate financial instrument will normally be separately identifiable and reliably measurable and, therefore, may be hedged.



**New and revised HKFRSs that are available for early application for the year ended 31 December 2009 – continued**

- **Hedging with options** - HKAS 39 permits an entity to designate purchased (or net purchased) options as a hedging instrument in a hedge of a financial or non-financial item. An entity may designate an option as a hedge of changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (a one-sided risk). The amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and therefore an option designated in its entirety cannot be perfectly effective. The time value of a purchased option is not a component of the forecast transaction that impacts profit or loss. Therefore, if an entity designates an option in its entirety as a hedge of a one-sided risk arising from a forecast transaction, hedge ineffectiveness will arise. Alternatively, an entity may choose to exclude time value as permitted by the Standard in order to improve hedge effectiveness. As a result of this designation, changes in the time value of the option will be recognised immediately in profit or loss.

***Improvements to HKFRSs (issued in 2009)***

***(Effective date: Various (mostly effective for annual periods beginning on or after 1 January 2010))***

The Improvements includes amendments to 12 HKFRSs that are summarised below.

Standard	Subject of amendment	Details
HKFRS 2	Scope of HKFRS 2 and revised HKFRS 3	Amendment to confirm that, in addition to business combinations as defined by HKFRS 3(2008) <i>Business Combinations</i> , contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of HKFRS 2 <i>Share-based Payment</i> .
HKFRS 5	Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations	Amendment to clarify that HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Consequently, disclosures in other HKFRSs do not apply to such assets (or disposal groups) unless: <ul style="list-style-type: none"> <li>• those HKFRSs specifically require disclosures in respect of noncurrent assets (or disposal groups) classified as held for sale or discontinued operations; or</li> <li>• the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of HKFRS 5's measurement requirements and the information is not disclosed elsewhere in the financial statements.</li> </ul>
HKFRS 8	Disclosure of information about segment assets	Minor textual amendment to the Standard, and amendment to the Basis for Conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker.
HKAS 1	Current/non-current classification of the liability component of convertible instruments	Clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
HKAS 7	Classification of expenditures on unrecognised assets	Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.
HKAS 17	Classification of leases of land and buildings	Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of HKAS 17.

**New and revised HKFRSs that are available for early application for the year ended 31 December 2009 – continued**

Standard	Subject of amendment	Details
HKAS 18	Determining whether an entity is acting as a principal or as an agent	Additional guidance added to the appendix to HKAS 18 <i>Revenue</i> regarding the determination as to whether an entity is acting as a principal or an agent.
HKAS 36	Unit of accounting for goodwill impairment test	Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of HKFRS 8 <i>Operating Segments</i> (i.e. before the aggregation of segments with similar economic characteristics).
HKAS 38	Additional consequential amendments arising from HKFRS 3(2008)	Amendments to paragraphs 36 and 37 of HKAS 38 <i>Intangible Assets</i> to clarify the requirements under HKFRS 3(2008) regarding accounting for intangible assets acquired in a business combination.
HKAS 38	Measuring the fair value of an intangible asset acquired in a business combination	Amendments to paragraphs 40 and 41 of HKAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.
HKAS 39	Treating loan prepayment penalties as closely related derivatives	Clarification that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract.
HKAS 39	Scope exemption for business combination contracts	Amendments to the scope exemption in paragraph 2(g) of HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> to clarify that: <ul style="list-style-type: none"> <li>• it only applies to binding forward contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date;</li> <li>• the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and</li> <li>• the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.</li> </ul>
HKAS 39	Cash flow hedge accounting	Amendment to clarify when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss.
HKAS 39	Hedging using internal contracts	Amendment to clarify that entities should no longer use hedge accounting for transactions between segments in their separate financial statements.
HK (IFRIC) – Int 9	Scope of HK(IFRIC) - Int 9 and revised HKFRS 3(2008)	Amendment to confirm that, in addition to business combinations as defined by HKFRS 3(2008), derivatives acquired in the formation of a joint venture and in common control transactions are outside the scope of HK (IFRIC) – Int 9.
HK (IFRIC) – Int 16	Amendment to the restriction on the entity that can hold hedging instruments	Amendment to clarify that hedging instruments may be held by any entity or entities within the group. This includes a foreign operation that itself is being hedged.

**New and revised HKFRSs that are available for early application for the year ended 31 December 2009 – continued*****HK (IFRIC) – Int 17 Distributions of Non-cash Assets to Owners  
(Effective for annual periods beginning or after 1 July 2009)***

HK (IFRIC) – Int 17 provides guidance on the accounting treatment when an entity distributes assets other than cash as dividends to its owners.

HK (IFRIC) – Int 17 clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. Under HK (IFRIC) – Int 17, the dividend should be measured at the fair value of the assets to be distributed, and any difference between the carrying amount of the dividend payable and the previous carrying amount of the assets distributed should be recognised in profit or loss when the entity settles the dividend payable. This accounting treatment will result in a change in practice in many jurisdictions.

HK (IFRIC) – Int 17 does not apply to distributions of non-cash assets where the asset is ultimately controlled by the same party or parties before and after the distribution (e.g. distributions of non-cash assets between entities under common control).

HK (IFRIC) – Int 17 has resulted in consequential amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* regarding the accounting treatment of the non-cash assets held for distribution. Specifically, the amendments to HKFRS 5 specify that assets to be distributed to owners should be classified as "assets classified as held for distribution to owners" and measured at the lower of their carrying amounts and fair value less costs to distribute.

***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 the issue of equity instruments to extinguish an obligation constitutes consideration paid. The consideration should be measured at the fair value of the equity instruments issued, unless that fair value is not readily determinable, in which case the equity instruments should be measured at the fair value of the obligation extinguished. If the issue of equity instruments is to settle a portion of a financial liability, the entity should assess whether a part of the consideration relates to a renegotiation of the portion of the liability which remains outstanding.

***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 are in some circumstances 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 benefit 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.

**New and revised HKFRSs that are available for early application for the year ended 31 December 2009 – continued**

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 benefit available as a reduction in future contributions will correspond, as a minimum, to the amount of the prepayment, if any.

## II. Regulatory update in Hong Kong

In 2009, Hong Kong Exchanges and Clearing Limited (HKEx) has issued a number of consultation papers and conclusions that are summarised below.

### Consultation Conclusions issued in 2009 in relation to:

- Introduction of a price control mechanism during the closing auction session (CAS) in the securities market (issued in February 2009)
- Proposed changes to filing and checklist requirements for listing of equity securities (issued in October 2009)
- Proposals to accelerate rights issues and open offers (issued in December 2009)
- Certified emission reduction futures (issued in December 2009)
- Others relating to the 2008 Combined Consultation Paper
  - Issue 15 relating to the amendment to notifiable transaction Rules to exclude construction of fixed assets by a listed issuer in the ordinary and usual course of its business (issued in July 2009)
  - Issue 11 relating to general mandate (issued in October 2009)

Below is a summary of some of the Conclusions.

### ***Conclusions on proposed changes to filing and checklist requirements for listing of equity securities (issued in October 2009)***

As part of HKEx's ongoing initiatives to simplify and streamline the listing process, it published conclusions in relation to:

- the Main Board filing and checklist requirements for initial public offerings (IPOs); and
- the filing requirements for listing of additional equity securities by listed issuers.

The amendments became effective on 2 November 2009.

### New listing applicants

Below are the major changes made to the Listing Rules. HKEx decided to implement the changes on the Main Board first and to consider putting through similar changes to the GEM Listing Rules in due course.

- Condense the multi-phased submission from the current 8 stage checklists into 5 stage checklists;
- Combine the advance booking form (Form A1) and the formal application form (Form C1) into one listing application form and to remove unnecessary filing requirements;
- Submit draft waiver applications at Form A1 stage. HKEx stated, in the Conclusion, that it would adopt a pragmatic approach so that waiver applications submitted after the A1 stage would not be rejected merely on the ground that they were not submitted at the A1 stage, and that, in any event, executed waiver applications were only required to be submitted at least 4 clear business days before the expected hearing date;
- Advance the timing for submission of draft statement of adjustments at Form A1 stage;
- Require submission of a profit forecast irrespective of whether the listing document contains a profit forecast. In the Conclusion, HKEx made it clear that such a requirement should be distinguished from the requirement under rule 11.17 that states that, where the listing document contains a profit forecast, the forecast has to be reviewed and reported on by the reporting accountants;
- Remove the requirement to submit the resolution of the Company in general meeting / board of directors authorising the issue of all securities for which listing is sought but retain the requirement to submit certified copies of such resolutions after issue of prospectus but before dealings of the Company's shares;
- Require the draft working capital confirmation letter to be submitted at the 4-day stage and the final letter to be submitted prior to bulk-printing of the prospectus; and
- Remove the requirement to submit a certified copy of the written consent by any expert to the issue of the prospectus with inclusion therein of e.g. their recommendation (which would be referred to in the prospectus).

*Listing of additional equity securities by listed issuers*

The amendments to both the Listing Rules and GEM Listing Rules aim to streamline the documentary requirements for listing of additional securities by listed issuers. The amendments include:

- removing unnecessary filings of documents;
- revising the timeframe for submitting documents; and
- placing the documentary requirements for listed issuers under separate rules.

***Conclusions on proposals to accelerate rights issues and open offers  
(issued in December 2009)***

Major amendments that will be effective on 1 February 2010 are as follows:

- Shorten the minimum notice period for book closure for a rights issue from 14 calendar days to six business days (i.e. five clear business days). The reduced notice period will not apply to open offers;
- Extend the notice period by postponing the book closure date, if necessary, will be required, to provide the market with two trading days for trading of cum-rights securities during the notice period, on neither of which trading is interrupted by, for example, a typhoon and/or a black rainstorm warning or trading suspension of the issuer's securities;
- Amend the minimum notice period for book closure (in cases other than a rights issue) from 14 calendar days to 10 business days; and
- Amend the minimum subscription period for rights issues and open offers from 14 calendar days to 10 business days.

HKEx will conduct further reviews of open offers and of the timing of trading entitlements where the corporate action is subject to general meeting approval.

***Consultation Papers published in 2009 (conclusions not yet issued) in relation to:***

- Acceptance of Mainland accounting and auditing standards and Mainland audit firms for Mainland incorporated companies listed in Hong Kong (published in August 2009)
- New listing rules for mineral and exploration companies (published in September 2009)
- Proposed changes to requirements for circulars and listing documents of listed issuers (published in September 2009)
- Proposed changes to the connected transaction rules (published in October 2009)
- Proposed changes on introduction of a T+2 finality arrangement for CCASS money settlement (published in November 2009)
- Proposed operational model for implementing a scripless securities market in Hong Kong (published in December 2009)

***Acceptance of Mainland accounting and auditing standards and Mainland audit firms for Mainland incorporated companies listed in Hong Kong (published in August 2009)***

This paper seeks views and comments on whether HKEx should:

- accept Mainland accounting and auditing standards for Main Board and GEM issuers that are incorporated in the Mainland; and
- allow Mainland audit firms to service these issuers.

Main features of the proposed framework are as follows:

- The framework applies only to Hong Kong listed issuers incorporated in the Mainland preparing financial statements (for initial public offerings (IPOs), annual reports and circulars and other regulatory reports) using China Accounting Standards for Business Enterprises (CASBE), International Financial Reporting Standards (IFRSs) or Hong Kong Financial Reporting Standards, and audited with Mainland Auditing Standards, International Standards on Auditing or Hong Kong Standards on Auditing by Mainland audit firms.



- As a reciprocal arrangement, the Mainland would operate a parallel scheme to accept financial statements of Hong Kong companies listed in the Mainland. The Mainland scheme would be applicable to companies incorporated or registered in Hong Kong preparing financial statements (for IPOs, annual reports and circulars and other regulatory reports) using HKFRSs or IFRSs, and audited with Hong Kong Standards on Auditing or International Standards on Auditing by Hong Kong audit firms.

Comment period deadline was 23 October 2009.

***New listing rules for mineral and exploration companies (published in September 2009)***

This paper proposes to update Chapter 18 of the Listing Rules relating to companies engaged in the exploration for, extraction or production of natural resources. Specifically, the paper will address the following areas:

- additional eligibility requirements for new applicant mineral and exploration companies;
- disclosure (general) obligations;
- disclosure (technical reporting) standards;
- continuing obligations (for companies treated as mineral and exploration companies and existing listed issuers engaging in mineral and exploration activity);
- social and environmental standards; and
- eligibility of exploration companies.

Comment period deadline was 11 November 2009.

***Proposed changes to requirements for circulars and listing documents of listed issuers (published in September 2009)***

This paper seeks comments on the revision of certain requirements regarding notifiable transaction and/or connected transaction circulars, and listing documents issued by listed issuers. Specifically, the paper addresses the following areas:

- disclosure of financial information in circular or listing document;
- other disclosure requirements for circular or listing document; and
- timing requirements for despatch of notifiable transaction or connected transaction circulars and supplementary circulars.

Comment period deadline was 18 November 2009.

***Proposed changes to the connected transaction rules (published in October 2009)***

This paper presents a number of issues about regulation of connected transactions. Major issues addressed in this proposal include:

- Regulation of transactions with persons connected with an issuer only by virtue of their relationship with the issuer's subsidiaries (i.e. whether the definition of connected person should include a person connected at the subsidiary level, or whether to provide an exemption where the person involved is a connected person only by virtue of his relationship with a subsidiary that is considered "insignificant" to the issuer);
- Revising the de minimis exemptions for connected transactions;
- Regulation of revenue transactions with connected transactions;
- Revising the definition of associate; and
- Revising the definition of connected person, including:
  - Refining the circumstances in which a non-wholly owned subsidiary should be regarded as a connected transaction;
  - Deleting "promoter" from the definition of connected person for PRC issuer;
  - Excluding "PRC Government Body" from the scope of connected person for non-PRC issuer (the current exemption only applies to PRC issuers); and
  - Removing the references to "management shareholder" in the GEM Rules.

Comment period deadline was 2 December 2009.

***Proposed changes on introduction of a T+2 finality arrangement for CCASS money settlement (published in November 2009)***

The Hong Kong securities market adopts a T+2 settlement period, which has been in place since CCASS was launched in 1992. To reduce the overnight credit risk of Hong Kong Securities Clearing Company Limited arising from the settlement time gap and help prevent situations which could lead to systematic problems, this proposal seeks views and comments on a proposed T+2 settlement finality arrangement.

Comment period deadline is 26 February 2010.

***Proposed operational model for implementing a scripless securities market in Hong Kong (published in December 2009)***

The Securities and Futures Commission together with the Federation of Share Registrars Limited and HKEx invite views on a proposed operational model for implementing a scripless securities market in Hong Kong (i.e. a market where legal ownership in securities can be held and transferred without paper documents). The main objectives of implementing a scripless securities market are to enhance an overall efficiency and competitiveness in the securities market, and secure an appropriate and improved level of investor choice and protection.

Comment period deadline is 31 March 2010.

**Other**

***Report on review of financial reports published by listed issuers***

As part of its regulatory role, HKEx reviews, on a sample basis, the periodic financial statements released by listed issuers to monitor issuers' compliance with the disclosure requirements of the Listing Rules and accounting standards.

In June 2009, HKEx has published a report summarising key observations and findings from its review of 100 annual, interim and quarterly reports released by listed issuers between July 2007 and September 2008 in order to promote higher standards of financial disclosure by listed issuers.

Major findings and recommendations from the review mainly relate to the following areas:

- Disclosures of material "other" account balances and income and expense items are too brief;
- Discussions in issuers' Management Discussion and Analysis should be more detailed;
- Disclosures made on the outcome of the auditors' work on continuing connected transactions should be improved;
- Clearer disclosure of adoption of uniform accounting policies in applying the equity method or proportionate consolidation in accounting for associates and joint ventures would assist readers in understanding how associates and joint ventures are reflected in issuers' financial statements;
- Disclosure of factors that contributed to a cost that resulted in the recognition of goodwill on acquisitions should be improved;
- Explanations on why no impairment provisions are made for significant assets where there are indications of possible impairment should be improved;
- Further disclosures concerning an assessment of fair value and risks associated with holding financial instruments in financial statements and how they were managed would be helpful to readers to more fully understand the risks and exposure in these instruments; and
- Clearer descriptions of the usage-based approach adopted for amortising infrastructure assets should be provided by issuers whose major or principal activities include toll road investment, construction, operation and management.



**Other regulatory developments*****Proposals to regulation of structured products***

The Securities and Futures Commission (SFC) published a consultation paper on proposals to rationalise the regulatory requirements for public offers of structured products. Under the current law, depending on the legal form of the product, public offers of structured products may fall under the prospectus regime of the Companies Ordinance (where the structured product is in the form of a debenture – such as equity-linked notes and credit-linked notes) or under the investment offers regime detailed in Part IV of the Securities and Futures Ordinance (SFO – where the structured product is in a legal form other than a debenture – for example, as a hybrid of securities and regulated investment agreement such as equity-linked instruments). The proposals will align the two regimes so that public offers of structured products, irrespective of their legal form, will be regulated under the SFO, under which the SFC would publish codes and guidelines setting out its regulatory policy on such products.

## HKFRS Illustrative Annual Financial Statements 2009

The illustrative financial statements of Hong Kong GAAP Limited 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.

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.

In these 2009 illustrative financial statements, we have illustrated the impact of the application of a number of new and revised Standards, Amendments and Interpretations (see note 2 to the financial statements for details).

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.

A presentation and disclosure checklist that is applicable to 2009 financial statements is not included in this publication. However, the checklist will soon be available for download on our IAS Plus website ([www.iasplus.com](http://www.iasplus.com)).

## Contents

	<b>Page</b>
1. Index to the notes to the consolidated financial statements	32
2. Corporate information	34
3. Directors' business review	35
4. Corporate governance report	36
5. Profiles of directors and senior management	37
6. Directors' report	38
7. Independent auditor's report	44
8. Consolidated statement of comprehensive income	
Alt 1 – Single statement presentation, with expenses analysed by function	45
Alt 2 – Presentation as two statements, with expenses analysed by nature	47
9. Consolidated statement of financial position	49
10. Consolidated statement of changes in equity	51
11. Consolidated statement of cash flows	
Alt 1 - Direct method of reporting cash flows from operating activities	52
Alt 2 - Indirect method of reporting cash flows from operating activities	53
12. Notes to the consolidated financial statements	55
13. Financial summary	154
14. Particulars of major investment properties	155

**Index to the notes to the consolidated financial statements**

	<b>Page</b>
1. General information	55
2. Application of new and revised Hong Kong Financial Reporting Standards	55
3. Significant accounting policies	61
4. Critical accounting judgements and key sources of estimation uncertainty	78
5. Revenue	79
6. Segment information	80
7. Investment and other income	85
8. Other gains and losses	86
9. Finance costs	87
10. Income tax expense	88
11. Discontinued operations	90
12. Assets classified as held for sale	92
13. Profit for the year from continuing operations	92
14. Directors' emoluments	94
15. Employees' emoluments	95
16. Dividends	95
17. Earnings per share	96
18. Property, plant and equipment	98
19. Prepaid lease payments	100
20. Investment properties	100
21. Goodwill	102
22. Impairment testing on goodwill	103
23. Other intangible assets	105
24. Interests in associates	106
25. Joint ventures	108
26. Held-to-maturity investments	108
27. Available-for-sale investments	109
28. Finance lease receivables	110
29. Inventories	111
30. Trade and other receivables	111
31. Amounts due from (to) customers for contract work	113
32. Amounts due from directors	113
33. Held-for-trading investments (other than derivatives)	114
34. Bank balances/pledged bank deposits/bank overdrafts	114
35. Trade and other payables	114
36. Borrowings	115
37. Loan from government	116
38. Convertible loan notes	116
39. Obligations under finance leases	117
32	

40.	Provisions	118
41.	Other financial assets/liabilities	119
42.	Deferred taxation	121
43.	Deferred revenue	122
44.	Share capital	123
45.	Share premium and reserves	124
46.	Retirement benefit plans	127
47.	Share-based payment transactions	131
48.	Capital risk management	133
49.	Financial instruments	134
50.	Business combinations	144
51.	Disposal of a subsidiary	147
52.	Cash and cash equivalents	148
53.	Non-cash transactions	148
54.	Operating leases	149
55.	Commitments	149
56.	Pledge of assets	150
57.	Contingent liabilities and contingent assets	150
58.	Related party transactions	151
59.	Subsidiaries	152
60.	Information about the statement of financial position of the Company	153
61.	Events after the reporting period	153

Source	Hong Kong GAAP Limited										
	<b>Corporate information</b>										
	<table> <tr> <td> <b>Board of directors</b>  Gary D.K. Wong, Chairman  Daniel D.D. Lee  Derek S.Y. Wong  Tiara Cheung  Florence K.Y. Tang  John Banks </td><td> <b>Registered office</b>  35<sup>th</sup> Floor, The Pacific Tower  33 Front Street  Hamilton HM12  Bermuda </td></tr> <tr> <td> <b>Company secretary</b>  William Y.S. Lee </td><td> <b>Registrars</b>  Hong Kong Registrars Limited  Central  Hong Kong </td></tr> <tr> <td> <b>Principal bankers</b>  Admiralty Banking Corporation  Kowloon Bank Limited </td><td></td></tr> <tr> <td> <b>Auditor</b>  Deloitte Touche Tohmatsu </td><td></td></tr> <tr> <td> <b>Solicitors</b>  Kwan, Lee &amp; Wong </td><td></td></tr> </table>	<b>Board of directors</b> Gary D.K. Wong, Chairman Daniel D.D. Lee Derek S.Y. Wong Tiara Cheung Florence K.Y. Tang John Banks	<b>Registered office</b> 35 <sup>th</sup> Floor, The Pacific Tower 33 Front Street Hamilton HM12 Bermuda	<b>Company secretary</b> William Y.S. Lee	<b>Registrars</b> Hong Kong Registrars Limited Central Hong Kong	<b>Principal bankers</b> Admiralty Banking Corporation Kowloon Bank Limited		<b>Auditor</b> Deloitte Touche Tohmatsu		<b>Solicitors</b> Kwan, Lee & Wong	
<b>Board of directors</b> Gary D.K. Wong, Chairman Daniel D.D. Lee Derek S.Y. Wong Tiara Cheung Florence K.Y. Tang John Banks	<b>Registered office</b> 35 <sup>th</sup> Floor, The Pacific Tower 33 Front Street Hamilton HM12 Bermuda										
<b>Company secretary</b> William Y.S. Lee	<b>Registrars</b> Hong Kong Registrars Limited Central Hong Kong										
<b>Principal bankers</b> Admiralty Banking Corporation Kowloon Bank Limited											
<b>Auditor</b> Deloitte Touche Tohmatsu											
<b>Solicitors</b> Kwan, Lee & Wong											

Source	Hong Kong GAAP Limited
App 16.32 GR 18.41	<p data-bbox="363 224 774 257"><b>Directors' business review</b></p> <p data-bbox="363 280 1452 358">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 data-bbox="363 392 1452 448">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 data-bbox="363 470 1452 806" 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 data-bbox="363 828 1452 884">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 data-bbox="363 226 813 264"><b>Corporate governance report</b></p> <p data-bbox="363 280 1455 338">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 data-bbox="363 360 1233 389">The report should contain, at a minimum, information about the following matters:</p> <ul data-bbox="363 418 807 667" style="list-style-type: none"> <li>• corporate governance practices;</li> <li>• directors' securities transactions;</li> <li>• the 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 data-bbox="363 692 1331 721">In addition, the report should include disclosures regarding details of the following matters:</p> <ul data-bbox="363 750 826 887" 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 data-bbox="363 911 1455 969">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> <p data-bbox="363 994 1455 1077">In June 2005, the HKICPA published a guideline on internal controls titled "Internal Control and Risk Management – A Basic Framework" in order to provide guidance to entities on how to perform the review in relation to internal controls.</p>



Source	Hong Kong GAAP Limited	
App 16.12 GR 18.39	<b>Profiles of directors and senior management</b>	
GR 18.44	<b>Executive directors</b>	<b>Independent non-executive directors</b>
	<b>Gary D.K. Wong, Chairman and Managing Director</b> <p>Mr. Gary D.K. Wong, 53, is a design engineer. He has been with the Group since its formation, holding a number of Board positions before becoming Managing Director in 1998. He has been with the Group for more than 15 years.</p>	<b>Tiara Cheung</b> <p>Ms. Tiara Cheung, 41, was appointed as a 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 1999.</p>
	<b>Daniel D.D. Lee, Finance Director</b> <p>Mr. Daniel D.D. Lee, 49, is a chartered accountant and holds a business degree from the University of Ontario. He joined the Board as Finance Director in 2002, having previously held senior positions in a number of manufacturing entities. He has been with the Group for 6 years.</p>	<b>Florence K.Y. Tang</b> <p>Ms. Florence K.Y. Tang, 54, is one of Hong Kong's leading residents with a distinguished record in the business community. She joined the Board as a non-executive director in 2006 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>
	<b>Derek S.Y. Wong</b> <p>Mr. Derek S.Y. Wong, 44, is an executive director with special responsibility for product development. He is an electronic engineer with previous experience with multi-national conglomerates in the electronics industry. He joined the Board in 2005 and has over 5 year experiences in product development. Derek S.Y. Wong is a brother of Gary D.K. Wong.</p>	<b>John Banks</b> <p>Mr. John Banks, 45, was appointed as a non-executive director in April 2007 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>
	<b>Senior management</b>	
	<b>Mr. Bruno Gimeli</b> <p>Mr. Bruno Gimeli, 46, is the chief executive. He is primarily responsible for sales and marketing. He held senior marketing positions with a number of Hong Kong companies before joining the Company in 2003.</p>	<b>Mr. William Y.S. Lee</b> <p>William Y.S. Lee, 42, is the chief financial controller and the qualified accountant responsible for the financial reporting procedures and internal controls. He also acts as the company secretary, and as the compliance officer responsible for liaison with The Stock Exchange of Hong Kong Limited. He joined the Company in 2002. He is an associate of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Company Secretaries.</p>
	<b>Mr. Richard W.L. Chan</b> <p>Mr. Richard W. L. Chan, 47, is the head of the production department (in relation to leisure goods). He joined the Company in 2007. 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>	<b>Mr. David K.K. Cheung</b> <p>David K.K. Cheung, 45, 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 2003. 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 2009.
s129D(3)(a)	<b>Principal activities</b> <p>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.</p> <p>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).</p>
s129D(3)(b) s129D(3)(c)	<b>Results and appropriations</b> <p>The results of the Group for the year ended 31 December 2009 are set out in the consolidated [income statement and] statement of comprehensive income on pages 47-48/45-46.</p> <p>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 2010, amounting to approximately HK\$4.154 million, and the retention of the remaining profit for the year of approximately HK\$23.416 million.</p>
s129D(3)(f)	<b>Fixed assets</b> <p>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.</p>
s129D(3)(g) App 16.10(4) GR 18.14 LR 10.06(4)(b) GR 13.13(2)	<b>Share capital</b> <p>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.</p> <p>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.</p>
App 16.29 GR 18.37 GR 24.21 GR 25.33	<b>Distributable reserves of the Company</b> <p>The Company's reserves available for distribution to shareholders as at 31 December 2009 amounted to approximately HK\$90 million (31 December 2008: HK\$87 million).</p>

Source	Hong Kong GAAP Limited																																		
	<b>Directors' report - continued</b>																																		
	<b>Directors</b>																																		
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> <p>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).</p>																																		
App 16.14 GR 18.24(1)																																			
App 16.13(1),(2)	<b>Directors' and chief executive's interests in shares and share options</b>																																		
PN 5(3.2),(3.3) GR18.15(1),(2) GR 18.17 GR 18.17A	<p>At 31 December 2009, 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><thead><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></thead><tbody><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></tbody></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%
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%																																

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 2009.			

Source	Hong Kong GAAP Limited																																																																																																																																																				
	<b>Directors' report - continued</b>																																																																																																																																																				
	<b>Share options</b>																																																																																																																																																				
LR 17.09 GR 23.09	Particulars of the Company's share option scheme are set out in note 47 to the consolidated financial statements.																																																																																																																																																				
LR 17.07 GR 23.07	The following table discloses movements in the Company's share options during the year:																																																																																																																																																				
	<table><thead><tr><th></th><th>Option type</th><th>Outstanding at beginning of year</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></thead><tbody><tr><td colspan="8"><b>Category 1: Directors and chief executive</b></td></tr><tr><td rowspan="3">PN 5(3.3)(1) Note 3 GR 18.17A(1) Note 3 GR 18.28(7)</td><td>Mr. Gary D.K. Wong</td><td>2008A</td><td>80,000</td><td>-</td><td>(80,000)</td><td>-</td><td>-</td></tr><tr><td></td><td>2008B</td><td>75,000</td><td>-</td><td>(75,000)</td><td>-</td><td>-</td></tr><tr><td></td><td>2009</td><td>-</td><td>60,000</td><td>-</td><td>-</td><td>60,000</td></tr><tr><td></td><td>Mr. Daniel D.D. Lee</td><td>2008A</td><td>30,000</td><td>-</td><td>(30,000)</td><td>-</td><td>-</td></tr><tr><td></td><td></td><td>2009</td><td>-</td><td>60,000</td><td>-</td><td>-</td><td>60,000</td></tr><tr><td></td><td>Mr. Bruno Gimeli</td><td>2009</td><td>-</td><td>60,000</td><td>-</td><td>-</td><td>60,000</td></tr><tr><td></td><td>Total directors and chief executive</td><td></td><td>185,000</td><td>180,000</td><td>(185,000)</td><td>-</td><td>180,000</td></tr><tr><td colspan="8"><b>Category 2: Substantial shareholders</b></td></tr><tr><td rowspan="3">PN 5(3.4)(1) Note 4 GR 18.17B(1) Note 3</td><td>Mr. Francis F.G. Chan</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>YZ Limited</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Total substantial shareholders</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td colspan="8"><b>Category 3: Employees</b></td></tr><tr><td></td><td></td><td>2008A</td><td>15,000</td><td>-</td><td>(15,000)</td><td>-</td><td>-</td></tr><tr><td></td><td></td><td>2008B</td><td>75,000</td><td>-</td><td>(75,000)</td><td>-</td><td>-</td></tr><tr><td></td><td></td><td>2009</td><td>-</td><td>40,000</td><td>(39,000)</td><td>-</td><td>1,000</td></tr><tr><td></td><td>Total employees</td><td></td><td>90,000</td><td>40,000</td><td>(129,000)</td><td>-</td><td>1,000</td></tr><tr><td></td><td>Total (all categories)</td><td></td><td>275,000</td><td>220,000</td><td>(314,000)</td><td>-</td><td>181,000</td></tr></tbody></table>		Option type	Outstanding at beginning of year	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at end of year	<b>Category 1: Directors and chief executive</b>								PN 5(3.3)(1) Note 3 GR 18.17A(1) Note 3 GR 18.28(7)	Mr. Gary D.K. Wong	2008A	80,000	-	(80,000)	-	-		2008B	75,000	-	(75,000)	-	-		2009	-	60,000	-	-	60,000		Mr. Daniel D.D. Lee	2008A	30,000	-	(30,000)	-	-			2009	-	60,000	-	-	60,000		Mr. Bruno Gimeli	2009	-	60,000	-	-	60,000		Total directors and chief executive		185,000	180,000	(185,000)	-	180,000	<b>Category 2: Substantial shareholders</b>								PN 5(3.4)(1) Note 4 GR 18.17B(1) Note 3	Mr. Francis F.G. Chan		-	-	-	-	-	YZ Limited		-	-	-	-	-	Total substantial shareholders		-	-	-	-	-	<b>Category 3: Employees</b>										2008A	15,000	-	(15,000)	-	-			2008B	75,000	-	(75,000)	-	-			2009	-	40,000	(39,000)	-	1,000		Total employees		90,000	40,000	(129,000)	-	1,000		Total (all categories)		275,000	220,000	(314,000)	-	181,000
	Option type	Outstanding at beginning of year	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at end of year																																																																																																																																														
<b>Category 1: Directors and chief executive</b>																																																																																																																																																					
PN 5(3.3)(1) Note 3 GR 18.17A(1) Note 3 GR 18.28(7)	Mr. Gary D.K. Wong	2008A	80,000	-	(80,000)	-	-																																																																																																																																														
		2008B	75,000	-	(75,000)	-	-																																																																																																																																														
		2009	-	60,000	-	-	60,000																																																																																																																																														
	Mr. Daniel D.D. Lee	2008A	30,000	-	(30,000)	-	-																																																																																																																																														
		2009	-	60,000	-	-	60,000																																																																																																																																														
	Mr. Bruno Gimeli	2009	-	60,000	-	-	60,000																																																																																																																																														
	Total directors and chief executive		185,000	180,000	(185,000)	-	180,000																																																																																																																																														
<b>Category 2: Substantial shareholders</b>																																																																																																																																																					
PN 5(3.4)(1) Note 4 GR 18.17B(1) Note 3	Mr. Francis F.G. Chan		-	-	-	-	-																																																																																																																																														
	YZ Limited		-	-	-	-	-																																																																																																																																														
	Total substantial shareholders		-	-	-	-	-																																																																																																																																														
<b>Category 3: Employees</b>																																																																																																																																																					
		2008A	15,000	-	(15,000)	-	-																																																																																																																																														
		2008B	75,000	-	(75,000)	-	-																																																																																																																																														
		2009	-	40,000	(39,000)	-	1,000																																																																																																																																														
	Total employees		90,000	40,000	(129,000)	-	1,000																																																																																																																																														
	Total (all categories)		275,000	220,000	(314,000)	-	181,000																																																																																																																																														
LR 17.07(2) GR 23.07(2)	The closing price of the Company's shares immediately before 31 March 2009, the date of grant of the 2009 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.																																																																																																																																																				
s129D(3)(k)	<b>Arrangements to purchase shares or debentures</b>  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.																																																																																																																																																				
s129D(3)(j) App 16.15 GR 18.25	<b>Directors' interests in contracts of significance</b>  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.																																																																																																																																																				

Source	Hong Kong GAAP Limited												
	<b>Directors' report - continued</b>												
s162A(1)(a) s129D(3)(ia)	<b>Management contract</b>  A.B. Consultant Company Limited has a management services contract with the Group for a period of three years starting from 1 January 2008. Mr. Gary D.K. Wong is a director and controlling shareholder of that company which received management service fees amounting to HK\$240,000 (2008: HK\$240,000) during the year.												
App 16.13(3) PN 5(3.2), (3.4) GR 18.16 GR 18.17 GR 18.17B	<b>Substantial shareholders</b>  As at 31 December 2009, 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.												
	<b>Long positions</b>  (a) Ordinary shares of HK\$1 each of the Company												
	<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>	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 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%										
	(b) Share options												
	<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>	Name of shareholder	Capacity	Number of share options	Number of underlying shares	Mr. Francis F.G. Chan	-	-	-				
Name of shareholder	Capacity	Number of share options	Number of underlying shares										
Mr. Francis F.G. Chan	-	-	-										
	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 2009.												
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 18.45 GR 11.04	<b>Interests in competitors</b>  Mr. Derek S.Y. Wong holds a 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.												

Source	Hong Kong GAAP Limited
	<b>Directors' report - continued</b>
App 16.24B GR 18.29A	<p><b>Emolument policy</b></p> <p>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.</p> <p>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.</p> <p>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.</p>
App 16.20 GR 17.39	<p><b>Pre-emptive rights</b></p> <p>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.</p>
App 16.34A LR 13.35 GR17.38A	<p><b>Sufficiency of public float</b></p> <p>The Company has maintained a sufficient public float throughout the year ended 31 December 2009.</p>
s129D(3)(d),(e)	<p><b>Charitable donations</b></p> <p>During the year, the Group made charitable donations amounting to HK\$250,000.</p>
	<p><b>Major customers and suppliers</b></p> <p>Details of the Group's transactions with its major suppliers and customers during the year are set out below:</p>
App 16.31(1),(2) GR 18.40(1),(2)	<p>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 2008 to 10% in the current year. In 2009, the five largest suppliers comprised 34% (2008: 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.</p>
App 16.31(3),(4) GR 18.40(3),(4)	<p>In 2009, the Group's largest customer accounted for 11% (2008: 13%) of its turnover. The five largest customers remain the same as 2008, although their combined contribution to total sales has decreased slightly from 35% to 30% in the current year.</p>
App 16.31(5) GR 18.40(5)	<p>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.</p>
s129D(3)(l)	<p><b>Events after the reporting period</b></p> <p>Details of significant events occurring after the reporting period are set out in note 61 to the consolidated financial statements.</p>
	<p><b>Auditor</b></p> <p>A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.</p>
s129D(2)	<p>On behalf of the Board</p>  <p><u>Gary D.K. Wong</u> Chairman</p> <p>10 January 2010</p>

Source	Hong Kong GAAP Limited
HKSA 700(18)	<p><b>Independent auditor's report</b></p> <p><b>Deloitte.</b> <b>德勤</b></p>
HKSA 700(20)	To the members of Hong Kong GAAP Limited (incorporated in Bermuda with limited liability)
HKSA 700(22)	<p>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 45 to 153 which comprise the consolidated statement of financial position as at 31 December 2009, 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 notes.</p> <p><b>Directors' responsibility for the consolidated financial statements</b></p>
HKSA 700(28)	<p>The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.</p> <p><b>Auditor's responsibility</b></p>
HKSA 700(32) HKSA 700(34) Professional Risk Management Bulletin No. 2	<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 as to whether the consolidated financial statements are free from material misstatement.</p>
HKSA 700(37)	<p>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 and true and fair presentation of the consolidated financial statements 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.</p>
HKSA 700(38)	<p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.</p> <p><b>Opinion</b></p>
HKSA 700(39), (40)	<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 2009 and of the Group's 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>
HKSA 700(50)	Deloitte Touche Tohmatsu Certified Public Accountants
HKSA 700(57)	Hong Kong
HKSA 700(52)	10 January 2010



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 2009</b>		
			<b>[Alt 1]</b>
HKAS 1.113		<u>Notes</u>	Year ended 31/12/09
HKAS 1.51(d),(e)			<u>Year ended 31/12/08</u> HK\$'000 (restated)
	<b>Continuing operations</b>		
HKAS 1.82(a) HKAS 1.85, 99	Revenue	5	140,918
	Cost of sales		<u>(87,897)</u>
HKAS 1.85	Gross profit		53,021
HKAS 1.85	Investment and other income	7	3,608
HKAS 1.85	Other gains and losses	8	(888)
HKAS 1.99	Distribution and selling expenses		(11,520)
HKAS 1.99	Administration expenses		(9,466)
HKAS 1.82(b)	Finance costs	9	(4,418)
HKAS 1.99	Other expenses		(1,280)
HKAS 1.82(c)	Share of profits of associates	24	1,186
HKAS 1.85	Gain recognised on disposal of interest in former associate	24	<u>581</u>
HKAS 1.85	Profit before tax		30,824
HKAS 1.82(d)	Income tax expense	10	<u>(11,564)</u>
HKAS 1.85	Profit for the year from continuing operations	13	19,260
	<b>Discontinued operations</b>		
HKAS 1.82(e)	Profit for the year from discontinued operations	11	<u>8,310</u>
HKAS 1.82(f)	<b>Profit for the year</b>		<u>27,570</u>
	<b>Other comprehensive income</b>		
HKAS 1.82(g)	Exchange differences on translating foreign operations		(191)
HKAS 1.82(g)	Net (loss)/gain on available-for-sale financial assets		(300)
HKAS 1.82(g)	Net gain on hedging instruments in cash flow hedges		36
HKAS 1.82(g)	Gain on revaluation of properties		-
HKAS 1.82(h)	Share of other comprehensive income of associates		<u>-</u>
HKAS 1.85	Other comprehensive income for the year, net of tax		(455)
HKAS 1.82(i)	<b>Total comprehensive income for the year</b>		<u>27,115</u>
	Profit attributable to:		
HKAS 1.83(a)	Owners of the Company		23,570
HKAS 1.83(a)	Non-controlling interests		<u>4,000</u>
			<u>27,570</u>
	Total comprehensive income attributable to:		
HKAS 1.83(b)	Owners of the Company		23,115
HKAS 1.83(b)	Non-controlling interests		<u>4,000</u>
			<u>27,115</u>
			<u>31,639</u>
<p><i>Note: The format outlined above aggregates expenses according to their function.</i></p> <p><i>See next page for a discussion of the format of the statement of comprehensive income.</i></p>			

Source	Hong Kong GAAP Limited			
	<b>Consolidated statement of comprehensive income for the year ended 31 December 2009 – continued</b>			
		<u>Notes</u>	Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000 (restated)
App 16.4(1)(g) GR 18.50B(1)(m)	<b>Earnings per share</b>	17		
	From continuing and discontinued operations			
HKAS 33.66	Basic (cents per share)		105.0	119.4
HKAS 33.66	Diluted (cents per share)		99.2	118.9
	From continuing operations			
HKAS 33.66	Basic (cents per share)		68.0	75.9
HKAS 33.66	Diluted (cents per share)		64.4	75.6
	<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>			
HKAS 1.90	<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> </ul>			
HKAS 1.94	<ul style="list-style-type: none"> <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 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 2009</b>			<b>[Alt 2]</b>
HKAS 1.113		<u>Notes</u>	Year ended 31/12/09	Year ended 31/12/08
HKAS 1.51(d),(e)			HK\$'000	HK\$'000 (restated)
	<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	(888)	(463)
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	(4,418)	(6,023)
HKAS 1.99	Other expenses		(13,177)	(9,902)
HKAS 1.82(c)	Share of profits of associates	24	1,186	1,589
HKAS 1.85	Gain recognised on disposal of interest in former associate	24	581	-
HKAS 1.85	Profit before tax		30,824	32,032
HKAS 1.82(d)	Income tax expense	10	(11,564)	(11,799)
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>		<u>27,570</u>	<u>30,228</u>
	Attributable to:			
HKAS 1.83(a)	Owners of the Company		23,570	27,465
HKAS 1.83(a)	Non-controlling interests		4,000	2,763
			<u>27,570</u>	<u>30,228</u>
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)		<u>105.0</u>	<u>119.4</u>
HKAS 33.66, 67A	Diluted (cents per share)		<u>99.2</u>	<u>118.9</u>
	From continuing operations			
HKAS 33.66, 67A	Basic (cents per share)		<u>68.0</u>	<u>75.9</u>
HKAS 33.66, 67A	Diluted (cents per share)		<u>64.4</u>	<u>75.6</u>
<p><i>Note: The format outlined above aggregates expenses according to their nature.</i></p> <p><i>See 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>				

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 2009</b>		<b>[Alt 2]</b>
HKAS 1.113		Year ended 31/12/09	Year ended 31/12/08
HKAS 1.51(d),(e)		HK\$'000	HK\$'000 (restated)
HKAS 1.82(f)	<b>Profit for the year</b>	<u>27,570</u>	<u>30,228</u>
	<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	<u>(120)</u>	<u>-</u>
		<u>(191)</u>	<u>177</u>
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	<u>-</u>	<u>-</u>
		<u>(400)</u>	<u>76</u>
HKAS 1.82(g)	Cash flow hedges		
	Gains arising during the year	406	316
	Reclassification adjustments for amounts recognised in profit or loss	<u>(355)</u>	<u>(287)</u>
		<u>51</u>	<u>29</u>
HKAS 1.82(g)	Gain arising on revaluation of properties	-	1,645
HKAS 1.82(h)	Share of other comprehensive income of associates	-	-
	Income tax relating to components of other comprehensive income	<u>85</u>	<u>(516)</u>
HKAS 1.82(i)	<b>Total comprehensive income for the year</b>	<u>27,115</u>	<u>31,639</u>
	Total comprehensive income attributable to:		
HKAS 1.83(b)	Owners of the Company	23,115	28,876
HKAS 1.83(b)	Non-controlling interests	<u>4,000</u>	<u>2,763</u>
		<u>27,115</u>	<u>31,639</u>

Source	Hong Kong GAAP Limited			
HKAS 1.10(a), (f), 51(b),(c)	<b>Consolidated statement of financial position at 31 December 2009</b>			
HKAS 1.113 HKAS 1.51(d),(e)	Notes	31/12/09 HK\$'000	31/12/08 HK\$'000 (restated)	01/01/08 HK\$'000 (restated)
HKAS 1.60	<b>Non-current assets</b>			
HKAS 1.54(a)	Property, plant and equipment	18	109,783	135,721
HKAS 1.55	Prepaid lease payments	19	2,900	4,200
HKAS 1.54(b)	Investment properties	20	1,936	132
HKAS 1.55	Goodwill	21	20,285	24,060
HKAS 1.54(c)	Other intangible assets	23	9,739	11,325
HKAS 1.54(e)	Interests in associates	24	7,319	7,270
HKAS 1.54(d), 55	Held-to-maturity investments	26	2,059	1,658
HKAS 1.54(d), 55	Available-for-sale investments	27	5,600	4,857
HKAS 1.54(o)	Deferred tax assets	42	1,714	1,023
HKAS 1.55	Finance lease receivables	28	830	717
HKAS 1.54(d)	Other financial assets	41	212	140
			<u>162,377</u>	<u>191,103</u>
				<u>214,892</u>
HKAS 1.60	<b>Current assets</b>			
HKAS 1.54(g)	Inventories	29	18,367	20,095
HKAS 1.54(h)	Trade and other receivables	30	19,735	16,292
HKAS 1.55	Finance lease receivables	28	198	188
HKAS 1.55	Amounts due from directors	32	656	107
HKAS 1.55	Amounts due from customers for contract work	31	240	230
HKAS 1.54(d), 55	Held-to-maturity investments	26	4,804	3,604
HKAS 1.54(d), 55	Held-for-trading investments	33	12,480	8,448
HKAS 1.55	Pledged bank deposits	34	2,000	2,000
HKAS 1.54(d)	Other financial assets	41	316	257
HKAS 1.54(n)	Current tax assets		125	60
HKAS 1.54(i)	Cash and bank balances	34	23,446	19,778
			<u>82,367</u>	<u>71,059</u>
HKAS 1.54(j)	Assets classified as held for sale	12	<u>22,336</u>	<u>-</u>
			<u>104,703</u>	<u>71,059</u>
				<u>59,363</u>
HKAS 1.60	<b>Current liabilities</b>			
HKAS 1.54(k)	Trade and other payables	35	12,080	20,878
HKAS 1.55	Amounts due to customers for contract work	31	36	15
HKAS 1.54(m), 55	Borrowings	36	22,446	25,600
HKAS 1.54(m)	Other financial liabilities	41	116	18
HKAS 1.54(n)	Current tax liabilities		5,270	5,868
HKAS 1.54(l)	Provisions	40	3,356	3,195
HKAS 1.55	Deferred revenue	43	355	52
HKAS 1.55	Obligations under finance leases	39	9	54
HKAS 1.54(m), 55	Bank overdrafts	34	538	378
			<u>44,206</u>	<u>56,058</u>
HKAS 1.54(p)	Liabilities directly associated with assets classified as held for sale	12	<u>3,684</u>	<u>-</u>
			<u>47,890</u>	<u>56,058</u>
				<u>95,525</u>
App 16.4(2)(d) GR 18.50B(2)(d)	<b>Net current assets/(liabilities)</b>		<u>56,813</u>	<u>15,001</u>
App 16.4(2)(e) GR 18.50B(2)(e)	<b>Total assets less current liabilities</b>		<u>219,190</u>	<u>206,104</u>
				<u>178,730</u>

*Note: As required by HKAS 1.10(f), a statement of financial position is presented at the beginning of the earliest comparative period when the entity has applied new accounting policies retrospectively in the year (see note 2 to the financial statements).*

Source	Hong Kong GAAP Limited				
	<b>Consolidated statement of financial position at 31 December 2009 – continued</b>				
		<u>Notes</u>	<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000 (restated)	<u>01/01/08</u> HK\$'000 (restated)
	<b>Capital and reserves</b>				
HKAS 1.55	Share capital	44	17,819	23,005	23,005
HKAS 1.55	Share premium and reserves	45	<u>129,662</u>	<u>123,952</u>	<u>101,217</u>
HKAS 1.54(r)	Equity attributable to owners of the Company		147,481	146,957	124,222
HKAS 1.54(q)	Non-controlling interests		<u>24,316</u>	<u>20,005</u>	<u>17,242</u>
	<b>Total equity</b>		<u>171,797</u>	<u>166,962</u>	<u>141,464</u>
HKAS 1.60	<b>Non-current liabilities</b>				
HKAS 1.54(m),55	Borrowings	36	31,178	31,713	28,014
HKAS 1.54(m),55	Loans from government	37	2,610	-	-
HKAS 1.54(m),55	Convertible loan notes	38	4,144	-	-
HKAS 1.55	Retirement benefit obligations	46	508	352	739
HKAS 1.54(o)	Deferred tax liabilities	42	6,360	4,716	4,319
HKAS 1.54(l)	Provisions	40	2,294	2,231	4,102
HKAS 1.55	Deferred revenue	43	219	95	41
HKAS 1.55	Obligations under finance leases	39	5	35	51
HKAS 1.54(m)	Other financial liabilities	41	<u>75</u>	<u>-</u>	<u>-</u>
			<u>47,393</u>	<u>39,142</u>	<u>37,266</u>
			<u>219,190</u>	<u>206,104</u>	<u>178,730</u>
HKAS 10.17 s129B(1)	The consolidated financial statements on pages 45 to 153 were approved and authorised for issue by the Board of Directors on 10 January 2010 and are signed on its behalf by:				
	<b><u>Gary D.K.Wong</u></b> (Chairman and Managing Director)	<b><u>Daniel D.D. Lee</u></b> (Director)			

Source	Hong Kong GAAP Limited											
HKAS 1.10(c), 51(b),(c)	<b>Consolidated statement of changes in equity for the year ended 31 December 2009</b>											
HKAS 1.106												
HKAS 1.51(d),(e)												
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserve 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 loan notes equity reserve HK\$'000	Retained earnings HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2008	23,005	26,474	54	470	-	242	140	-	73,990	124,375	17,242	141,617
Effect of change in accounting policy for customer loyalty programmes (note 2)	-	-	-	-	-	-	-	-	(61)	(61)	-	(61)
Effect of change in accounting policy for mail order catalogues (note 2)	-	-	-	-	-	-	-	-	(92)	(92)	-	(92)
<b>As restated</b>	<b>23,005</b>	<b>26,474</b>	<b>54</b>	<b>470</b>	<b>-</b>	<b>242</b>	<b>140</b>	<b>-</b>	<b>73,837</b>	<b>124,222</b>	<b>17,242</b>	<b>141,464</b>
Profit for the year	-	-	-	-	-	-	-	-	27,465	27,465	2,763	30,228
Other comprehensive income for the year	-	-	1,141	57	-	36	177	-	-	1,411	-	1,411
Total comprehensive income for the year	-	-	1,141	57	-	36	177	-	27,465	28,876	2,763	31,639
Recognition of equity-settled share-based payments	-	-	-	-	246	-	-	-	-	246	-	246
Payment of dividends	-	-	-	-	-	-	-	-	(6,387)	(6,387)	-	(6,387)
<b>Balance at 31 December 2008</b>	<b>23,005</b>	<b>26,474</b>	<b>1,195</b>	<b>527</b>	<b>246</b>	<b>278</b>	<b>317</b>	<b>-</b>	<b>94,915</b>	<b>146,957</b>	<b>20,005</b>	<b>166,962</b>
Profit for the year	-	-	-	-	-	-	-	-	23,570	23,570	4,000	27,570
Other comprehensive income for the year	-	-	-	(300)	-	36	(191)	-	-	(455)	-	(455)
Total comprehensive income for the year	-	-	-	(300)	-	36	(191)	-	23,570	23,115	4,000	27,115
Non-controlling interests arising on the acquisition of Subsix Limited (note 50)	-	-	-	-	-	-	-	-	-	-	132	132
Additional non-controlling interests arising on disposal of interest in Subone Limited (note 59)	-	-	-	-	-	-	-	-	-	-	179	179
Difference arising on disposal of interest in Subone Limited (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 loan 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)
<b>Balance at 31 December 2009</b>	<b>17,819</b>	<b>15,427</b>	<b>1,195</b>	<b>227</b>	<b>179</b>	<b>314</b>	<b>126</b>	<b>626</b>	<b>111,568</b>	<b>147,481</b>	<b>24,316</b>	<b>171,797</b>

*Note: See the explanatory note preceding note 44 in these illustrative financial statements regarding the level of detail presented in the statement of changes in equity. The format adopted on this page shows a single line for 'other comprehensive income for the year'. Due to concern that this presentation appears to be inconsistent with the requirements of HKAS 1.106 as currently drafted, the IASB has clarified that its original intention was to allow this aggregated presentation and a proposal to clarify the wording of HKAS 1.106 has recently been issued (see the Exposure Draft on Improvements to IFRSs issued in August 2009). These illustrative financial statements have been prepared taking account of the proposed clarification.*



Source	Hong Kong GAAP Limited		
HKAS 1.10(d), 51(b),(c)	<b>Consolidated statement of cash flows for the year ended 31 December 2009</b>		<b>[Alt 1]</b>
HKAS 1.113		<u>Notes</u>	Year ended 31/12/09 HK\$'000
HKAS 1.51(d),(e) HKAS 7.10			Year ended 31/12/08 HK\$'000
	<b>Cash flows from operating activities</b>		
HKAS 7.18(a)	Receipts from customers		210,964
	Payments to suppliers and employees		(163,975)
	Net cash outflow from held-for-trading investments		(4,032)
	Cash generated from operations		42,957
HKAS 7.31	Interest paid		(4,418)
HKAS 7.35	Income taxes paid		(13,123)
	Net cash generated by operating activities		25,416
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 24.17(a)	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		(10)
	Proceeds from disposal of investment properties		-
	Payments for intangible assets		(6)
	(Increase)/decrease in 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		(2,583)
HKAS 7.10	<b>Cash flows from financing activities</b>		
	Proceeds from issue of equity shares		462
	Proceeds from issue of convertible loan notes		4,950
	Payment for share issue costs		(6)
	Payment for buy-back of shares		(17,302)
	Payment for share buy-back costs		(227)
	Proceeds from borrowings		20,122
	Repayment of borrowings		(23,811)
	Proceeds from government loans		3,000
	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		(19,070)
	<b>Net increase in cash and cash equivalents</b>		3,763
	<b>Cash and cash equivalents at the beginning of year</b>		19,400
HKAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(80)
	<b>Cash and cash equivalents at the end of year</b>	52	23,083
			19,400
Note: The above illustrates the direct method of reporting cash flows from operating activities.			



Source	Hong Kong GAAP Limited		
HKAS 1.10(d), 51(b),(c)	<b>Consolidated statement of cash flows for the year ended 31 December 2009</b>		<b>[Alt 2]</b>
HKAS 1.113		<u>Notes</u>	Year ended 31/12/09 HK\$'000
HKAS 1.51(d),(e) HKAS 7.10	<b>Cash flows from operating activities</b>		Year ended 31/12/08 HK\$'000
HKAS 7.18(b)	Profit for the year		27,570
	Adjustments for:		
	Income tax expense recognised in profit or loss		14,088
	Share of profits of associates		(1,186)
	Finance costs recognised in profit or loss		4,418
	Investment and other income recognised in profit or loss		(3,608)
	Gain on disposal of property, plant and equipment		(6)
	Gain on revaluation of investment properties		(290)
	Gain on disposal of a subsidiary		(1,940)
	Gain on disposal of an associate		(581)
	(Gain)/loss transferred from equity to profit or loss on sale of available-for-sale financial assets		-
	Loss transferred from equity to profit or loss on impairment of available-for-sale financial assets		-
	Impairment loss recognised on trade receivables		63
	Reversal of impairment loss on trade receivables		(103)
	Depreciation and amortisation of non-current assets		14,179
	Impairment of non-current assets		1,439
	Net foreign exchange (gain)/loss		(78)
	Expense recognised in respect of equity-settled share-based payments		218
	Gain arising on effective settlement of legal claim against Subseven Limited		(40)
			54,143
	Movements in working capital		
	Increase in trade and other receivables		(746)
	Decrease / (increase) in amount due from (to) customers for contract work		11
	Decrease in inventories		1,728
	Increase in held-for-trading investments		(4,032)
	Decrease in trade and other payables		(8,798)
	Increase/(decrease) in provisions		224
	Increase in deferred revenue		427
			42,957
	Cash generated from operations		32,727
HKAS 7.31	Interest paid		(4,418)
HKAS 7.35	Income taxes paid		(13,123)
			25,416
	Net cash generated by operating activities		13,384

Source	Hong Kong GAAP Limited			
	Consolidated statement of cash flows for the year ended 31 December 2009		[Alt 2 continued]	
		Notes	Year ended 31/12/09 HK\$'000	Year ended 31/12/08 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 24.17(a)	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)	(11,902)
	Proceeds from disposal of property, plant and equipment		10,262	21,245
	Payments for investment properties		(10)	(12)
	Proceeds from disposal of investment properties		-	58
	Payments for intangible assets		(6)	(358)
	(Increase)/decrease in 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		(2,583)	8,170
HKAS 7.10	Cash flows from financing activities			
	Proceeds from issue of equity shares		462	-
	Proceeds from issue of convertible loan notes		4,950	-
	Payment for share issue costs		(6)	-
	Payment for buy-back of shares		(17,302)	-
	Payment for share buy-back costs		(227)	-
	Proceeds from borrowings		20,122	26,798
	Repayment of borrowings		(23,811)	(31,117)
	Proceeds from government loans		3,000	-
	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		(19,070)	(10,740)
	Net increase in cash and cash equivalents		3,763	10,814
	Cash and cash equivalents at the beginning of year		19,400	8,770
HKAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(80)	(184)
	Cash and cash equivalents at the end of year	52	23,083	19,400
	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)	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009</b></p> <p><b>1. General information</b></p>
HKAS 1.138(a), (c)	<p>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 (referred to as the Group) are described in note 6.</p>
HKAS 21.53	<p>The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.</p>
HKAS 8.28 App 16 Note 2.2 GR 18.04 Note Sch 10: 17(6)(b)	<p><b>2. Application of new and revised Hong Kong Financial Reporting Standards (HKFRSs)</b></p> <p>In the current year, the Group has applied all of the new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. In addition, the Group has early applied HKFRS 3 (revised in 2008) <i>Business Combinations</i>, HKAS 27 (revised in 2008) <i>Consolidated and Separate Financial Statements</i> and HKAS 28 (revised in 2008) <i>Investments in Associates</i> in advance of their effective dates. The new and revised Standards, Amendments and Interpretations adopted in the current year are referred to as new and revised HKFRSs.</p> <p>The impact of the application of the new and revised HKFRSs is discussed below. The impact on basic and diluted earnings per share is discussed in note 17.</p> <p><b><i>New and revised HKFRSs affecting presentation and disclosure only</i></b></p> <p><b><i>HKAS 1 (revised in 2007) Presentation of Financial Statements</i></b></p> <p>HKAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, HKAS 1(2007) has required the presentation of a third statement of financial position as at 1 January 2008 because the Group has applied some accounting policies retrospectively.</p> <p><b><i>HKFRS 8 Operating Segments</i></b></p> <p>HKFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 6).</p> <p><b><i>Improving Disclosures about Financial Instruments</i></b> <b><i>(Amendments to HKFRS 7 Financial Instruments: Disclosures)</i></b></p> <p>The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.</p> <p><b><i>New and revised HKFRSs affecting the financial performance and/or financial position</i></b></p> <p><b><i>HKFRS 3 (revised in 2008) Business Combinations</i></b></p> <p>HKFRS 3(2008) has been adopted in advance of its effective date (business combinations for which the acquisition date is on or after the beginning of the annual period beginning on or after 1 July 2009. Specifically, HKFRS 3(2008) has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2009 in accordance with the relevant transitional provisions. The adoption of HKFRS 3(2008) has affected the accounting for business combinations in the current year.</p>
HKAS 8.28(a)	
HKFRS 3.64 HKAS 8.28(b)	

Source	Hong Kong GAAP Limited																				
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>																				
HKAS 8.28(c)	<p>The impact of the adoption of HKFRS 3(2008) has been:</p> <ul style="list-style-type: none"> <li>to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of Subsix Limited, the Group has elected to measure the non-controlling interests at fair value at the date of acquisition. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the fair value of the identifiable net assets of the acquiree;</li> <li>to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss;</li> <li>where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and</li> <li>to require acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.</li> </ul>																				
HKAS 8.28(f)(i)	<p>In the current year, these changes in policies have affected the accounting for the acquisition of Subsix Limited and Subseven Limited, as follows:</p> <p><i>Consolidated statement of financial position</i></p> <table> <tr> <td></td><td style="text-align: right;"><u>31/12/09</u> HK\$'000</td></tr> <tr> <td>Excess of the fair value of the non-controlling interests in Subsix Limited over their share of the fair value of the identifiable net assets (reflected in the non-controlling interests)</td><td style="text-align: right;">62</td></tr> <tr> <td>Liability recognised in respect of the fair value of contingent consideration that would not have been recognised under the previous version of the Standard (reflected in 'other financial liabilities')</td><td style="text-align: right;">75</td></tr> <tr> <td>Adjustment to the cost of the acquisition to reflect the effective settlement by Subseven Limited to the Group in relation to the Group's lawsuit against Subseven Limited (reflected in profit or loss)</td><td style="text-align: right;">40</td></tr> <tr> <td>Acquisition-related costs expensed when incurred (reflected in profit or loss)</td><td style="text-align: right;"><u>(145)</u></td></tr> <tr> <td>Additional goodwill recognised as result of the adoption of HKFRS 3(2008)</td><td style="text-align: right;"><u>32</u></td></tr> </table> <p><i>Consolidated statement of comprehensive income</i></p> <table> <tr> <td></td><td style="text-align: right;"><u>Year ended 31/12/09</u> HK\$'000</td></tr> <tr> <td>Gain recognised to reflect the effective settlement by Subseven Limited to the Group in relation to the Group's lawsuit against Subseven Limited (included in 'other gains and losses')</td><td style="text-align: right;">40</td></tr> <tr> <td>Acquisition-related costs expensed when incurred (included in 'other expenses')</td><td style="text-align: right;"><u>(145)</u></td></tr> <tr> <td>Decrease in profit for the year as a result of the adoption of HKFRS 3(2008)</td><td style="text-align: right;"><u>(105)</u></td></tr> </table> <p>Results in future periods may be affected by future impairment losses relating to the increased goodwill, and by changes in the fair value of contingent consideration recognised as a financial liability.</p>		<u>31/12/09</u> HK\$'000	Excess of the fair value of the non-controlling interests in Subsix Limited over their share of the fair value of the identifiable net assets (reflected in the non-controlling interests)	62	Liability recognised in respect of the fair value of contingent consideration that would not have been recognised under the previous version of the Standard (reflected in 'other financial liabilities')	75	Adjustment to the cost of the acquisition to reflect the effective settlement by Subseven Limited to the Group in relation to the Group's lawsuit against Subseven Limited (reflected in profit or loss)	40	Acquisition-related costs expensed when incurred (reflected in profit or loss)	<u>(145)</u>	Additional goodwill recognised as result of the adoption of HKFRS 3(2008)	<u>32</u>		<u>Year ended 31/12/09</u> HK\$'000	Gain recognised to reflect the effective settlement by Subseven Limited to the Group in relation to the Group's lawsuit against Subseven Limited (included in 'other gains and losses')	40	Acquisition-related costs expensed when incurred (included in 'other expenses')	<u>(145)</u>	Decrease in profit for the year as a result of the adoption of HKFRS 3(2008)	<u>(105)</u>
	<u>31/12/09</u> HK\$'000																				
Excess of the fair value of the non-controlling interests in Subsix Limited over their share of the fair value of the identifiable net assets (reflected in the non-controlling interests)	62																				
Liability recognised in respect of the fair value of contingent consideration that would not have been recognised under the previous version of the Standard (reflected in 'other financial liabilities')	75																				
Adjustment to the cost of the acquisition to reflect the effective settlement by Subseven Limited to the Group in relation to the Group's lawsuit against Subseven Limited (reflected in profit or loss)	40																				
Acquisition-related costs expensed when incurred (reflected in profit or loss)	<u>(145)</u>																				
Additional goodwill recognised as result of the adoption of HKFRS 3(2008)	<u>32</u>																				
	<u>Year ended 31/12/09</u> HK\$'000																				
Gain recognised to reflect the effective settlement by Subseven Limited to the Group in relation to the Group's lawsuit against Subseven Limited (included in 'other gains and losses')	40																				
Acquisition-related costs expensed when incurred (included in 'other expenses')	<u>(145)</u>																				
Decrease in profit for the year as a result of the adoption of HKFRS 3(2008)	<u>(105)</u>																				

Source	Hong Kong GAAP Limited
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>
HKAS 8.28(a)	<a href="#"><i>HKAS 27 (revised in 2008) Consolidated and Separate Financial Statements</i></a>
HKAS 27.45 HKAS 8.28(b),(d)	<p>HKAS 27(2008) has been adopted in advance of its effective date (annual periods beginning on or after 1 July 2009) and has been applied retrospectively (subject to specified transitional provisions). The revised Standard has resulted in changes in the Group's accounting policies regarding changes in ownership interests in subsidiaries of the Group. The new accounting policies in relation to changes in ownership interests in subsidiaries have been applied prospectively to changes that take place on or after 1 January 2009 in accordance with the relevant transitional provisions.</p>
HKAS 8.28(c) HKAS 8.28(f)(i)	<p>In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.</p> <p>Under HKAS 27(2008), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27(2008) requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.</p> <p>The adoption of the revised Standard has affected the accounting for the Group's disposal in the current year of part of its ownership interest in Subone Limited that does not result in the loss of control over Subone Limited. Specifically, the change in policy has resulted in the difference of HK\$34,000 between the consideration received and the non-controlling interests recognised being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of HK\$34,000 (2008: nil).</p>
HKAS 8.28(a)	<a href="#"><i>HKAS 28 (revised in 2008) Investments in Associates</i></a>
HKAS 28.41B	<p>HKAS 28(2008) has been adopted in advance of its effective date (annual periods beginning on or after 1 July 2009). The principle adopted under HKAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 28. Therefore, under HKAS 28(2008), when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any resulting gain or loss being recognised in profit or loss.</p>
HKAS 8.28(b),(d) HKAS 8.28(c) HKAS 8.28(f)(i)	<p>The changes in accounting policies have been applied prospectively for periods beginning on or after 1 January 2009. Specifically, the changes have affected the accounting for the partial disposal of the Group's interest in E Plus Limited in the current year. The difference of HK\$104,000 between the carrying amount of the interest retained in E Plus Limited and its fair value has been recognised in profit or loss in the current year, net of a deferred tax expense of HK\$32,000. Had the Group's previous accounting policy been followed, the carrying amount of the investment retained would have been regarded as cost for the purposes of subsequent accounting as an available-for-sale investment under HKAS 39 and the movement in fair value (and related deferred tax) would have been recognised in other comprehensive income. As a result, the profit reported for 2009 has therefore been increased by HK\$72,000. This increase will be offset by a decrease in profits of an equivalent amount when the investment is disposed of in future accounting periods.</p>
HKAS 8.28(a)	<a href="#"><i>HK (IFRIC) – Int 13 Customer Loyalty Programmes</i></a>
HKAS 8.28(c)	<p>The adoption of HK (IFRIC) – Int 13 has resulted in a change in the Group's accounting policy for its customer loyalty programme. The Group's Maxi-Point Scheme, operated for the benefit of its on-line customers, falls within the scope of HK (IFRIC) – Int 13. Under the Maxi-Point Scheme, on-line customers purchasing the Group's electronic equipment are entitled to receive loyalty points that can be used to obtain discounts on subsequent purchases. In the past, the Group accounted for the Maxi-Point Scheme by recognising the full consideration from the on-line sales as revenue, with a separate liability for the estimated cost of the subsequent discounts. However, HK (IFRIC) – Int 13 requires such transactions to be accounted for as 'multiple element revenue transactions' and that the consideration received in the initial sale transaction should be allocated between the sale of equipment and the discount entitlements earned by the customer in that sale transaction.</p>

Source	Hong Kong GAAP Limited
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>
HKAS 8.28 (f)(i), (g)	<p>This change in accounting policy has been applied retrospectively. The impact of this change in accounting policy is that as at 1 January 2008 provisions have been decreased by HK\$23,000, deferred revenue has been increased by HK\$104,000 and deferred tax assets have been increased by HK\$20,000, with a corresponding adjustment for the net effect of HK\$61,000 being recognised in retained earnings as at 1 January 2008. Revenue for the year ended 31 December 2009 has been reduced by HK\$47,000 (2008: HK\$75,000). Cost of sales for the year ended 31 December 2009 has been increased by HK\$10,000 (2008: decreased by HK\$48,000) and the income tax expense for the year ended 31 December 2009 has been decreased by HK\$10,000 (2008: HK\$12,000). Profit for the year ended 31 December 2009 has therefore been reduced by HK\$47,000 as a result of the new policy (2008: HK\$15,000). The impact of the change at 31 December 2009 has been to increase deferred revenue by HK\$184,000 (31 December 2008: HK\$147,000), to increase deferred tax assets by HK\$42,000 (31 December 2008: HK\$32,000), to decrease provisions by HK\$19,000 (31 December 2008: HK\$39,000), and to decrease retained earnings by HK\$123,000 (31 December 2008: HK\$76,000).</p>
HKAS 8.28(a)	<p><u><i>Amendments to HKAS 38 Intangible Assets</i></u></p>
HKAS 8.28(c)	<p>As part of <i>Improvements to HKFRSs (2008)</i>, HKAS 38 has been amended such that an entity can recognise prepaid expenditures (e.g. expenditures on advertising and promotional activities) as an asset only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. The Group has acquired some mail order catalogues to promote its products. In the past, the Group recognised inventories of catalogues as assets up to the date of dispatch to customers.</p>
HKAS 8.28 (f)(i), (g)	<p>The amendments have been applied retrospectively, resulting in a reduction in inventories held at 1 January 2008 of HK\$132,000 and a reduction in deferred tax liabilities of HK\$40,000 at the same date, leading to a net adjustment to retained earnings at 1 January 2008 of HK\$92,000. [Distribution and selling expenses/raw materials and consumables used] in 2009 have been increased by HK\$12,000 (2008: HK\$7,000), and the income tax expense reduced by HK\$4,000 (31 December 2008: HK\$2,000). Profit for the year ended 31 December 2009 has therefore been decreased by HK\$8,000 (2008: HK\$5,000). The impact of the change at 31 December 2009 has been to decrease inventories by HK\$151,000 (31 December 2008: HK\$139,000), to decrease deferred tax liabilities by HK\$46,000 (31 December 2008: HK\$42,000) and to decrease retained earnings by HK\$105,000 (31 December 2008: HK\$97,000).</p>
HKAS 8.28(a)	<p><u><i>Amendments to HKAS 40 Investment Property</i></u></p>
HKAS 8.28(c)	<p>As part of <i>Improvements to HKFRSs (2008)</i>, HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable). In the past, the leasehold land and building elements of investment properties under construction were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses (if any). The Group has used the fair value model to account for its investment properties.</p>
HKAS 8.28(b),(d), (f)(i)	<p>The Group has applied the amendment to HKAS 40 prospectively from 1 January 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's investment properties under construction that include the leasehold land and buildings elements have been classified as investment properties and measured at fair value as at 31 December 2009, with the fair value gain HK\$290,000, recognised in profit or loss in the current year offset by a deferred tax expense of HK\$87,000. As at 31 December 2009, the impact has been to decrease prepaid lease payments and property, plant and equipment by HK\$1.20 million and HK\$0.31 million respectively, to increase investment properties by HK\$1.80 million, to increase deferred tax liabilities by HK\$87,000 and to increase retained earnings by HK\$203,000.</p>



Source	Hong Kong GAAP Limited																						
HKAS 8.28(a)	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p><u>Amendments to HKAS 20 Accounting for Government Grants and Disclosure of Government Assistance</u></p>																						
HKAS 8.28(c)	<p>As part of <i>Improvements to HKFRSs (2008)</i>, HKAS 20 has been amended to require government loans at below market interest rates to be recognised and measured in accordance with HKAS 39 <i>Financial Instruments: Recognition and Measurement</i>. Specifically, the amendment requires government subsidised loans to be measured at fair value on initial recognition and the benefit derived from the below market-interest, measured as the difference between the fair value of the loans on initial recognition and the proceeds received, to be accounted for as government grants in accordance with HKAS 20. In the past, the Group did not quantify the benefit inherent in these government-subsidised loans.</p>																						
HKAS 8.28(b),(d), (f)(i)	<p>In accordance with the relevant transitional provisions, the policy has been applied prospectively to government loans received on or after 1 January 2009. On 28 December 2009, the Group received an interest-free government loan of HK\$3 million to finance staff training over a two-year period. Using prevailing market interest rates for an equivalent loan of 7.2% per annum, the fair value of the loan is estimated at HK\$2.61 million on initial recognition. The difference between the gross proceeds and the fair value of the loan on initial recognition of HK\$390,000 is the benefit derived from the interest-free loan and is recognised as deferred revenue. This amount will be offset against estimated training costs incurred in 2010 (HK\$250,000) and 2011 (HK\$140,000). Interest expenses will be recognised in 2010 (HK\$188,000) and 2011 (HK\$202,000), resulting in net increase in profit for 2010 of HK\$62,000, and an equivalent reduction in profit for 2011.</p>																						
HKAS 8.30 HKAS 8.31 Sch 10:17(6)(b)	<p><b>Standards and Interpretations in issue but not yet effective</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> <tr> <td>HKFRSs (Amendments)</td><td>Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008<sup>1</sup></td></tr> <tr> <td>HKFRSs (Amendments)</td><td>Improvements to HKFRSs issued in 2009<sup>2</sup></td></tr> <tr> <td>HKAS 24 (Revised)</td><td>Related Party Disclosures<sup>6</sup></td></tr> <tr> <td>HKAS 32 (Amendments)</td><td>Classification of Rights Issues<sup>4</sup></td></tr> <tr> <td>HKAS 39 (Amendments)</td><td>Eligible Hedged Items<sup>1</sup></td></tr> <tr> <td>HKFRS 1 (Amendments)</td><td>Additional Exemptions for First-time Adopters<sup>3</sup></td></tr> <tr> <td>HKFRS 2 (Amendments)</td><td>Group Cash-settled Share-based Payment Transactions<sup>3</sup></td></tr> <tr> <td>HKFRS 9</td><td>Financial Instruments (relating to the classification and measurement of financial assets)<sup>7</sup></td></tr> <tr> <td>HK (IFRIC) – Int 14 (Amendments)</td><td>Prepayments of a Minimum Funding Requirement<sup>6</sup></td></tr> <tr> <td>HK (IFRIC) – Int 17</td><td>Distributions of Non-cash Assets to Owners<sup>1</sup></td></tr> <tr> <td>HK (IFRIC) – Int 19</td><td>Extinguishing Financial Liabilities with Equity Instruments<sup>5</sup></td></tr> </table>	HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>	HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>	HKAS 24 (Revised)	Related Party Disclosures <sup>6</sup>	HKAS 32 (Amendments)	Classification of Rights Issues <sup>4</sup>	HKAS 39 (Amendments)	Eligible Hedged Items <sup>1</sup>	HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters <sup>3</sup>	HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>	HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) <sup>7</sup>	HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>6</sup>	HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>	HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>																						
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>																						
HKAS 24 (Revised)	Related Party Disclosures <sup>6</sup>																						
HKAS 32 (Amendments)	Classification of Rights Issues <sup>4</sup>																						
HKAS 39 (Amendments)	Eligible Hedged Items <sup>1</sup>																						
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters <sup>3</sup>																						
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>																						
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets) <sup>7</sup>																						
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>6</sup>																						
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>																						
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>																						
<p><sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.</p> <p><sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.</p> <p><sup>3</sup> Effective for annual periods beginning on or after 1 January 2010.</p> <p><sup>4</sup> Effective for annual periods beginning on or after 1 February 2010.</p> <p><sup>5</sup> Effective for annual periods beginning on or after 1 July 2010.</p> <p><sup>6</sup> Effective for annual periods beginning on or after 1 January 2011.</p> <p><sup>7</sup> Effective for annual periods beginning on or after 1 January 2013.</p>																							
<p><b>Notes:</b></p> <p>1) <i>The listing is complete as at 31 December 2009. The potential impact of any new and revised Standards, Amendments and Interpretations issued by the HKICPA after that date, but before the issue of the financial statements, should also be considered and disclosed.</i></p> <p>2) <i>Entities are required to disclose in their financial statements the possible impact of new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective. Entities should consider the nature of their operations and the accounting policies in assessing the potential impact of these Standards, Amendments and Interpretations. The following are <u>examples</u> of the types of disclosures that might be required in this area.</i></p>																							

Source	Hong Kong GAAP Limited
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>
HKAS 8.30(a),(b)	<p>HKFRS 9 <i>Financial Instruments</i> introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.</p> <p>In addition, as part of <i>Improvements to HKFRSs (2009)</i>, HKAS 17 <i>Leases</i> has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.</p> <p>[Other potential impact (please describe).]</p> <p>The directors of the Company anticipate that the application of the other new and revised Standards, Amendments and Interpretations will have no material impact on the financial performance and financial position of the Group.</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 2009 – continued</b></p> <p><b>3. Significant accounting policies</b></p> <p>The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.</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> <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>The results 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.</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> <p>Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.</p> <p><b><i>Allocation of total comprehensive income to non-controlling interests</i></b></p> <p>Total comprehensive income and expense of a subsidiary 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. Prior to 1 January 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.</p> <p><b><i>Changes in the Group's ownership interests in existing subsidiaries</i></b></p> <p><b><i>Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2009</i></b></p> <p>Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.</p> <p><b><i>Changes in the Group's ownership interests in existing subsidiaries after 1 January 2009</i></b></p> <p>Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary 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 subsidiary. 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>

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

When the Group loses control over a subsidiary, the profit or loss on disposal 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 determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured 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 Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). 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 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

***Business combinations***

***Business combinations prior to 1 January 2009***

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

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

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against goodwill.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

***Business combinations on or after 1 January 2009***

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 former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (2008) are recognised at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

## Source

## Hong Kong GAAP Limited

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

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 assessment, the Group's interest in the fair value of the acquiree's identifiable net assets 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.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers 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 considered 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 being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where 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.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. 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.

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.

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – 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. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets of the associates, less any impairment in the value of individual investments. 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 provided 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 the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.</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>Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.</p> <p><b><i>Jointly controlled entities</i></b></p> <p>Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.</p> <p>The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the Group's similar items in the consolidated financial statements on a line-by-line basis.</p> <p>Any goodwill arising on the acquisition of 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>Where a group entity transacts with a jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity.</p> <p><b><i>Non-current assets held for sale</i></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 asset (or disposal group) is available for immediate sale in its present condition.</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>

HKAS 31.57

Source	Hong Kong GAAP Limited
HKAS 18.35(a) Sch 10:16(4)	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p><b><i>Revenue recognition</i></b></p> <p>Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the course of the ordinary activities, net of discounts and sales related taxes.</p> <p>Revenue from the sale of goods is recognised when 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> <li>• the costs incurred or to be incurred in respect of the transaction can be measured reliably.</li> </ul> <p>Sales of goods that result in award credits for customers, under the Group's Maxi-Point Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. 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>Service income is recognised when services are provided and determined based on the stage of completion.</p> <p>Revenue from construction contracts is recognised in accordance with the Group's accounting policy for construction contracts (see the accounting policy below).</p> <p>Dividend income from investments excluding financial assets at fair value through profit or loss is recognised when the shareholder's right to receive payment has been established.</p> <p>Interest income from a financial asset (other than a financial asset at fair value through profit or loss) 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>Rental income is recognised in accordance with the Group's accounting policy for operating leases (see the accounting policy below).</p>
HKAS 11.39(b), (c)	<p><b><i>Construction contracts</i></b></p> <p>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>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>When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.</p>

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

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.

***Leasing***

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

*The Group as lessor*

Amounts due from lessees under finance leases are 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.

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

*The Group as lessee*

Assets held under finance leases are 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 statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs 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 policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

*Leasehold land for own use*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land is accounted for as operating leases and amortised over the lease term on a straight-line basis.

Sch 10:12(14)

***Foreign currencies***

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on 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.



## Source

## Hong Kong GAAP Limited

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purpose 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 the 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).

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, 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.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, 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 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.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation before 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reporting using historical cost prevailing at the date of acquisition.

***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Source	Hong Kong GAAP Limited
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>
HKAS 20.39(a)	<p><b><i>Government grants</i></b></p> <p>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. Government grants related to depreciable assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. 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>The benefit of a government loan at a below-market rate of interest (received on or after 1 January 2009) is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.</p>
HKAS 19.120A(a)	<p><b><i>Retirement benefit costs</i></b></p> <p>Payments to defined contribution retirement plans are charged 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 the 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 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 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 transactions</i></b></p> <p><u><i>Share options granted to employees in an equity-settled share-based payment transaction</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). 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 are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.</p> <p>At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the 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><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p><b><i>Taxation</i></b></p> <p>Income tax expense represents the sum of the tax currently payable and deferred tax.</p> <p>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>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>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>The carrying amount of deferred tax assets is reviewed at the end of the 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>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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.</p>
HKAS 16.73(a), (b)	<p><b><i>Property, plant and equipment</i></b></p> <p>Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost or fair value at the date of revaluation, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.</p> <p>Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Freehold land is stated at revalued amount, being the fair value at the date of revaluation less any subsequent impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.</p> <p>Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, and accumulated under the heading of properties revaluation reserve except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.</p>

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p>Properties in the course of construction for production, supply or administrative purposes are carried at cost, less recognised impairment loss, if any. 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>Freehold land is not depreciated.</p> <p>Property, plant and equipment other than freehold land and properties under construction are stated at cost less accumulated depreciation and accumulated impairment losses, if any.</p> <p>Depreciation is recognised so as to write off the cost or fair value of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method.</p> <p>Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.</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 determined as the difference between the sales proceeds and the carrying amount of the asset 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. On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.</p> <p>From 1 January 2009, investment properties under construction have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise. Prior to 1 January 2009, the leasehold land and building elements of investment properties under construction were accounted separately; the leasehold land element was accounted for as an operating lease and the building element was measured at cost less impairment losses, if any.</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 its disposals. 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> <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 acquired separately and with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).</p> <p>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

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**Research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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.

HKAS 38.118(b)

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

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).

HKAS 38.118(b)

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

**Impairment of tangible and intangible assets other than goodwill**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

Source	Hong Kong GAAP Limited
HKAS 2.36(a)	<p data-bbox="363 237 935 293"><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p data-bbox="363 315 496 349"><b><i>Inventories</i></b></p> <p data-bbox="363 371 1430 427">Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.</p> <p data-bbox="363 450 491 483"><b><i>Provisions</i></b></p> <p data-bbox="363 506 1442 595">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="363 618 1437 752">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. Where 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 is material).</p> <p data-bbox="363 775 967 808"><u><i>Contingent liabilities acquired in a business combination</i></u></p> <p data-bbox="363 831 1430 954">Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18.</p>
HKFRS 7.21	<p data-bbox="363 976 616 1010"><b><i>Financial instruments</i></b></p> <p data-bbox="363 1032 1449 1256">Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 data-bbox="363 1279 544 1312"><u><i>Financial assets</i></u></p> <p data-bbox="363 1335 1453 1503">The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. 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 data-bbox="363 1525 635 1559"><u><i>Effective interest method</i></u></p> <p data-bbox="363 1581 1442 1749">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 on 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>
HKFRS 7.B5(e)	<p data-bbox="363 1771 1414 1827">Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL, of which interest income is included in net gains and losses.</p> <p data-bbox="363 1850 647 1883"><u><i>Financial assets at FVTPL</i></u></p> <p data-bbox="363 1906 1422 1973">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
HKAS 39.9 HKAS 39.11A HKAS 39.12	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p>A financial asset is classified as held for trading if:</p> <ul style="list-style-type: none"> <li>• it has been acquired principally for the purpose of selling it in the near future; 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 asset other than a financial asset 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 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>• it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.</li> </ul>
HKFRS 7.B5(e)	<p>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.</p>
HKFRS 7.B5(b)	<p><i>Held-to-maturity investments</i></p> <p>Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities with the Group's management 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 losses (see the accounting policy in respect of impairment losses on financial assets below).</p> <p><i>AFS financial assets</i></p> <p>Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.</p> <p>Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve until the financial asset is disposed of or determined to be impaired, at which time, 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>For available-for-sale 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, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).</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, pledged bank deposits, bank balances and cash, and amounts due from directors) are measured at amortised cost using the effective interest method, less any impairment (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 2009 – continued</b></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 the reporting period. Financial assets are impaired where 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 an AFS equity investment, 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>• default or delinquency in interest or principal payments; or</li> <li>• it becoming probable that the borrower will enter bankruptcy or financial re-organisation.</li> </ul> <p>For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are 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 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.</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>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 securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss in subsequent periods. 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 securities, impairment losses are subsequently reversed if an increase in the fair value of investment can be objectively related to an event occurring after the recognition of the impairment loss.</p>
HKFRS 7.B5(f), 37(b)	
HKFRS 7.21	<p><i>Financial liabilities and equity</i></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> <p>An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.</p>



Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p><i>Effective interest method</i></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 payments (including all fees on 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, of which interest expense is included in net gains and losses.</p> <p><i>Financial liabilities at FVTPL</i></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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.</li> </ul> <p><i>Other financial liabilities</i></p> <p>Other financial liabilities (including borrowings, a loan from government, trade and other payables) are subsequently measured at amortised cost using the effective interest method.</p> <p><i>Convertible loan notes</i></p> <p>Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. 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>On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).</p>

HKAS 39.9(b)  
HKAS 39.11A  
HKAS 39.12

HKFRS 7.B5(e)

HKFRS 7.21

Source	Hong Kong GAAP Limited
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p>At the end of the reporting period, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option classified as equity will remain in the convertible loan notes equity reserve until the conversion option is exercised, in which case, the balance stated in the convertible loan notes equity reserve will be transferred to share premium. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible loan notes equity reserve will be released to retained profits. 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 loan 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 loan notes using the effective interest method.</p>
HKFRS 7.21	<p><u><i>Equity instruments</i></u></p> <p>Equity instruments issued by the Company are recorded 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>
HKFRS 7.21	<p><u><i>Derivative financial instruments</i></u></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><u><i>Embedded derivatives</i></u></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> <p><u><i>Hedge accounting</i></u></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> <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><u><i>Fair value hedges</i></u></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, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.</p> <p><u><i>Cash flow hedges</i></u></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>



## Source

## Hong Kong GAAP Limited

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

Amounts previously recognised in other comprehensive income and accumulated in the cash flow hedging reserve 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 [statement of comprehensive income/income statement] as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in the cash flow hedging reserve are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in the cash flow hedging reserve at that time remains in the cash flow hedging reserve 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 the cash flow hedging reserve is recognised immediately in profit or loss.

*Hedges of net investments in foreign operations*

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.

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 disposal of the foreign operation.

*Financial guarantee contracts*

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 original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. At the end of the reporting period, the Group measures the financial guarantee contract at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with HKAS 18.

*Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred 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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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.

On derecognition of a financial asset, 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.

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.

Source	Hong Kong GAAP Limited
	<p data-bbox="363 237 935 293"><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p data-bbox="363 320 1243 349"><b>4. Critical accounting judgements and key sources of estimation uncertainty</b></p> <div data-bbox="363 389 1455 517" style="background-color: #e0f2f1; padding: 10px;"> <p data-bbox="363 389 1455 501"><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="363 546 1455 680">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="363 710 1455 822">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="145 848 288 878">HKAS 1.122</p> <p data-bbox="363 848 957 878"><b><i>Critical judgements in applying accounting policies</i></b></p> <p data-bbox="363 904 1455 987">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 1014 588 1043"><u>Revenue recognition</u></p> <p data-bbox="363 1070 1455 1290">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 2009, 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 2011. 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 1317 1455 1536">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="145 1563 341 1592">HKAS 1.125, 129</p> <p data-bbox="363 1563 807 1592"><b><i>Key sources of estimation uncertainty</i></b></p> <p data-bbox="363 1619 1455 1702">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 1729 609 1758"><u>Impairment of goodwill</u></p> <p data-bbox="363 1785 1455 1897">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 1924 1455 2007">The carrying amount of goodwill as at 31 December 2009 was HK\$20.3 million (31 December 2008: HK\$24.1 million) after an impairment loss of HK\$235,000 was recognised during 2009. Details of the impairment loss calculation are set out in note 22.</p>

## Source

## Hong Kong GAAP Limited

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

*Fair value of derivatives and other financial instruments*

As described in notes 27 and 41, management use its judgement in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. The Group's unlisted equity investments with carrying amount of HK\$840,000 million (31 December 2008: HK\$420,000) were valued using a discounted cash flow analysis. Some assumptions were not based on observable market prices or rates.

For derivative financial instruments, assumptions were based on quoted market prices of similar instruments adjusted for specific features of the instruments. The carrying amounts of these derivative financial assets and derivative financial liabilities were HK\$528,000 and HK\$96,000 respectively (31 December 2008: HK\$397,000 and nil respectively).

**5. Revenue**

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

An analysis of the Group's revenue for the year from continuing operations is as follows:

HKAS 18.35(b)  
HKAS 18.35(b)  
HKAS 11.39(a)

	Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
Revenue from the sale of goods	119,232	128,852
Revenue from the rendering of services	16,388	18,215
Construction contract revenue	5,298	4,773
	<u>140,918</u>	<u>151,840</u>

Source	Hong Kong GAAP Limited				
App 16.7 GR 18.08 HKFRS 8.2	<p data-bbox="363 237 938 293"><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p data-bbox="363 322 635 349"><b>6. Segment information</b></p> <div data-bbox="363 389 1458 663" style="background-color: #e0f2f1; padding: 10px;"> <p data-bbox="363 389 1362 477"><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="443 495 1430 649" style="list-style-type: none"> <li data-bbox="443 495 1430 551">• 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</li> <li data-bbox="443 566 1430 649">• 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.</li> </ul> </div> <p data-bbox="363 689 880 719"><b>Application of HKFRS 8 Operating Segments</b></p> <p data-bbox="363 745 1445 994">The Group has adopted HKFRS 8 <i>Operating Segments</i> with effect from 1 January 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 <i>Segment Reporting</i>) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting segment was business segments. The adoption of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.</p> <p data-bbox="146 1021 319 1077">HKFRS 8.22 HKAS 1.138(b)</p> <p data-bbox="363 1021 1445 1214">Specifically, in prior years, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. electronic equipment, leisure goods, construction services, toys, bicycles and installation of computer software). However, information reported to the Group's Chief Executive Officer (being the chief operating decision maker) is more specifically focused on the category of customer for each type of goods. The principal categories of customer for these goods are wholesalers, retail outlets and internet sales. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:</p> <div data-bbox="363 1240 1337 1489"> <table data-bbox="363 1240 794 1379"> <tr> <td data-bbox="363 1240 603 1270">Electronic equipment</td><td data-bbox="609 1240 794 1323"> <ul style="list-style-type: none"> <li>- wholesalers</li> <li>- retail outlets</li> <li>- internet sales</li> </ul> </td></tr> <tr> <td data-bbox="363 1328 520 1357">Leisure goods</td><td data-bbox="609 1328 794 1379"> <ul style="list-style-type: none"> <li>- wholesalers</li> <li>- retail outlets</li> </ul> </td></tr> </table> <p data-bbox="363 1406 1337 1435">Computer software - Installation of computer software for specialised business applications</p> <p data-bbox="363 1462 922 1489">Construction - Construction of residential properties.</p> </div> <p data-bbox="363 1516 1374 1545">The leisure goods segments supply sports shoes and equipment, and outdoor play equipment.</p> <p data-bbox="363 1572 1445 1682">Two operations (the manufacture and sale of toys and bicycles) discontinued in the current year were reported as separate business segments under HKAS 14. 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> <p data-bbox="363 1709 1445 1765">Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.</p>	Electronic equipment	<ul style="list-style-type: none"> <li>- wholesalers</li> <li>- retail outlets</li> <li>- internet sales</li> </ul>	Leisure goods	<ul style="list-style-type: none"> <li>- wholesalers</li> <li>- retail outlets</li> </ul>
Electronic equipment	<ul style="list-style-type: none"> <li>- wholesalers</li> <li>- retail outlets</li> <li>- internet sales</li> </ul>				
Leisure goods	<ul style="list-style-type: none"> <li>- wholesalers</li> <li>- retail outlets</li> </ul>				

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>			
	<b>Segment revenues and results</b>			
HKFRS 8.23(a)	The following is an analysis of the Group's revenue and results by reportable segment:			
		Segment revenue		Segment profit
		Year ended	Year ended	Year ended
		31/12/09	31/12/08	31/12/09
		HK\$'000	HK\$'000	HK\$'000
	Electronic equipment - wholesalers	37,509	39,641	6,619
	- 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	32,800
	Share of profits of associates			1,186
	Gain recognised on disposal of interest in former associate			581
	Investment and other income			3,608
	Central administration costs			(2,933)
	Finance costs			(4,418)
HKFRS 8.28(b)	Profit before tax (continuing operations)			30,824
HKFRS 8.23(b)	Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2008: nil).			
HKFRS 8.27	Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment and other income, 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 2009 – continued</b>			
	<b>Segment assets and liabilities</b>			
		<u>31/12/09</u>	<u>31/12/08</u>	<u>01/01/08</u>
		HK\$'000	HK\$'000	HK\$'000
HKFRS 8.23, 28(c)	<u>Segment assets</u>			
	Electronic equipment - wholesalers	43,101	52,630	68,137
	- retail outlets	28,596	36,724	45,382
	- internet sales	28,189	38,711	38,697
	Leisure goods - wholesalers	35,351	33,942	31,926
	- retail outlets	33,032	34,432	35,119
	Computer software	26,045	21,783	20,128
	Construction	15,801	16,623	14,001
	Total segment assets	210,115	234,845	253,390
	Assets relating to toy and bicycle operations (now discontinued)	22,336	-	-
	Unallocated	34,629	27,317	20,865
	Consolidated assets	267,080	262,162	274,255
HKFRS 8.23, 28(d)	<u>Segment liabilities</u>			
	Electronic equipment - wholesalers	22,491	23,513	45,322
	- retail outlets	20,935	20,079	19,123
	- internet sales	14,980	13,784	20,862
	Leisure goods - wholesalers	9,152	10,262	15,646
	- retail outlets	4,978	11,146	8,692
	Computer software	4,158	4,140	3,262
	Construction	3,275	1,692	10,655
	Total segment liabilities	79,969	84,616	123,562
	Liabilities relating to toy and bicycle operations (now discontinued)	3,684	-	-
	Unallocated	11,630	10,584	9,229
	Consolidated liabilities	95,283	95,200	132,791
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 reportable 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 reportable 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 reportable segments other than current and deferred tax liabilities. 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 2009 – continued			
	Other segment information			
HKFRS 8.23(e), 24(b)		Depreciation and amortisation	Additions to non-current assets	
		Year ended 31/12/09	Year ended 31/12/08	Year ended 31/12/09
		HK\$'000	HK\$'000	HK\$'000
	Electronic equipment - wholesalers	3,689	4,595	5,118
	- 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	21,189
				12,272
HKFRS 8.23(i)	In addition to the depreciation and amortisation reported above, impairment losses of HK\$1.204 million (2008: nil) and HK\$235,000 (2008: 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
	Electronic equipment - wholesalers			529
	- retail outlets			285
	- internet sales			390
				1,204
	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 31/12/09	Year ended 31/12/08	
		HK\$000	HK\$000	
	Electronic equipment	85,266	91,874	
	Sports shoes and equipment	21,003	22,850	
	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 2009 – 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 and information about its non-current assets* by geographical location 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 31/12/09 HK\$'000</th><th>Year ended 31/12/08 HK\$'000</th><th>31/12/09 HK\$'000</th><th>31/12/08 HK\$'000</th></tr><tr><td>PRC</td><td>54,202</td><td>63,971</td><td>69,484</td><td>80,179</td></tr><tr><td>Hong Kong</td><td>55,898</td><td>53,562</td><td>42,046</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>133,441</u></td><td><u>164,074</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 revenues arising from sales of electronic equipment of HK\$85.3 million (2008: HK\$91.9 million) are revenues of approximately HK\$15.6 million (2008: HK\$19.8 million) which arose from sales to the Group's largest customer (the wholesalers segment).</p>		Revenue from external customers		Non-current assets*			Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000	31/12/09 HK\$'000	31/12/08 HK\$'000	PRC	54,202	63,971	69,484	80,179	Hong Kong	55,898	53,562	42,046	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>133,441</u>	<u>164,074</u>
	Revenue from external customers		Non-current assets*																																	
	Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000	31/12/09 HK\$'000	31/12/08 HK\$'000																																
PRC	54,202	63,971	69,484	80,179																																
Hong Kong	55,898	53,562	42,046	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>133,441</u>	<u>164,074</u>																																
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 2009 – continued</b>		
	<b>7. Investment and other income</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
	<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	245	210
	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	140	51
		3,608	2,351
Sch 10:13(1)(g)	Included above is income from listed investments of HK\$371,000 (2008: HK\$344,000) and from unlisted investments of HK\$184,000 (2008: HK\$168,000).		
HKFRS 7.20(a)	Investment and other income from financial assets not designated as at fair value through profit or loss is as follows:		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
	Available-for-sale investments	310	302
	Loans and receivables (including cash and bank balances)	2,164	795
	Held-to-maturity investments	245	210
		2,719	1,307
	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 2009 – continued</b>		
	<b>8. Other gains and losses</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 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	290	8
HKAS 21.52(a)	Net foreign exchange gains/(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) reclassified from equity to profit or 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 (note 50)	40	-
		<u>(888)</u>	<u>(463)</u>

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
	<b>9. Finance costs</b>		
		Year ended <u>31/12/09</u> HK\$'000	Year ended <u>31/12/08</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	3,495	5,195
	- not wholly repayable within five years	794	850
	Finance leases	2	5
	Effective interest expense on convertible loan notes	110	-
	Unwinding of discounts on provisions	28	-
		<u>4,429</u>	<u>6,050</u>
HKFRS 7.20(b) HKAS 23.26(a) App 16.22(2) GR 18.22	Total borrowing costs	4,429	6,050
	Less: amounts capitalised in the cost of qualifying assets	<u>(11)</u>	<u>(27)</u>
		<u>4,418</u>	<u>6,023</u>
HKFRS 7.24(a)(i)	Gain arising 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	35	27
		<u>-</u>	<u>-</u>
		<u>4,418</u>	<u>6,023</u>
HKAS 23. 26(b)	The weighted average capitalisation rate on funds borrowed generally is 8.0% per annum (2008: 7.8% per annum).		

Source	Hong Kong GAAP Limited																																																				
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>																																																				
	<b>10. Income tax expense (relating to continuing operations)</b>																																																				
	<i>Income tax recognised in profit or loss</i>																																																				
HKAS 12.79 Sch 10:13(1)(c)		<table> <tr> <th></th><th>Year ended 31/12/09 HK\$'000</th><th>Year ended 31/12/08 HK\$'000</th></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>6,294</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>11,301</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 (note 42):</td><td></td><td></td></tr> <tr> <td>    Current year</td><td>1,714</td><td>1,066</td></tr> <tr> <td>    Reclassified from equity to profit or loss</td><td>(86)</td><td>(86)</td></tr> <tr> <td>    Attributable to a change in tax rate</td><td>-</td><td>(482)</td></tr> <tr> <td></td><td><u>1,628</u></td><td><u>498</u></td></tr> <tr> <td>Total income tax recognised in profit or loss</td><td><u>11,564</u></td><td><u>11,799</u></td></tr> </table>		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000	Current tax:			Hong Kong	4,389	4,952	PRC Enterprise Income Tax	5,513	6,294	Other jurisdictions	34	55		<u>9,936</u>	<u>11,301</u>	Under/(over) provision in prior year:			Hong Kong	-	-	PRC Enterprise Income Tax	-	-	Other jurisdictions	-	-		<u>-</u>	<u>-</u>	Deferred tax (note 42):			Current year	1,714	1,066	Reclassified from equity to profit or loss	(86)	(86)	Attributable to a change in tax rate	-	(482)		<u>1,628</u>	<u>498</u>	Total income tax recognised in profit or loss	<u>11,564</u>	<u>11,799</u>
	Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000																																																			
Current tax:																																																					
Hong Kong	4,389	4,952																																																			
PRC Enterprise Income Tax	5,513	6,294																																																			
Other jurisdictions	34	55																																																			
	<u>9,936</u>	<u>11,301</u>																																																			
Under/(over) provision in prior year:																																																					
Hong Kong	-	-																																																			
PRC Enterprise Income Tax	-	-																																																			
Other jurisdictions	-	-																																																			
	<u>-</u>	<u>-</u>																																																			
Deferred tax (note 42):																																																					
Current year	1,714	1,066																																																			
Reclassified from equity to profit or loss	(86)	(86)																																																			
Attributable to a change in tax rate	-	(482)																																																			
	<u>1,628</u>	<u>498</u>																																																			
Total income tax recognised in profit or loss	<u>11,564</u>	<u>11,799</u>																																																			
Sch 10:17(3)	<p>On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5%, which is effective from the year of assessment 2008/2009. 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> <p>Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.</p>																																																				

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – 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 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
	Profit before tax (from continuing operations)	30,824	32,032
	Tax at PRC Enterprise Income Tax rate of 25% (2008: 25%)	7,706	8,008
	Tax effect of share of profits of associates	(297)	(397)
	Tax effect of expenses not deductible for tax purpose	4,451	5,609
	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)	11,564	11,799
HKAS 12.81(a)	<b>Income tax recognised directly in equity</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 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 loan 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 2009 – continued</b>		
HKAS 12.81(ab)	<b><i>Income tax recognised in other comprehensive income</i></b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 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
	Property revaluations	-	504
		1	602
	Reclassifications from equity to profit or loss:		
	Relating to cash flow hedges	(86)	(86)
	Total income tax recognised in other comprehensive income	(85)	516
	<b>11. Discontinued operations</b>		
	<b><i>Disposal of toy manufacturing operations</i></b>		
HKFRS 5.30 HKFRS 5.41	On 28 September 2009, 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 2009, 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 2009, the Board of 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 2010. 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.		



Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
HKFRS 5.33(b)	<u>Profit for the year from discontinued operations</u>		
	Revenue	64,435	77,892
	Other gains	30	49
	Expenses	(54,935)	(64,948)
	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 (note 51))	1,940	-
HKAS 12.81(h)	Attributable income tax expense	(636)	-
		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 2009 as a disposal group held for sale (see note 12).		

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
	<b>12. Assets classified as held for sale</b>		
		<u>31/12/09</u> <u>HK\$'000</u>	<u>31/12/08</u> <u>HK\$'000</u>
			<u>01/01/08</u> <u>HK\$'000</u>
	Freehold land (Note 1)	1,260	-
	Assets related to bicycle business (Note 2)	21,076	-
		<u>22,336</u>	<u>-</u>
	Liabilities directly associated with assets classified as held for sale (Note 2)	<u>3,684</u>	<u>-</u>
	Notes:		
HKFRS 5.41	1) The Group intends to dispose of a parcel of freehold land it no longer utilises in the next 12 months. The property located on the freehold 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 2009.		
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 2010. The major classes of assets and liabilities of the bicycle business at the end of the reporting period are as follows:		
			<u>31/12/09</u> <u>HK\$'000</u>
	Goodwill		1,147
	Property, plant and equipment		16,944
	Inventories		830
	Trade receivables		1,980
	Cash and bank balances		<u>175</u>
	Assets of bicycle business classified as held for sale		<u>21,076</u>
	Trade payables		(3,254)
	Current tax liabilities		-
	Deferred tax liabilities		<u>(430)</u>
	Liabilities of bicycle business associated with assets classified as held for sale		<u>(3,684)</u>
	Net assets of bicycle business classified as held for sale		<u>17,392</u>
	<b>13. Profit for the year from continuing operations</b>		
HKFRS 5.33(d)	Profit for the year from continuing operations is attributable to:		
		<u>Year ended</u> <u>31/12/09</u> <u>HK\$'000</u>	<u>Year ended</u> <u>31/12/08</u> <u>HK\$'000</u>
	Owners of the Company	15,260	17,470
	Non-controlling interests	<u>4,000</u>	<u>2,763</u>
		<u>19,260</u>	<u>20,233</u>

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
	Profit for the year from continuing operations has been arrived at after charging (crediting):		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 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/ administrative expenses/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 (2008: 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 2011. 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 2010 and 2011 (see note 40).		

## Source Hong Kong GAAP Limited

Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued

## 14. Directors' emoluments

The emoluments paid or payable to each of the six (2008: six) directors were as follows:

2009	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
2008	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.

s161  
s161A  
App 16.24  
GR 18.28

Source	Hong Kong GAAP Limited																		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>																		
App 16.25 GR 18.30	<b>15. Employees' emoluments</b> <p>Of the five individuals with the highest emoluments in the Group, three (2008: three) were directors of the Company whose emoluments are included in the disclosures in note 14 above. The emoluments of the remaining two (2008: two) individuals were as follows:</p> <table><tr><td></td><td>Year ended 31/12/09 HK\$'000</td><td>Year ended 31/12/08 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 31/12/09 HK\$'000	Year ended 31/12/08 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 31/12/09 HK\$'000	Year ended 31/12/08 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)	<b>16. Dividends</b> <table><tr><td></td><td>Year ended 31/12/09 HK\$'000</td><td>Year ended 31/12/08 HK\$'000</td></tr><tr><td>Dividends recognised as distributions during the year:</td><td></td><td></td></tr><tr><td>2009 Interim, paid - HK10.00 cents per share (2008: nil)</td><td>2,300</td><td>-</td></tr><tr><td>2008 Final, paid - HK17.80 cents per share (2008: 2007 Final, HK27.76 cents)</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 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000	Dividends recognised as distributions during the year:			2009 Interim, paid - HK10.00 cents per share (2008: nil)	2,300	-	2008 Final, paid - HK17.80 cents per share (2008: 2007 Final, HK27.76 cents)	<u>4,096</u>	<u>6,387</u>		<u>6,396</u>	<u>6,387</u>			
	Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000																	
Dividends recognised as distributions during the year:																			
2009 Interim, paid - HK10.00 cents per share (2008: nil)	2,300	-																	
2008 Final, paid - HK17.80 cents per share (2008: 2007 Final, HK27.76 cents)	<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 2009 of HK23.31 cents (2008: HK22.98 cents in respect of the year ended 31 December 2008) per share 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

Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued

## 17. Earnings per share

*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):*

- *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*
- *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.*

*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.*

**From continuing and discontinued operations**

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
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)	23,570	27,465
	Effect of dilutive potential ordinary shares:		
	Interest on convertible loan notes (net of tax)	92	-
	Earnings for the purpose of diluted earnings per share	23,662	27,465
HKAS 33.70(b)	<u>Number of shares</u>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
	Weighted average number of ordinary shares for the purpose of basic earnings per share	22,450	23,005
	Effect of dilutive potential ordinary shares:		
	Share options issued by the Company	193	91
	Convertible loan notes	1,203	-
	Weighted average number of ordinary shares for the purpose of diluted earnings per share	23,846	23,096

Source	Hong Kong GAAP Limited					
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>					
	<b><i>From continuing operations</i></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 31/12/09 HK\$'000	Year ended 31/12/08 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:					
	Interest on convertible loan notes (net of tax)		92	-		
	Earnings for the purpose of diluted earnings per share from continuing operations		15,352	17,470		
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><i>From discontinued operations</i></b>					
	Basic earnings per share for the discontinued operations is HK37.02 cents per share (2008: HK43.45 cents per share) and diluted earnings per share for the discontinued operations is HK34.85 cents per share (2008: HK43.28 cents per share), based on the profit for the year from the discontinued operations of HK\$8.310 million (2008: HK\$9.995 million) and the denominators detailed above for both basic and diluted earnings per share.					
	<b><i>Impact of changes in accounting policies</i></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) on basic earnings per share		Increase (decrease) on diluted earnings per share	
	Increase (decrease) on profit for the year		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000	Year ended 31/12/09 Cents per share	Year ended 31/12/08 Cents per share
	Changes in accounting policies relating to:					
	Business combinations		(105)	-	(0.46)	-
	Changes in interests in subsidiaries		(34)	-	(0.15)	-
	Disposal of interests in associates		72	-	0.32	-
	Customer loyalty programmes		(47)	(15)	(0.21)	(0.06)
	Mail order catalogues		(8)	(5)	(0.04)	(0.02)
	Investment property under construction		203	-	0.90	-
			81	(20)	0.36	(0.08)



## Source Hong Kong GAAP Limited

HKAS 16.73(a)  
HKAS 16.73(d),  
(e)  
Sch 10:12(8)

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

**18. Property, plant and equipment**

	Freehold land at revalued amount HK\$'000	Buildings at revalued amount HK\$'000	Property under construction (for own use) at cost HK\$'000	Plant and equipment at cost HK\$'000	Equipment under finance lease at cost HK\$'000	Total HK\$'000
<b>Cost or valuation</b>						
Balance at 1 January 2008	15,610	13,859	113	157,794	630	188,006
Additions	-	1,008	197	10,657	40	11,902
Disposals	-	-	-	(25,788)	-	(25,788)
Revaluation increase	1,645	-	-	-	-	1,645
Effect of foreign currency exchange differences	(860)	-	-	(1,498)	-	(2,358)
Balance at 31 December 2008	16,395	14,867	310	141,165	670	173,407
Additions	-	-	-	20,183	-	20,183
Disposals	(1,439)	-	-	(12,401)	(624)	(14,464)
Derecognised on disposal of a subsidiary	-	-	-	(8,419)	-	(8,419)
Transferred to investment property	-	-	(310)	-	-	(310)
Acquisitions through business combinations	-	-	-	512	-	512
Reclassified as held for sale	(1,260)	(1,357)	-	(22,045)	-	(24,662)
Revaluation increase/(decrease)	-	-	-	-	-	-
Effect of foreign currency exchange differences	309	-	-	1,673	-	1,982
Balance at 31 December 2009	14,005	13,510	-	120,668	46	148,229
<b>Accumulated depreciation and impairment</b>						
Balance at 1 January 2008	-	(1,551)	-	(25,019)	(378)	(26,948)
Eliminated on disposals of assets	-	-	-	4,610	-	4,610
Depreciation expense	-	(947)	-	(14,717)	(130)	(15,794)
Effect of foreign currency exchange differences	-	(2)	-	448	-	446
Balance at 31 December 2008	-	(2,500)	-	(34,678)	(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	-	153	-	6,305	-	6,458
Impairment losses recognised in profit or loss	-	-	-	(1,204)	-	(1,204)
Reversals of impairment losses recognised in profit or loss	-	-	-	-	-	-
Depreciation expense	-	(774)	-	(11,803)	(10)	(12,587)
Effect of foreign currency exchange differences	-	-	-	(392)	-	(392)
Balance at 31 December 2009	-	(3,015)	-	(35,413)	(18)	(38,446)
<b>Carrying amounts</b>						
Balance at 31 December 2009	14,005	10,495	-	85,255	28	109,783
Balance at 31 December 2008	16,395	12,367	310	106,487	162	135,721
Balance at 1 January 2008	15,610	12,308	113	132,775	252	161,058

HKAS 36.126(a)

HKAS 36.126(b)

Source	Hong Kong GAAP Limited															
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p>															
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>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> <p><i>Impairment losses recognised in the current year</i></p>	Buildings	Over the shorter of the term of the lease, and 20 – 30 years	Plant and equipment	7 – 20%	Equipment under finance lease	20%									
Buildings	Over the shorter of the term of the lease, and 20 – 30 years															
Plant and equipment	7 – 20%															
Equipment under finance lease	20%															
HKAS 36.130(a) to (g) HKAS 36.131	<p>During the year, the Group carried out a review of the recoverable amount of its manufacturing plant and equipment, having regard to its ongoing programme of modernisation and the introduction of new product lines. These assets are used in the Group's electronic 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. The discount rate used when the recoverable amount of these assets was previously estimated in 2008 was 8% per annum.</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> <p><i>Freehold land and buildings carried at revalued amount</i></p>															
HKAS 16.77(a) to (d)	<p>The Group's freehold land and buildings are located in Hong Kong. An independent valuation of the Group's land and buildings was performed by Messrs. [XYZ] to determine the fair value of the land and buildings as at 31 December 2009 and 2008. The valuation was determined by reference to recent market transactions on arms' length term.</p>															
HKAS 16.77(e)	<p>Had the Group's land and buildings (other than land and buildings classified as held for sale or included in a disposal group) been measured on a historical cost basis, their carrying amounts would have been as follows:</p> <table><tr><td></td><td><u>31/12/09</u></td><td><u>31/12/08</u></td></tr><tr><td></td><td>HK\$'000</td><td>HK\$'000</td></tr><tr><td>Freehold land</td><td>13,490</td><td>14,750</td></tr><tr><td>Buildings</td><td><u>9,686</u></td><td><u>10,460</u></td></tr><tr><td></td><td><u>23,176</u></td><td><u>25,210</u></td></tr></table> <p><i>Assets pledged as security</i></p>		<u>31/12/09</u>	<u>31/12/08</u>		HK\$'000	HK\$'000	Freehold land	13,490	14,750	Buildings	<u>9,686</u>	<u>10,460</u>		<u>23,176</u>	<u>25,210</u>
	<u>31/12/09</u>	<u>31/12/08</u>														
	HK\$'000	HK\$'000														
Freehold land	13,490	14,750														
Buildings	<u>9,686</u>	<u>10,460</u>														
	<u>23,176</u>	<u>25,210</u>														
HKAS 16.74(a) Sch 10:12(4)	<p>Freehold land and buildings with a carrying amount of approximately HK\$24.5 million (31 December 2008: approximately HK\$28.7 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 2009 – continued</b>		
Sch 10:12(9)	<b>19. Prepaid lease payments</b>		
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000
	The Group's prepaid lease payments comprise:		
	Land in Hong Kong		
	Long lease	-	-
	Medium term lease	1,750	3,050
	Short lease	-	-
	Land outside Hong Kong		
	Long lease	-	-
	Medium term lease	1,250	1,250
	Short lease	-	-
		<u>3,000</u>	<u>4,300</u>
	Analysed for reporting purposes as:		
	Current assets (included in trade and other receivables)	100	100
	Non-current assets	<u>2,900</u>	<u>4,200</u>
		<u>3,000</u>	<u>4,300</u>
	<b>20. Investment properties</b>		
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000
	Completed investment properties	126	132
	Investment properties under construction	<u>1,810</u>	<u>-</u>
		<u>1,936</u>	<u>170</u>
		<u>Year ended 31/12/09</u> HK\$'000	<u>Year ended 31/12/08</u> HK\$'000
HKAS 40.76	<b>At fair value</b>		
	Balance at beginning of year	132	170
	Investment properties under construction transferred to investment properties	1,510	-
	Additions	-	12
	Construction costs incurred for investment properties under construction	10	-
	Disposals	-	(58)
	Gain (loss) on property revaluation	290	8
	Effect of foreign currency exchange differences	<u>(6)</u>	<u>-</u>
	Balance at end of year	<u>1,936</u>	<u>132</u>
HKAS 40.75(d), (e)	The fair values of the Group's investment properties (including investment properties under construction) at 31 December 2009 and 2008 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], and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to [market evidence of transaction prices for similar properties / others (please specify)].		
HKAS 40.75(b)	All of 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.		

Source	Hong Kong GAAP Limited																														
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>																														
HKAS 40.75(g) Sch 10:12(4)	All of the Group's investment properties (including investment properties under construction) have been pledged to secure general banking facilities granted to the Group.																														
Sch 10:12(9)	<p>The carrying amount of investment properties shown above comprises:</p> <table><tr><td></td><td><u>31/12/09</u></td><td><u>31/12/08</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>1,936</td><td>132</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>1,936</u></td><td><u>132</u></td></tr></table>		<u>31/12/09</u>	<u>31/12/08</u>		HK\$'000	HK\$'000	Land in Hong Kong:			Long lease	-	-	Medium-term lease	1,936	132	Land outside Hong Kong:			Long lease	-	-	Medium-term lease	-	-	Short lease	-	-		<u>1,936</u>	<u>132</u>
	<u>31/12/09</u>	<u>31/12/08</u>																													
	HK\$'000	HK\$'000																													
Land in Hong Kong:																															
Long lease	-	-																													
Medium-term lease	1,936	132																													
Land outside Hong Kong:																															
Long lease	-	-																													
Medium-term lease	-	-																													
Short lease	-	-																													
	<u>1,936</u>	<u>132</u>																													
HKAS 40.75	<p><i>Note: HKAS 40 requires entities to disclose the methods and significant assumptions applied in determining the fair value of investment properties. To comply with such a requirement, entities should include a statement as to whether the determination of fair value is supported by market evidence or is more heavily based on other factors (that should be disclosed). Accordingly, for investment properties whose fair values are not be determined based on current prices in active markets for similar properties in the same location and condition, detailed disclosures should be provided regarding the significant inputs and assumptions made during the valuation process.</i></p>																														

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
	<b>21. Goodwill</b>		
		<u>31/12/09</u>	<u>31/12/08</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 (note 50)	478	-
	Derecognised on disposal of a subsidiary (note 51)	(3,080)	-
	Reclassified as held for sale (note 12)	(1,147)	-
	Effect of foreign currency exchange differences	209	140
	Other [describe]	-	-
	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	-	-
	Balance at end of year	<u>(235)</u>	<u>-</u>
	<b>Carrying amounts</b>		
	Balance at 31 December 2009		<u>20,285</u>
	Balance at 31 December 2008		<u>24,060</u>
	Balance at 1 January 2008		<u>23,920</u>
HKAS 36.130	At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with certain of the Group's construction activities was impaired by HK\$235,000 (2008: nil). The recoverable amount of the construction activities was assessed by reference to the relevant cash-generating unit's value in use. A discount factor of 15% per annum (2008: 12.5% per annum) was applied in the value in use model.		
	The main factor contributing to the impairment of the cash-generating unit was a change during the year in building regulations, requiring registration and certification of builders for government contracts, and the directors' decision not to register the Group's Murphy Construction operating unit for such purposes. The directors have decided to focus on the Group's construction activities through the other operating units in Subtwo Limited and have consequently determined to write off the goodwill directly related to the activities of Murphy Construction. No write-down of the carrying amounts of other assets in the cash-generating unit was necessary. The goodwill is included in the 'construction' reportable segment disclosed in note 6.		
	Particulars of impairment testing on goodwill are disclosed in note 22.		

## Source

## Hong Kong GAAP Limited

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

**22. Impairment testing on goodwill**

HKAS 36.134,  
135

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Leisure goods – retail outlets
- Electronic equipment – internet sales
- Construction operations – Murphy Construction
- Construction operations – other.

The carrying amount of goodwill (net of accumulated impairment losses) was allocated to cash-generating units as follows:

	31/12/09 HK\$'000	31/12/08 HK\$'000
Leisure goods – retail outlets	10,162	9,620
Electronic equipment – internet sales	8,623	8,478
Construction operations – Murphy Construction	-	235
Construction operations – other	1,500	1,500
Toy manufacturing operation	-	3,080
Bicycle manufacturing operation	-	1,147
	<u>20,285</u>	<u>24,060</u>

***Leisure goods – retail outlets***

The recoverable amount of this cash-generating unit is 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 (2008: 12.5% per annum).

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 5% per annum growth rate which is the projected long-term average growth rate for the international leisure goods market. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the cash-generating unit.

***Electronic equipment – internet sales***

The recoverable amount of the 'electronic equipment – internet sales' segment and cash-generating unit is 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 (2008: 12.5% per annum). Cash flows beyond that five-year period have been extrapolated using a steady 11% per annum growth rate. This growth rate exceeds by 0.5 percentage points the long-term average growth rate for the international electronic equipment market. However, among other factors, the internet sales cash-generating unit benefits from the protection of a 20-year patent on the Series Z electronic equipment, granted in 2005, which is still acknowledged as being one of the top models in the market. The directors believe that an 11% per annum growth rate is reasonable in the light of that patent, and of other products being developed, and their intention to focus the Group's operations on this market. The directors believe that any reasonably possible 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.

## Source

## Hong Kong GAAP Limited

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

***Construction operations – Murphy Construction***

The goodwill associated with Murphy Construction arose when that business was acquired by the Group in 2004. 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 on the Group's construction activities through the other operating units in Subtwo 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. 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.

***Construction operations – other***

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 (2008: 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.

The key assumptions used in the value in use calculations for the leisure goods and electronic equipment cash-generating units are as follows:

Budgeted market share	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.
Budgeted gross margin	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.
Raw materials price inflation	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.



Source	Hong Kong GAAP Limited					
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>					
	<b>23. Other intangible assets</b>					
		Capitalised development cost	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 2008	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	-	-	-	-	-
	Other [describe]	-	-	-	-	-
	Balance at 31 December 2008	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	-	-	-	-	-
	Other [describe]	-	-	-	-	-
	Balance at 31 December 2009	3,594	5,825	4,711	6,940	21,070
	<b>Accumulated amortisation and impairment</b>					
	Balance at 1 January 2008	(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	-	-	-	-	-
	Impairment losses recognised in profit or loss	-	-	-	-	-
HKAS 36.130(b)	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Other [describe]	-	-	-	-	-
	Balance at 31 December 2008	(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	-	-	-	-	-
	Impairment losses recognised in profit or loss	-	-	-	-	-
HKAS 36.130(b)	Reversals of impairment losses recognised in profit or loss	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Other [describe]	-	-	-	-	-
	Balance at 31 December 2009	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)
	<b>Carrying amounts</b>					
	Balance at 31 December 2009	1,194	4,369	706	3,470	9,739
	Balance at 31 December 2008	1,906	4,660	942	3,817	11,325
	Balance at 1 January 2008	2,230	4,951	1,178	4,164	12,523
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 2009 – continued</b>							
	<b>24. Interests in associates</b>							
	Details of the Group's interests in associates are as follows:							
Sch 10:9(1)(a)					31/12/09 HK\$'000	31/12/08 HK\$'000	01/01/08 HK\$'000	
	Cost of investments in associates							
	Listed in Hong Kong				1,856	1,856		1,856
	Unlisted				2,624	2,824		2,824
	Share of post-acquisition profits and other comprehensive income, net of dividends received				2,839	2,590		1,026
					7,319	7,270		5,706
s129(1)&(2) s129(4)&(5)	As at 31 December 2009 and 2008, the Group had interests in the following associates:							
	<u>Name of entity</u>	<u>Form of entity</u>	<u>Place of incorporation</u>	<u>Principal place of operation</u>	<u>Class of shares held</u>	<u>Proportion of nominal value of issued capital held by the Group</u>	<u>Proportion of voting power held</u>	<u>Principal activities</u>
	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	Hong Kong	Hong Kong	Ordinary	25%	25% (Note 3)	Transport
	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(a)	3) As at 31 December 2009, the fair value of the Group's interest in C Plus Limited, of which its shares are listed on The Stock Exchange of Hong Kong Limited, was HK\$2.2 million (31 December 2008: HK\$2.0 million) and the carrying amount of the Group's interest was HK\$2.0 million (31 December 2008: HK\$1.9 million).							
HKAS 28.37(e)	The financial year end date for B Plus Limited is 31 October. For the purpose of applying the equity method of accounting, the consolidated financial statements of B Plus Limited for the year ended 31 October 2009 (2008: 31 October 2008) have been used as the Group considers that it is impracticable for B Plus Limited to prepare a separate set of financial statements as of 31 December. Appropriate adjustments have been made accordingly for the effects of significant transactions between that date and 31 December 2009.							

Source	Hong Kong GAAP Limited																															
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>																															
HKAS 28.37(b)	Summarised financial information in respect of the Group's associates is set out below:																															
		<table> <tr> <th></th><th>31/12/09 HK\$'000</th><th>31/12/08 HK\$'000</th></tr> <tr> <td>Total assets</td><td>42,932</td><td>38,178</td></tr> <tr> <td>Total liabilities</td><td>(14,848)</td><td>(12,218)</td></tr> <tr> <td>Net assets</td><td>28,084</td><td>25,960</td></tr> <tr> <td>Group's share of net assets of associates</td><td>7,319</td><td>7,270</td></tr> <tr> <td></td><td>Year ended 31/12/09 HK\$'000</td><td>Year ended 31/12/08 HK\$'000</td></tr> <tr> <td>Total revenue</td><td>12,054</td><td>11,904</td></tr> <tr> <td>Total profit for the year</td><td>3,953</td><td>5,479</td></tr> <tr> <td>Group's share of profits of associates</td><td>1,186</td><td>1,589</td></tr> <tr> <td>Group's share of other comprehensive income of associates</td><td>-</td><td>-</td></tr> </table>		31/12/09 HK\$'000	31/12/08 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 31/12/09 HK\$'000	Year ended 31/12/08 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	-	-
	31/12/09 HK\$'000	31/12/08 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 31/12/09 HK\$'000	Year ended 31/12/08 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	-	-																														
	<p>In the prior year, the Group held a 40% interest in E Plus Limited and accounted for the investment as an associate. In December 2009, the Group transferred a 30% interest in E Plus Limited to a third party for proceeds of HK\$1.245 million (received in January 2010). The Group has retained the remaining 10% interest as an available-for-sale investment. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:</p>																															
		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																														
	<p>The gain recognised in the year comprises a 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 profit of HK\$104,000 (being the fair value less the carrying amount of the 10% interest retained).</p>																															
	<p>A current tax expense of HK\$143,000 arose in relation to the profit of HK\$477,000 recognised in the current year, and a deferred tax expense of HK\$32,000 has been recognised in respect of the profit of HK\$104,000 recognised in the current year that is not taxable until the remaining interest is disposed of.</p>																															

Source	Hong Kong GAAP Limited																														
HKAS 31.56 s129(1)&(2) s129(4)&(5)	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>																														
	<b>25. Joint ventures</b>																														
	As at 31 December 2009 and 2008, the Group had interests in the following significant jointly controlled entities:																														
	<table><tr><th><u>Name of entity</u></th><th><u>Form of entity</u></th><th><u>Place of incorporation</u></th><th><u>Principal place of operation</u></th><th><u>Class of shares held</u></th><th><u>Proportion of nominal value of issued capital held by the Group</u></th><th><u>Proportion of voting power held</u></th><th><u>Principal activities</u></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>17%</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>	<u>Name of entity</u>	<u>Form of entity</u>	<u>Place of incorporation</u>	<u>Principal place of operation</u>	<u>Class of shares held</u>	<u>Proportion of nominal value of issued capital held by the Group</u>	<u>Proportion of voting power held</u>	<u>Principal activities</u>	A JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	25%	17%	Manufacture of electronic equipment	B JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	40%	40%	Manufacture of electronic equipment						
<u>Name of entity</u>	<u>Form of entity</u>	<u>Place of incorporation</u>	<u>Principal place of operation</u>	<u>Class of shares held</u>	<u>Proportion of nominal value of issued capital held by the Group</u>	<u>Proportion of voting power held</u>	<u>Principal activities</u>																								
A JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	25%	17%	Manufacture of electronic equipment																								
B JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	40%	40%	Manufacture of electronic equipment																								
HKAS 31.56	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:																														
						<u>31/12/09</u> HK\$'000	<u>31/12/08</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 31/12/09 HK\$'000</u>	<u>Year ended 31/12/08 HK\$'000</u>																								
	Income					<u>2,124</u>	<u>2,005</u>																								
	Expenses					<u>1,787</u>	<u>1,763</u>																								
	Other comprehensive income					-	-																								
HKFRS 7.7	<b>26. Held-to-maturity investments</b>																														
	Held-to-maturity investments comprise:																														
						<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000	<u>01/01/08</u> HK\$'000																							
	Debt securities (Note)					<u>6,863</u>	<u>5,262</u>	<u>3,412</u>																							
	Analysed for reporting purposes as:																														
	Current assets					4,804	3,604	2,200																							
	Non-current assets					<u>2,059</u>	<u>1,658</u>	<u>1,212</u>																							
						<u>6,863</u>	<u>5,262</u>	<u>3,412</u>																							
HKFRS 7.7	Note: The debt securities are listed in Hong Kong and carry fixed interest at 6%-7.5% (2008: 6.5%-7.5%) per annum, payable monthly, and will mature from March 2010 to March 2011 (2008: March 2009 to March 2011). None of these assets is past due or impaired.																														

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>			
	<b>27. Available-for-sale investments</b>			
HKFRS 7.7 Sch 10:9(1)(a) Sch 10:9(3)	Available-for-sale investments comprise:			
		31/12/09 HK\$'000	31/12/08 HK\$'000	01/01/08 HK\$'000
	Listed investments:			
	- Equity securities listed in Hong Kong	2,560	2,315	1,137
	- Debt securities listed in Hong Kong (Note 1)	2,200	2,122	1,866
		4,760	4,437	3,003
	Unlisted securities:			
	- Equity securities (Note 2)	840	420	400
	Total	5,600	4,857	3,403
	Analysed for reporting purposes as:			
	Current assets	-	-	-
	Non-current assets	5,600	4,857	3,403
		5,600	4,857	3,403
	Notes:			
	1) The Group holds listed redeemable notes with fixed interest of 7% (2008: 7%) per annum. The notes are redeemable at par value in 2011 (2008: redeemable at par value in 2011). 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% (2008: 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 controlled by one shareholder, who also manages the day-to-day operations of that company.			
	At 31 December 2009, 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% (2008: 4.9%) and a risk adjusted discount factor of 12.2 – 13.6% (31 December 2008: 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 2008: HK\$40,000).			

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>			
	<b>28. Finance lease receivables</b>			
		<u>31/12/09</u>	<u>31/12/08</u>	<u>01/01/08</u>
		HK\$'000	HK\$'000	HK\$'000
	Current finance lease receivables	198	188	182
	Non-current finance lease receivables	<u>830</u>	<u>717</u>	<u>739</u>
		<u>1,028</u>	<u>905</u>	<u>921</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>31/12/09</u>	<u>31/12/08</u>	<u>31/12/09</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 2008: 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 2008: 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, 37	The maximum exposure to credit risk of finance lease receivables for the current and prior years is the carrying amount as the Group has no allowance for doubtful debts. The finance lease receivables in the current and prior periods are neither past due nor impaired.			

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
HKAS 2.36(b)	<b>29. Inventories</b>		
		<u>31/12/09</u> <u>HK\$'000</u>	<u>31/12/08</u> <u>HK\$'000</u>
			<u>01/01/08</u> <u>HK\$'000</u>
	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>
			<u>25,112</u>
HKAS 1.61	Inventories of HK\$1.29 million (31 December 2008: HK\$0.86 million) are expected to be recovered after more than twelve months.		
	<b>30. Trade and other receivables</b>		
		<u>31/12/09</u> <u>HK\$'000</u>	<u>31/12/08</u> <u>HK\$'000</u>
			<u>01/01/08</u> <u>HK\$'000</u>
	Trade receivables	18,034	16,880
	Allowance for doubtful debts	(798)	(838)
		<u>17,236</u>	<u>16,042</u>
	Deferred sales proceeds		
	- toy manufacturing operations (note 51)	960	-
	- partial disposal of E Plus Limited (note 24)	1,245	-
	Prepaid lease payments (note 19)	100	100
	Other [describe]	194	150
		<u>19,735</u>	<u>16,292</u>
			<u>14,002</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:		
		<u>31/12/09</u> <u>HK\$'000</u>	<u>31/12/08</u> <u>HK\$'000</u>
	0-60 days	17,654	14,909
	61-90 days	1,100	800
	91-120 days	462	333
		<u>19,216</u>	<u>16,042</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 60 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 2008: 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 2008: 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 2009 – continued</b>		
HKFRS 7.37(c)	Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts (which include interest accrued) are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.		
HKFRS 7.37(a)	<b><i>Ageing of past due but not impaired</i></b>		
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000
	Overdue by:		
	1-30 days	300	190
	31-60 days	211	256
	61-90 days	251	77
	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 31/12/09</u> HK\$'000	<u>Year ended 31/12/08</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	-	(196)
	Amounts recovered during the year	-	(24)
	Impairment losses reversed	(103)	-
	Foreign exchange translation gains and losses	-	-
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), (c)	Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of HK\$63,000 (31 December 2008: HK\$52,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivable 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>Ageing of impaired trade receivables</i></b>		
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000
	Overdue by:		
	60-90 days	353	320
	90-120 days	191	101
	120+ days	654	717
	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 2009 – continued</b>			
	<b>31. Amounts due from (to) customers for contract work</b>			
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000	<u>01/01/08</u> 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	1,517	1,386	1,291
	Less: progress billings	<u>(1,313)</u>	<u>(1,171)</u>	<u>(1,083)</u>
		<u>204</u>	<u>215</u>	<u>208</u>
HKAS 11.42	Analysed for reporting purposes as:			
	Amounts due from contract customers	240	230	220
	Amounts due to contract customers	<u>(36)</u>	<u>(15)</u>	<u>(12)</u>
		<u>204</u>	<u>215</u>	<u>208</u>
HKAS 11.40(c)	At 31 December 2009, retentions held by customers for contract works amounted to HK\$75,000 (31 December 2008: HK\$69,000). Advances received from customers for contract work amounted to HK\$14,000 (31 December 2008: 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	<u>Balance at 31/12/09</u>	<u>Balance at 1/1/09</u>
	Gary D.K. Wong	Secured on property, repayable within one year, interest free (Note)	440	-
	Daniel D.D. Lee	Unsecured, repayable within one year, interest free	<u>216</u>	<u>107</u>
			<u>656</u>	<u>107</u>
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.			

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – 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:			
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000	<u>01/01/08</u> HK\$'000
	Listed securities:			
	- Equity securities listed in Hong Kong	10,250	6,480	4,659
	- Equity securities listed elsewhere	<u>2,230</u>	<u>1,968</u>	<u>1,542</u>
		<u>12,480</u>	<u>8,448</u>	<u>6,201</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% (2008: 3.5% to 4%) per annum. The pledged bank deposits carry fixed interest rate of 3.5% (2008: 4.25%) per annum. Bank overdrafts carry interest at market rates which range from 6.5% to 9.5% (2008: 6% to 6.75%) per annum.			
HKFRS 7.14	Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK\$2 million (31 December 2008: 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>			
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000	<u>01/01/08</u> HK\$'000
	Trade payables	11,990	20,783	54,058
	Other payables	<u>90</u>	<u>95</u>	<u>245</u>
		<u>12,080</u>	<u>20,878</u>	<u>54,303</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.			
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000	<u>01/01/08</u> HK\$'000
	0-60 days	8,918	11,021	22,797
	61-90 days	4,803	6,233	20,633
	>90 days	<u>1,523</u>	<u>3,529</u>	<u>10,628</u>
		<u>15,244</u>	<u>20,783</u>	<u>54,058</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 2008: HK\$217,000) (see note 58).			

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>			
	<b>36. Borrowings</b>			
		<u>31/12/09</u> <u>HK\$'000</u>	<u>31/12/08</u> <u>HK\$'000</u>	<u>01/01/08</u> <u>HK\$'000</u>
	Bank loans (Note 1)	18,140	20,836	18,626
	Bills of exchange (Note 2)	283	916	1,026
	Collateralised borrowings (Note 3)	923	-	-
	Loans from fellow subsidiaries (Note 4)	12,917	31,124	27,954
	Loans from other entities (Note 5)	21,361	4,437	14,026
		<u>53,624</u>	<u>57,313</u>	<u>61,632</u>
Sch 10:10	Secured	19,063	20,836	18,626
	Unsecured	34,561	36,477	43,006
		<u>53,624</u>	<u>57,313</u>	<u>61,632</u>
App 16.22(1) GR 18.21	Carrying amount repayable:			
	On demand or within one year	22,446	25,600	33,618
	More than one year, but not exceeding two years	16,685	16,167	12,096
	More than one year, but not more than five years	8,921	9,218	9,628
	More than five years	5,572	6,328	6,290
		<u>53,624</u>	<u>57,313</u>	<u>61,632</u>
	Less: Amounts due within one year shown under current liabilities	<u>(22,446)</u>	<u>(25,600)</u>	<u>(33,618)</u>
		<u>31,178</u>	<u>31,713</u>	<u>28,014</u>
HKFRS 7.7 HKFRS 7.14	Notes:			
	1) Secured by a mortgage over the Group's freehold land and buildings (see note 56) and bear interest at HIBOR + 4.75% (31 December 2008: HIBOR + 4.75%) per annum. The weighted average effective interest rate on the bank loans is 6.1% (31 December 2008: 6.32%) per annum.			
	2) Bills of exchange with a variable interest rate were issued in 2006. The weighted average effective interest rate on the bills is 6.8% (31 December 2008: 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 2008: HIBOR + 4.5%) per annum. Interest of 5.0% - 5.2% per annum is charged on the outstanding loan balances (31 December 2008: 6.0% - 6.2% per annum) (see note 58).			
	5) Fixed rate loans with a financial institution amounted to approximately HK\$ 6 million (31 December 2008: HK\$2 million) with maturity periods not exceeding 3 years (31 December 2008: 2 years). The weighted average effective interest rate on the fixed rate loans is 6.15% (31 December 2008: 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 2008: HK\$2.4 million) carries interest at HIBOR + 3.75% (31 December 2008: HIBOR + 3%) per annum, ranging from 6.5% - 7% (31 December 2008: 7.3% - 8.5%) per annum during the current year.			
HKFRS 7.18	During 2009, 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 interest was payable due to a technical problem on settlement. The interest payment outstanding of HK\$107,500 was repaid in full on the following day, 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.			

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
	<b>37. Loan from government</b>		
		<u>31/12/09</u> <u>HK\$'000</u>	<u>31/12/08</u> <u>HK\$'000</u>
			<u>01/01/08</u> <u>HK\$'000</u>
	Loan from government	2,610	-
	<p>Note: On 17 December 2009, 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 represents the benefit derived from the interest-free loan and is recognised as deferred revenue (see note 43). Interest expenses will be recognised on this loan in 2010 (HK\$188,000) and 2011 (HK\$202,000).</p>		
	<b>38. Convertible loan notes</b>		
	<p>On 1 September 2009, the Company issued Hong Kong dollar denominated convertible loan notes of aggregate principal amounts of HK\$4.5 million. The notes entitle the holders to convert to ordinary shares at a conversion price of HK\$1.25 per ordinary share.</p>		
	<p>Conversion may occur at any time between 1 July 2012 and 31 August 2012. If the notes have not been converted, they will be redeemed on 1 September 2012 at the principal amount. Interest of 5.5% per annum is payable annually until the notes are converted or redeemed.</p>		
	<p>The convertible loan notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible loan notes equity reserve". The effective interest rate of the liability component on initial recognition is 8% per annum.</p>		
	<p>The movement of the liability component of the convertible loan notes for the year is set out below:</p>		
			HK\$'000
	Proceeds of issue		4,950
	Equity component		(834)
	Liability component at date of issue		4,116
	Interest charged		110
	Interest paid		(82)
	Liability component at 31 December 2009		4,144
HKFRS 7.7	<p>The liability component is measured at amortised cost. The interest expense for the year of HK\$110,000 is calculated by applying an effective interest rate of 8% to the liability component for the four-month period since the loan notes were issued. Interest paid in the current year since issue is HK\$82,000. The difference between the carrying amount of the liability component at the date of issue of HK\$4,116 million and the amount reported in the consolidated statement of financial position at 31 December 2009 of HK\$4,144 million represents the effective interest less interest paid to that date.</p>		

Source	Hong Kong GAAP Limited				
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>				
	<b>39. Obligations under finance leases</b>				
HKAS 17.31(e) HKFRS 7.7	The Group leased certain of its manufacturing equipment under finance leases. The average lease term is 5 years (2008: 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2008: 3.75% - 6%) per annum. These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payments.				
		<u>Minimum lease payments</u>	<u>Present value of minimum lease payments</u>		
		<u>31/12/09</u>	<u>31/12/08</u>	<u>31/12/09</u>	<u>31/12/08</u>
		<u>HK\$'000</u>	<u>HK\$'000</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 charge over 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 2009 – 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 2009	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
	Other [describe]	-	-	-	-	-
HKAS 37.84(a)	Balance at 31 December 2009	<u>1,334</u>	<u>3,058</u>	<u>528</u>	<u>730</u>	<u>5,650</u>
	Analysed for reporting purposes as:					
			<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000	<u>01/01/08</u> HK\$'000	
	Current liabilities		3,356	3,195	2,235	
	Non-current liabilities		<u>2,294</u>	<u>2,231</u>	<u>4,102</u>	
			<u>5,650</u>	<u>5,426</u>	<u>6,337</u>	
	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, which will be settled in February 2009.					
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 2009 is HK\$1.94 million, and for 2010 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 utilization 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

HKFRS 7.7  
HKFRS 7.31**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued****41. Other financial assets/liabilities**

	Current			Non-current		
	31/12/09	31/12/08	01/01/08	31/12/09	31/12/08	01/01/08
	HK\$'000	HK\$'000	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	10	212	140	135
Cash flow hedges – Foreign currency forward contracts	244	220	191	-	-	-
Other [describe]	-	-	-	-	-	-
	<u>316</u>	<u>257</u>	<u>201</u>	<u>212</u>	<u>140</u>	<u>135</u>
<b>Other financial liabilities</b>						
Financial guarantee contracts	20	18	-	-	-	-
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 (note 50)	-	-	-	75	-	-
Other [describe]	-	-	-	-	-	-
	<u>96</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>-</u>
	<u>116</u>	<u>18</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>-</u>

**Fair value hedges:**

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:

**2009**

Notional amount	Maturity	Swaps
HK\$1,000,000	30/09/2010	8% for HIBOR + 3.75%
HK\$2,000,000	31/05/2011	5% for HIBOR + 3.85%
HK\$3,000,000	31/12/2012	4% for HIBOR + 4.00%

**2008**

Notional amount	Maturity	Swaps
HK\$1,000,000	15/04/2009	6% for HIBOR + 3.25%
HK\$1,000,000	30/09/2010	8% for HIBOR + 3.75%

HKFRS 7.34(a)

*Note: The table above provides an example of summary quantitative data about exposure to interest rate risk at the end of the reporting period that an entity may provide internally to key management personnel.*

Source	Hong Kong GAAP Limited																											
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p>During the year, the hedge was 100% (2008: 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 (2008: 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>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 and foreign currency denominated monetary items.</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><u><b>2009</b></u></p> <table><tr><th>Notional amount</th><th>Maturity</th><th>Exchange rates</th></tr><tr><td>Buy RMB 5.5 million</td><td>15/03/2010</td><td>HK\$1: RMB0.8838</td></tr><tr><td>Sell RMB 1 million</td><td>15/06/2010</td><td>HK\$1: RMB0.8927</td></tr><tr><td>Sell RMB 3.3 million</td><td>30/04/2010</td><td>HK\$1: RMB0.8833</td></tr><tr><td>Sell RMB 1.7 million</td><td>30/06/2010</td><td>HK\$1: RMB0.8925</td></tr></table> <p><u><b>2008</b></u></p> <table><tr><th>Notional amount</th><th>Maturity</th><th>Exchange rates</th></tr><tr><td>Buy RMB 4 million</td><td>31/03/2009</td><td>HK\$1: RMB0.9460</td></tr><tr><td>Sell RMB 1 million</td><td>30/06/2009</td><td>HK\$1: RMB0.9439</td></tr><tr><td>Sell RMB 4.5 million</td><td>15/07/2009</td><td>HK\$1: RMB0.9377</td></tr></table>	Notional amount	Maturity	Exchange rates	Buy RMB 5.5 million	15/03/2010	HK\$1: RMB0.8838	Sell RMB 1 million	15/06/2010	HK\$1: RMB0.8927	Sell RMB 3.3 million	30/04/2010	HK\$1: RMB0.8833	Sell RMB 1.7 million	30/06/2010	HK\$1: RMB0.8925	Notional amount	Maturity	Exchange rates	Buy RMB 4 million	31/03/2009	HK\$1: RMB0.9460	Sell RMB 1 million	30/06/2009	HK\$1: RMB0.9439	Sell RMB 4.5 million	15/07/2009	HK\$1: RMB0.9377
Notional amount	Maturity	Exchange rates																										
Buy RMB 5.5 million	15/03/2010	HK\$1: RMB0.8838																										
Sell RMB 1 million	15/06/2010	HK\$1: RMB0.8927																										
Sell RMB 3.3 million	30/04/2010	HK\$1: RMB0.8833																										
Sell RMB 1.7 million	30/06/2010	HK\$1: RMB0.8925																										
Notional amount	Maturity	Exchange rates																										
Buy RMB 4 million	31/03/2009	HK\$1: RMB0.9460																										
Sell RMB 1 million	30/06/2009	HK\$1: RMB0.9439																										
Sell RMB 4.5 million	15/07/2009	HK\$1: RMB0.9377																										
HKFRS 7.27																												
HKFRS 7.34(a)	<p><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>																											
HKFRS 7.27	<p>During the current year, fair value gains of HK\$0.406 million (2008: 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>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>																											



## Source Hong Kong GAAP Limited

HKAS 12.81(a),  
(g)**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued****42. Deferred taxation**

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

**Deferred tax liabilities**

	Accelerated tax depreciation	Intangible assets	Revaluation of properties	Convertible loan 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	HK\$'000
At 1 January 2008	2,540	650	-	-	110	570	202	-	335	4,407
Charge (credit) to profit or loss	585	(12)	-	-	-	150	-	-	452	1,175
Charge (credit) to other comprehensive income	-	-	504	-	79	-	19	-	-	602
Reclassified from equity to profit or loss	-	-	-	-	(86)	-	-	-	-	(86)
Effect of change in tax rate	(397)	(85)	-	-	-	-	-	-	-	(482)
At 31 December 2008	2,728	553	504	-	103	720	221	-	787	5,616
Charge (credit) to profit or loss	1,606	(214)	-	(9)	-	400	-	87	(126)	1,744
Charge (credit) to other comprehensive income	-	-	-	-	101	-	(100)	-	-	1
Reclassified from equity to profit or loss	-	-	-	-	(86)	-	-	-	-	(86)
Recognised directly in equity	-	-	-	208	-	-	-	-	-	208
Acquisitions/disposals	(454)	-	-	-	-	-	-	-	-	(454)
At 31 December 2009	3,880	339	504	199	118	1,120	121	87	661	7,029

**Deferred tax assets**

	Deferred revenue	Doubtful debts	Provisions	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	20	52	1,692	50	1,814
Credit (charge) to profit or loss	12	167	(20)	(50)	109
Credit (charge) to other comprehensive income	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-
At 31 December 2008	32	219	1,672	-	1,923
Credit (charge) to profit or loss	10	(12)	32	-	30
Credit (charge) to other comprehensive income	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-
At 31 December 2009	42	207	1,704	-	1,953

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>			
	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:			
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000	
	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 (note 12)	<u>(430)</u>	<u>-</u>	
		<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 2008: 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 2008: 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.			
	<b>43. Deferred revenue</b>			
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000	<u>01/01/08</u> HK\$'000
HKAS 20.39(b)	Arising from customer loyalty programme (note 1)	184	147	104
	Arising from government grant (note 2)	<u>390</u>	<u>-</u>	<u>-</u>
		<u>574</u>	<u>147</u>	<u>104</u>
	Analysed for reporting purposes as:			
	Current liabilities	355	52	63
	Non-current liabilities	<u>219</u>	<u>95</u>	<u>41</u>
		<u>574</u>	<u>147</u>	<u>104</u>
	Notes:			
	1) The deferred revenue arises in respect of the Group's Maxi-Point Scheme (see note 2).			
	2) The deferred revenue arises as a result of the benefit received from an interest-free government loan received in December 2009 (see note 37). The revenue will be offset against training costs to be incurred in 2010 (HK\$250,000) and 2011 (HK\$140,000).			

## Source

## Hong Kong GAAP Limited

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

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 the related supporting notes. The Standard 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 illustrative financial statements) ensures that the primary financial statements are not cluttered by unnecessary detail, but it does result in very detailed supporting notes.

Whichever presentation is selected, entities will need to ensure that the following requirements are met:

- detailed reconciliations are required for each class of share capital (in the statement of changes in equity or in the notes);
- detailed reconciliations are required for each component of equity – separately disclosing changes resulting from (i) profit or loss, (ii) each item 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);
- 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
- reclassification adjustments should be presented separately from the related component of other comprehensive income (in the statement of comprehensive income or in the notes).

HKAS 1.79(a)  
Sch 10:2

**44. Share capital**

	Number of shares		Share capital	
	31/12/09 HK\$'000	31/12/08 HK\$'000	31/12/09 HK\$'000	31/12/08 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	314	-	314	-
At end of year	17,819	23,005	17,819	23,005

During the year, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares at HK\$1 each '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
November 2009	3,000	3.15	2.85	9,172
December 2009	2,500	3.50	2.90	8,130

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.

Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>			
	<b>45. Share premium and reserves</b>			
		<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000	<u>01/01/08</u> HK\$'000
	Share premium	15,427	26,474	26,474
	Properties revaluation reserve	1,195	1,195	54
	Investments revaluation reserve	227	527	470
	Share options reserve	179	246	-
	Cash flow hedging reserve	314	278	242
	Foreign currency translation reserve	126	317	140
	Convertible loan notes equity reserve	626	-	-
	Retained earnings	111,568	94,915	73,837
	Other [describe]	-	-	-
		<u>129,662</u>	<u>123,952</u>	<u>101,217</u>
HKAS 1.106(d)	<b>Share premium</b>			
			<u>Year ended 31/12/09</u> HK\$'000	<u>Year ended 31/12/08</u> 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>
HKAS 1.106(d) HKAS 16.77(f)	<b>Properties revaluation reserve</b>			
			<u>Year ended 31/12/09</u> HK\$'000	<u>Year ended 31/12/08</u> HK\$'000
	Balance at beginning of year		1,195	54
	Increase arising on revaluation of properties		-	1,645
HKAS 36.126(c) HKAS 36.126(d)	Impairment losses		-	-
	Reversals of impairment losses		-	-
	Deferred tax liability arising on revaluation		-	(504)
	Reversal of deferred tax liability on revaluation		-	-
	Transferred to retained earnings		-	-
	Other [describe]		-	-
	Balance at end of year		<u>1,195</u>	<u>1,195</u>
HKAS 1.79(b)	The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to those properties is transferred directly to retained earnings.			

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
HKAS 1.106(d)	<b>Investments revaluation reserve</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
	Balance at beginning of year	527	470
HKFRS 7.20(a)	Net (loss)/gain arising on revaluation of available-for-sale investments	(400)	76
	Deferred 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 accumulated 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 have been disposed of or are determined to be impaired.		
HKAS 1.106(d)	<b>Share options reserve</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 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 employee share option plan. Further information about share-based payments to employees is set out in note 47.		
HKAS 1.106(d)	<b>Cash flow hedging reserve</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
	Balance at beginning of year	278	242
HKFRS 7.23(c)	Gain recognised in relation to cash flow hedges	406	316
	Deferred tax relating to gains recognised in other comprehensive income	(101)	(79)
HKFRS 7.23(d)	Reclassified to profit or loss	(355)	(287)
	Deferred tax relating to amounts reclassified to profit or loss	86	86
	Other [describe]	-	-
	Balance at end of year	314	278
HKAS 1.79(b)	The cash flow hedging reserve represents the cumulative portion of gains and losses on hedging instruments in cash flow hedges. The cumulative deferred gain and loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, consistent with the relevant accounting policy.		

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
HKFRS 7.23(d)	Gains and losses 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 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
	Increase in revenue	(355)	(287)
	Increase in income tax expense	86	86
	Other [describe]	-	-
		<u>(269)</u>	<u>(201)</u>
HKAS 1.106(d)	<b>Foreign currency translation reserve</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
	Balance at beginning of year	317	140
	Exchange differences arising on translating the net assets of foreign operations	(71)	177
	Deferred 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)	-
	Deferred tax relating to amounts reclassified to profit or loss on disposal of foreign operations	-	-
	Other [describe]	-	-
		<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 operation.		
HKAS 1.106(d)	<b>Convertible loan notes equity reserve</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
	Balance at beginning of year	-	-
	Recognition of the equity component of convertible loan notes	834	-
	Deferred tax	(208)	-
		<u>626</u>	<u>-</u>
HKAS 1.79(b)	The convertible loan notes equity reserve represents the equity component (conversion rights) of the 4.5 million 5.5% convertible loan notes issued during the year (see note 38).		

Source	Hong Kong GAAP Limited																								
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p><b>46. Retirement benefit plans</b></p> <p><i>Defined contribution plan</i></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 (2008: 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 2009, contributions of HK\$8,000 (31 December 2008: HK\$8,000) due in respect of the year ended 31 December 2009 (2008) reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.</p> <p><i>Defined benefit plan</i></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 2009 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><th></th><th colspan="2">Valuation at</th></tr><tr><th></th><th>31/12/09</th><th>31/12/08</th></tr><tr><th></th><th>%</th><th>%</th></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>Other [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 (2008: HK\$4.3 million) and that the actuarial value of these assets represented 71% (2008: 75%) of the benefits that had accrued to members. The shortfall of HK\$1.7 million (2008: HK\$1.5 million) is to be cleared over the estimated remaining service period of 15 years.</p>		Valuation at			31/12/09	31/12/08		%	%	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	-	-	Other [describe]	-	-
	Valuation at																								
	31/12/09	31/12/08																							
	%	%																							
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	-	-																							
Other [describe]	-	-																							

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
HKAS 19.120A(g)	Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 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 (2008: HK\$402,000) has been included in the consolidated [income statement/statement of comprehensive income] as cost of sales and the remainder in administration 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:		
		31/12/09 HK\$'000	31/12/08 HK\$'000
			01/01/08 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	1,026
	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	-	-
	Other [describe]	-	-
	Net liability arising from defined benefit obligation	<u>508</u>	<u>352</u>
			739



Source	Hong Kong GAAP Limited			
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – 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 31/12/09 HK\$'000	Year ended 31/12/08 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)	
	Other [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 31/12/09 HK\$'000	Year ended 31/12/08 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	-	-	
	Other [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
		31/12/09	31/12/08	31/12/09
		%	%	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
	Other [describe]	-	-	-
	Weighted average expected return	12.08	10.97	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 2008: HK\$0.354 million).			

Source	Hong Kong GAAP Limited					
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – 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 2008: HK\$0.252 million) and property occupied by a subsidiary of the Company with a fair value of HK\$0.62 million (31 December 2008: HK\$0.62 million).					
HKAS 19.120A(p)	The history of experience adjustments is as follows:					
		<u>31/12/09</u>	<u>31/12/08</u>	<u>31/12/07</u>	<u>31/12/06</u>	<u>31/12/05</u>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 (2008: 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 2009 – continued</b></p> <p><b>47. Share-based payment transactions</b></p> <p>HKFRS 2.45(a) LR 17.09 GR 23.09</p> <p>The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 28 November 2000 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 27 November 2011. 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 in the Company.</p> <p>At 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 181,000 (31 December 2008: 275,000), representing 1.0% (31 December 2008: 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>HKFRS 2.45(d)</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</th></tr><tr><td>2008A</td><td>31/03/08</td><td>31/03/08 to 30/03/10</td><td>1.15</td><td>0.95</td></tr><tr><td>2008B</td><td>30/09/08</td><td>30/09/08 to 29/09/10</td><td>1.30</td><td>0.85</td></tr><tr><td>2009</td><td>31/03/09</td><td>31/03/09 to 30/03/11</td><td>3.15</td><td>0.99</td></tr></table> <p>HKFRS 2.46, 47(a) LR 17.08 GR 23.08</p> <p>In accordance with the terms of the Scheme, options issued during the financial year ended 31 December 2008, and 31 December 2009, vested at the date of grant.</p> <p>The fair value of the share options granted during the financial year is HK\$0.99 (2008: HK\$0.95 and HK\$0.85) each. 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 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><b>Inputs into the model</b></p> <table><tr><th></th><th>2008A</th><th>2008B</th><th>Option type 2009</th></tr><tr><td>Grant date share price</td><td>1.14</td><td>1.27</td><td>3.15</td></tr><tr><td>Exercise price</td><td>1.15</td><td>1.30</td><td>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>Other [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	2008A	31/03/08	31/03/08 to 30/03/10	1.15	0.95	2008B	30/09/08	30/09/08 to 29/09/10	1.30	0.85	2009	31/03/09	31/03/09 to 30/03/11	3.15	0.99		2008A	2008B	Option type 2009	Grant date share price	1.14	1.27	3.15	Exercise price	1.15	1.30	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%	Other [describe]	-	-	-
Option type	Date of grant	Exercise period	Exercise price HK\$	Fair value at grant date																																																	
2008A	31/03/08	31/03/08 to 30/03/10	1.15	0.95																																																	
2008B	30/09/08	30/09/08 to 29/09/10	1.30	0.85																																																	
2009	31/03/09	31/03/09 to 30/03/11	3.15	0.99																																																	
	2008A	2008B	Option type 2009																																																		
Grant date share price	1.14	1.27	3.15																																																		
Exercise price	1.15	1.30	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%																																																		
Other [describe]	-	-	-																																																		

Source	Hong Kong GAAP Limited																																																																																											
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>																																																																																											
HKFRS 2.47(a)	Expected volatility was determined by using the historical volatility of the Company's share price over the previous two years.																																																																																											
LR 17.08 Note 4 GR 23.08 Note 4	The binomial option pricing model has been used to estimate the fair value of the options. 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.																																																																																											
HKFRS 2.45(b) LR 17.07 GR 23.07	<p>The following table discloses movements of the Company's share options held by employees and directors during the year.</p> <table><tr><th>Option type</th><th>Outstanding at 1/1/09</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 31/12/09</th></tr><tr><td>2008A</td><td>125,000</td><td>-</td><td>(125,000)</td><td>-</td><td>-</td><td>-</td></tr><tr><td>2008B</td><td>150,000</td><td>-</td><td>(150,000)</td><td>-</td><td>-</td><td>-</td></tr><tr><td>2009</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> <p>The following table discloses movements of the Company's share options held by employees and directors during prior year:</p> <table><tr><th>Option type</th><th>Outstanding at 1/1/08</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 31/12/08</th></tr><tr><td>2008A</td><td>-</td><td>125,000</td><td>-</td><td>-</td><td>-</td><td>125,000</td></tr><tr><td>2008B</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 1/1/09	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/09	2008A	125,000	-	(125,000)	-	-	-	2008B	150,000	-	(150,000)	-	-	-	2009	-	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 1/1/08	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/08	2008A	-	125,000	-	-	-	125,000	2008B	-	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 1/1/09	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/09																																																																																						
2008A	125,000	-	(125,000)	-	-	-																																																																																						
2008B	150,000	-	(150,000)	-	-	-																																																																																						
2009	-	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 1/1/08	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/08																																																																																						
2008A	-	125,000	-	-	-	125,000																																																																																						
2008B	-	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>																																																																																						
HKFRS 2.45(c) LR 17.07 GR 23.07	<p>The following share options granted under the employee share option plan were exercised in the current year:</p> <table><tr><th>Options type</th><th>Number exercised</th><th>Exercise date</th><th>Share price at exercise date</th></tr><tr><td>2008A</td><td>30,000</td><td>05/01/09</td><td>2.50</td></tr><tr><td>2008A</td><td>45,000</td><td>31/01/09</td><td>2.25</td></tr><tr><td>2008A</td><td>50,000</td><td>15/03/09</td><td>3.00</td></tr><tr><td>2008B</td><td>65,000</td><td>03/07/09</td><td>2.95</td></tr><tr><td>2008B</td><td>85,000</td><td>28/08/09</td><td>2.75</td></tr><tr><td>2009</td><td><u>39,000</u></td><td><u>15/04/09</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	2008A	30,000	05/01/09	2.50	2008A	45,000	31/01/09	2.25	2008A	50,000	15/03/09	3.00	2008B	65,000	03/07/09	2.95	2008B	85,000	28/08/09	2.75	2009	<u>39,000</u>	<u>15/04/09</u>	<u>3.50</u>		<u>314,000</u>																																																													
Options type	Number exercised	Exercise date	Share price at exercise date																																																																																									
2008A	30,000	05/01/09	2.50																																																																																									
2008A	45,000	31/01/09	2.25																																																																																									
2008A	50,000	15/03/09	3.00																																																																																									
2008B	65,000	03/07/09	2.95																																																																																									
2008B	85,000	28/08/09	2.75																																																																																									
2009	<u>39,000</u>	<u>15/04/09</u>	<u>3.50</u>																																																																																									
	<u>314,000</u>																																																																																											

## Source

## Hong Kong GAAP Limited

HKAS 1.134  
HKAS 1.135

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

**48. Capital risk management**

*Note: The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, 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.*

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 2008.

The capital structure of the Group consists of net debt (which includes borrowings, loan from government, convertible loan notes and obligations under finance leases), cash and cash equivalents and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and retained profits).

**Gearing ratio**

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.

The gearing ratio at the end of the reporting period was as follows:

	31/12/09 HK\$'000	31/12/08 HK\$'000
Debts (Note 1)	60,392	57,402
Cash and cash equivalents (see note 52)	(23,083)	(19,400)
Net debt	37,309	38,002
Equity (Note 2)	147,481	146,957
Net debt to equity ratio	25%	26%

Notes:

- 1) Debt comprises long-term and short-term borrowings, loan from government, convertible loan notes and obligations under finance leases as detailed in notes 36, 37, 38 and 39 respectively.
- 2) Equity includes all capital and reserves attributable to owners of the Company.

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
	<b>49. Financial instruments</b>		
	<b>49.1 Categories of financial instruments</b>		
		<u>31/12/09</u>	<u>31/12/08</u>
		HK\$'000	HK\$'000
	<u>Financial assets</u>		<u>01/01/08</u>
			HK\$'000
	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)	45,837	38,177
HKFRS 7.8(d)	Available-for-sale investments	5,600	4,857
			3,403
	<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	72,996	78,569
	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>		
		<u>Year ended</u>	<u>Year ended</u>
		<u>31/12/09</u>	<u>31/12/08</u>
		HK\$'000	HK\$'000
	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 2009 – continued</b>		
	<i>Financial liabilities designated as at FVTPL</i>		
		31/12/09 HK\$'000	31/12/08 HK\$'000
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)	<p>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.</p>		
HKFRS 7.33	<u>49.2.1 Market risk</u>		
HKFRS 7.22	<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> <p>Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.</p>		

Source	Hong Kong GAAP Limited																																																													
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p>																																																													
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>2009</th><th>2008</th><th>2009</th><th>2008</th><th>2009</th><th>2008</th><th>31/12/09</th><th>31/12/08</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		2009	2008	2009	2008	2009	2008	31/12/09	31/12/08	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																																																							
	2009		2008	2009	2008	2009	2008	31/12/09	31/12/08																																																					
	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="2"></th><th colspan="2">Liabilities</th><th colspan="2">Assets</th></tr><tr><th>31/12/09 HK\$'000</th><th>31/12/08 HK\$'000</th><th>31/12/09 HK\$'000</th><th>31/12/08 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>Other (please specify)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr></table>		Liabilities		Assets		31/12/09 HK\$'000	31/12/08 HK\$'000	31/12/09 HK\$'000	31/12/08 HK\$'000	RMB	8,297	7,469	1,574	1,671	Euro	186	135	-	-	Other (please specify)	-	-	-	-																																					
	Liabilities		Assets																																																											
	31/12/09 HK\$'000	31/12/08 HK\$'000	31/12/09 HK\$'000	31/12/08 HK\$'000																																																										
RMB	8,297	7,469	1,574	1,671																																																										
Euro	186	135	-	-																																																										
Other (please specify)	-	-	-	-																																																										



Source	Hong Kong GAAP Limited																														
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – 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% (2008: 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% (2008: 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 foregn 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 and other equity where the Hong Kong dollars strengthen 5% (2008: 5%) against RMB and 10% (2008: 5%) against Euro. For a 5% (2008: 5%) weakening of the Hong Kong dollars against RMB and 10% (2008: 5%) against Euro, there would be an equal and opposite impact on the profit and other 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>2009</th><th>2008</th><th>2009</th><th>2008</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>286</td><td>246 (Note 1)</td><td>16</td><td>6 (Note 3)</td></tr><tr><td>Other equity</td><td>35</td><td>50 (Note 2)</td><td>-</td><td>-</td></tr></table> <p>Notes:</p> <ol style="list-style-type: none"><li>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.</li><li>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.</li><li>3) This is mainly attributable to the exposure to outstanding payables denominated in Euro at the end of the reporting period.</li></ol> <p>HKFRS 7.42</p> <p>In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure 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> <p>HKFRS 7.33 HKFRS 7.34</p> <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> <p>HKFRS 7.34(c)</p> <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>		Impact of RMB		Impact of Euro			2009	2008	2009	2008		HK\$'000	HK\$'000	HK\$'000	HK\$'000	Sensitivity rate	5%	5%	10%	5%	Profit or loss	286	246 (Note 1)	16	6 (Note 3)	Other equity	35	50 (Note 2)	-	-
	Impact of RMB		Impact of Euro																												
	2009	2008	2009	2008																											
	HK\$'000	HK\$'000	HK\$'000	HK\$'000																											
Sensitivity rate	5%	5%	10%	5%																											
Profit or loss	286	246 (Note 1)	16	6 (Note 3)																											
Other equity	35	50 (Note 2)	-	-																											

Source	Hong Kong GAAP Limited
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>
	<a href="#">Interest rate sensitivity analysis</a>
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 (2008: 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 (2008: 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 2009 would decrease/increase by HK\$210,000 (2008: decrease/increase by HK\$237,000). 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 would decrease/increase by HK\$11,000 (2008: 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	<a href="#">49.2.1.4 Other price risks</a>
HKFRS 7.34(c)	<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>
	<a href="#">Equity price sensitivity analysis</a>
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. For sensitivity analysis purpose, the sensitivity rate is increased to 15% in the current year as a result of the volatile financial market.</p>
HKFRS 7.40(a)	<p>If equity prices had been 15% higher/lower (2008: 15% higher/lower):</p> <ul style="list-style-type: none"> <li>• post-tax profit for the year ended 31 December 2009 would increase/decrease by HK\$1,591,000 (2008: increase/decrease by HK\$1,070,000). This is mainly due to the changes in fair value of held-for-trading investments; and</li> <li>• other equity reserves would increase/decrease by HK\$510,000 (2008: increase/decrease by HK\$410,000) as a result of the changes in fair value of available-for-sale investments.</li> </ul>
	<a href="#">49.2.2 Credit risk management</a>
HKFRS 7.36 HKFRS 7.B9	<p>As at 31 December 2009, 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> <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 2009 – continued</b></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)	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.																																																												
HKFRS 7.34(c)	<p>The table below shows the credit limit and balance of 6 major counterparties (including liquid funds) at the end of the reporting period using the Standard and Poor's credit rating symbols.</p> <table><tr><th rowspan="2">Counterparty</th><th rowspan="2">Location</th><th rowspan="2">Rating</th><th colspan="2">31/12/09</th><th colspan="2">31/12/08</th></tr><tr><th>Credit limit</th><th>Carrying amount</th><th>Credit limit</th><th>Carrying amount</th></tr><tr><th></th><th></th><th></th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th></tr><tr><td>Solar Bank</td><td>PRC</td><td>AA</td><td>10,000</td><td>7,940</td><td>10,000</td><td>7,300</td></tr><tr><td>AMA Bank</td><td>Malaysia</td><td>A</td><td>10,000</td><td>4,800</td><td>10,000</td><td>4,650</td></tr><tr><td>North China Limited</td><td>PRC</td><td>A</td><td>9,000</td><td>3,450</td><td>9,000</td><td>3,360</td></tr><tr><td>Asia Win Limited</td><td>Malaysia</td><td>A</td><td>8,000</td><td>2,300</td><td>8,000</td><td>2,350</td></tr><tr><td>Top One Limited</td><td>Germany</td><td>B</td><td>2,000</td><td>1,100</td><td>2,000</td><td>900</td></tr><tr><td>Fortune Holding Limited</td><td>Italy</td><td>BB</td><td>800</td><td>750</td><td>800</td><td>700</td></tr></table> <p><u>49.2.3 Liquidity risk management</u></p>	Counterparty	Location	Rating	31/12/09		31/12/08		Credit limit	Carrying amount	Credit limit	Carrying amount				HK\$'000	HK\$'000	HK\$'000	HK\$'000	Solar Bank	PRC	AA	10,000	7,940	10,000	7,300	AMA Bank	Malaysia	A	10,000	4,800	10,000	4,650	North China Limited	PRC	A	9,000	3,450	9,000	3,360	Asia Win Limited	Malaysia	A	8,000	2,300	8,000	2,350	Top One Limited	Germany	B	2,000	1,100	2,000	900	Fortune Holding Limited	Italy	BB	800	750	800	700
Counterparty	Location				Rating	31/12/09		31/12/08																																																					
		Credit limit	Carrying amount	Credit limit		Carrying amount																																																							
			HK\$'000	HK\$'000	HK\$'000	HK\$'000																																																							
Solar Bank	PRC	AA	10,000	7,940	10,000	7,300																																																							
AMA Bank	Malaysia	A	10,000	4,800	10,000	4,650																																																							
North China Limited	PRC	A	9,000	3,450	9,000	3,360																																																							
Asia Win Limited	Malaysia	A	8,000	2,300	8,000	2,350																																																							
Top One Limited	Germany	B	2,000	1,100	2,000	900																																																							
Fortune Holding Limited	Italy	BB	800	750	800	700																																																							
HKFRS 7.33, 39(c)	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.																																																												
HKAS 7.50(a)	As at 31 December 2009, the Group has available unutilised overdrafts, and short and medium term bank loan facilities of approximately HK\$2 million (31 December 2008: HK\$1 million) and HK\$5 million (31 December 2008: HK\$3 million) respectively.																																																												
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 based on the agreed repayment terms. 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. 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> <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, th 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 consider 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

Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued

**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.

	Weighted average interest rate %	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>31/12/09</b>								
<b>Non-derivative financial assets</b>								
Trade and other receivables	-	7,654	11,100	462	519	-	19,735	19,735
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%	1,500	1,500	8,000	13,110	-	24,110	23,446
Others (please specify)	-	-	-	-	-	-	-	-
		9,172	12,688	14,228	35,649	-	71,737	70,124
<b>Non-derivative financial liabilities</b>								
Trade and other payables	-	(5,726)	(6,354)	-	-	-	(12,080)	(12,080)
Borrowings								
- fixed rate	6.2%	(198)	(594)	(1,584)	(4,764)	-	(7,140)	(5,961)
- variable rate	6.1%	(1,735)	(4,825)	(11,389)	(12,035)	(20,586)	(50,570)	(47,663)
Loans from government	7.2%	-	-	-	(2,610)	(390)	(3,000)	(2,610)
Convertible loan 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	-	(970)	-	-	-	-	(970)	(20)
Other (please specify)	-	-	-	-	-	-	-	-
		(9,177)	(11,775)	(13,228)	(24,409)	(20,976)	(79,565)	(73,030)
<b>31/12/08</b>								
<b>Non-derivative financial assets</b>								
Trade and other receivables	-	6,909	8,800	333	250	-	16,292	16,292
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	4.25%	-	-	-	2,140	-	2,140	2,000
Cash and bank balances	3.7%	3,000	3,000	10,000	4,110	-	20,110	19,778
Others (please specify)	-	-	-	-	-	-	-	-
		9,929	12,965	13,963	20,501	-	57,358	56,637
<b>Non-derivative financial liabilities</b>								
Trade and other payables	-	(8,381)	(8,089)	(4,408)	-	-	(20,878)	(20,878)
Borrowings								
- fixed rate	6.1%	(14)	(28)	(1,120)	(1,424)	-	(2,586)	(2,037)
- variable rate	6.2%	(7,701)	(5,409)	(17,389)	(20,517)	(6,850)	(57,866)	(55,276)
Bank overdrafts	6.4%	(392)	-	-	-	-	(392)	(378)
Obligations under finance leases	4.5%	(5)	(10)	(43)	(44)	-	(102)	(89)
Financial guarantee contracts	-	(1,050)	-	-	-	-	(1,050)	(18)
Others (please specify)	-	-	-	-	-	-	-	-
		(17,543)	(13,536)	(22,960)	(21,985)	(6,850)	(82,874)	(78,676)

HKFRS 7.B10(c)

The amounts included above for financial guarantee contracts represent the maximum amounts that could be required to be paid if the guarantees were called upon in entirety. At the end of the reporting period, the carrying amount of financial guarantee contracts as at 31 December 2009 (that was determined based on expectations at the end of the reporting period) amounted to HK\$20,000 (31 December 2008: HK\$18,000). However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee.

## Source

## Hong Kong GAAP Limited

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

*Liquidity tables - continued*

	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>31/12/09</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	-	6,054	5,079	-	-	11,133	11,133
- inflow	-	(5,811)	(5,152)	-	-	(10,963)	(10,963)
- outflow	-	243	(73)	-	-	170	170
<b>31/12/08</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	-	3,423	5,316	-	-	8,739	8,739
- inflow	-	(3,240)	(5,245)	-	-	(8,485)	(8,485)
- outflow	-	183	71	-	-	254	254

**49.3 Fair value of financial instruments**

HKFRS 7.27

The fair values of financial assets and financial liabilities are determined as follows.

- 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.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).
- 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.

Source	Hong Kong GAAP Limited																																																							
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <p>Except as detailed in the following table, management consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate to their fair values:</p> <table><tr><th></th><th colspan="2">31/12/09</th><th colspan="2">31/12/08</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 loan 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>21,361</td><td>21,689</td><td>4,437</td><td>4,562</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 2008: HK\$919,000) using an 8.5% (31 December 2008: 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 loan notes is determined assuming redemption on 1 September 2012 and using a 7.95% interest rate based on a quoted swap rate of 6.8% for a 44 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>		31/12/09		31/12/08			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 loan notes (Note 2)	4,144	4,150	-	-	Obligations under finance leases	14	13	89	85	Fixed-rate borrowings	21,361	21,689	4,437	4,562
	31/12/09		31/12/08																																																					
	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 loan notes (Note 2)	4,144	4,150	-	-																																																				
Obligations under finance leases	14	13	89	85																																																				
Fixed-rate borrowings	21,361	21,689	4,437	4,562																																																				
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																																																																																																																																																																																																																		
	<p><b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b></p> <table><tr><td></td><td></td><td></td><td></td><td>31/12/09</td></tr><tr><td></td><td></td><td>Level 1</td><td>Level 2</td><td>Level 3</td></tr><tr><td></td><td></td><td>HK\$'000</td><td>HK\$'000</td><td>HK\$'000</td></tr><tr><td></td><td></td><td></td><td></td><td>Total</td></tr><tr><td></td><td></td><td></td><td></td><td>HK\$'000</td></tr><tr><td></td><td><b>Financial assets</b></td><td></td><td></td><td></td></tr><tr><td></td><td>Derivative financial assets</td><td>-</td><td>528</td><td>-</td></tr><tr><td></td><td>Held for trading-listed equity securities</td><td>12,480</td><td>-</td><td>-</td></tr><tr><td></td><td></td><td></td><td></td><td>528</td></tr><tr><td></td><td></td><td></td><td></td><td>12,480</td></tr><tr><td></td><td><b>Available-for-sale investments</b></td><td></td><td></td><td></td></tr><tr><td></td><td>Listed equity securities</td><td>2,560</td><td>-</td><td>-</td></tr><tr><td></td><td>Listed debt securities</td><td>2,200</td><td>-</td><td>-</td></tr><tr><td></td><td>Unlisted equity securities (Note)</td><td>-</td><td>-</td><td>840</td></tr><tr><td></td><td></td><td></td><td></td><td>840</td></tr><tr><td></td><td>Total</td><td>17,240</td><td>528</td><td>840</td></tr><tr><td></td><td></td><td></td><td></td><td>18,608</td></tr><tr><td></td><td><b>Financial liabilities</b></td><td></td><td></td><td></td></tr><tr><td></td><td>Contingent consideration for a business combination</td><td>-</td><td>-</td><td>(75)</td></tr><tr><td></td><td>Other derivative financial liabilities</td><td>-</td><td>(96)</td><td>-</td></tr><tr><td></td><td></td><td></td><td></td><td>(96)</td></tr><tr><td></td><td>Total</td><td>-</td><td>(96)</td><td>(75)</td></tr><tr><td></td><td></td><td></td><td></td><td>(171)</td></tr><tr><td></td><td colspan="5">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).</td></tr><tr><td>HKFRS 7.27B(b)</td><td colspan="5">There were no transfers between Levels 1 and 2 in the current year.</td></tr><tr><td>HKFRS 7.27B(c)</td><td colspan="5"><u>49.3.2 Reconciliation of Level 3 fair value measurements of financial assets</u></td></tr><tr><td></td><td></td><td></td><td></td><td>Year ended 31/12/09</td></tr><tr><td></td><td></td><td>Unquoted equity investments</td><td>Other [describe]</td><td>Total</td></tr><tr><td></td><td></td><td>HK\$'000</td><td>HK\$'000</td><td>HK\$'000</td></tr><tr><td></td><td>Opening balance</td><td>420</td><td>-</td><td>420</td></tr><tr><td></td><td>Gains or losses recognised in:</td><td></td><td></td><td></td></tr><tr><td></td><td>- profit or loss</td><td>-</td><td>-</td><td>-</td></tr><tr><td></td><td>- other comprehensive income</td><td>(10)</td><td>-</td><td>(10)</td></tr><tr><td></td><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></td><td>Purchases</td><td>70</td><td>-</td><td>70</td></tr><tr><td></td><td>Issues</td><td>-</td><td>-</td><td>-</td></tr><tr><td></td><td>Settlements</td><td>-</td><td>-</td><td>-</td></tr><tr><td></td><td>Transfers out of level 3</td><td>-</td><td>-</td><td>-</td></tr><tr><td></td><td>Closing balance</td><td>840</td><td>-</td><td>840</td></tr><tr><td></td><td colspan="5">The table above only includes 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].</td></tr><tr><td>HKFRS 7.27B(d)</td><td colspan="5">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).</td></tr></table>					31/12/09			Level 1	Level 2	Level 3			HK\$'000	HK\$'000	HK\$'000					Total					HK\$'000		<b>Financial assets</b>					Derivative financial assets	-	528	-		Held for trading-listed equity securities	12,480	-	-					528					12,480		<b>Available-for-sale investments</b>					Listed equity securities	2,560	-	-		Listed debt securities	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	-	-	(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).					HKFRS 7.27B(b)	There were no transfers between Levels 1 and 2 in the current year.					HKFRS 7.27B(c)	<u>49.3.2 Reconciliation of Level 3 fair value measurements of financial assets</u>									Year ended 31/12/09			Unquoted equity investments	Other [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		The table above only includes 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].					HKFRS 7.27B(d)	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).				
				31/12/09																																																																																																																																																																																																															
		Level 1	Level 2	Level 3																																																																																																																																																																																																															
		HK\$'000	HK\$'000	HK\$'000																																																																																																																																																																																																															
				Total																																																																																																																																																																																																															
				HK\$'000																																																																																																																																																																																																															
	<b>Financial assets</b>																																																																																																																																																																																																																		
	Derivative financial assets	-	528	-																																																																																																																																																																																																															
	Held for trading-listed equity securities	12,480	-	-																																																																																																																																																																																																															
				528																																																																																																																																																																																																															
				12,480																																																																																																																																																																																																															
	<b>Available-for-sale investments</b>																																																																																																																																																																																																																		
	Listed equity securities	2,560	-	-																																																																																																																																																																																																															
	Listed debt securities	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	-	-	(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).																																																																																																																																																																																																																		
HKFRS 7.27B(b)	There were no transfers between Levels 1 and 2 in the current year.																																																																																																																																																																																																																		
HKFRS 7.27B(c)	<u>49.3.2 Reconciliation of Level 3 fair value measurements of financial assets</u>																																																																																																																																																																																																																		
				Year ended 31/12/09																																																																																																																																																																																																															
		Unquoted equity investments	Other [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																																																																																																																																																																																																															
	The table above only includes 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].																																																																																																																																																																																																																		
HKFRS 7.27B(d)	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).																																																																																																																																																																																																																		



Source	Hong Kong GAAP Limited				
	Notes to the consolidated financial statements for the year ended 31 December 2009 – continued				
	50. Business combinations				
HKFRS 3.B64(a) to (d)	Subsidiaries acquired				
		<u>Principal activity</u>	<u>Date of acquisition</u>	<u>Proportion of shares acquired (%)</u>	<u>Consideration transferred HK\$'000</u>
	2009				
	Subsix Limited	Manufacture of electronic equipment	15/07/09	80	505
	Subseven Limited	Manufacture of electronic equipment	30/11/09	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.				
	2008				
	[Please describe]				<u>-</u>
					<u>-</u>
HKFRS 3.B66	<p>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 2008, all of the disclosures illustrated would also be required for that prior year business combination.</p> <p>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.</p>				
HKFRS 3.B64(f)	Consideration transferred				
				<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)	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 2010 and 2011 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 2010 and 2011 and a risk adjusted discount factor of 12.5% as inputs.				



Source	Hong Kong GAAP Limited																																																														
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – 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(2008), 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 assumed at the date of acquisition</b>																																																														
HKAS 7.40(d)		<table> <tr> <th></th><th>Subsix Limited</th><th>Subseven Limited</th><th>Total</th></tr> <tr> <th></th><th>HK\$'000</th><th>HK\$'000</th><th>HK\$'000</th></tr> <tr> <td><u>Current assets</u></td><td></td><td></td><td></td></tr> <tr> <td>Cash and &amp; cash equivalents</td><td>200</td><td>-</td><td>200</td></tr> <tr> <td>Trade and other receivables</td><td>87</td><td>105</td><td>192</td></tr> <tr> <td>Inventories</td><td>-</td><td>57</td><td>57</td></tr> <tr> <td><u>Non-current assets</u></td><td></td><td></td><td></td></tr> <tr> <td>In-process research and development</td><td>-</td><td>-</td><td>-</td></tr> <tr> <td>Plant and equipment</td><td>143</td><td>369</td><td>512</td></tr> <tr> <td><u>Current liabilities</u></td><td></td><td></td><td></td></tr> <tr> <td>Trade and other payables</td><td>(18)</td><td>(35)</td><td>(53)</td></tr> <tr> <td><u>Non-current liabilities</u></td><td></td><td></td><td></td></tr> <tr> <td>Deferred tax liabilities</td><td>(17)</td><td>-</td><td>(17)</td></tr> <tr> <td>Contingent liabilities (note 40)</td><td>(45)</td><td>-</td><td>(45)</td></tr> <tr> <td></td><td><u>350</u></td><td><u>496</u></td><td><u>846</u></td></tr> </table>		Subsix Limited	Subseven Limited	Total		HK\$'000	HK\$'000	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 (note 40)	(45)	-	(45)		<u>350</u>	<u>496</u>	<u>846</u>	
	Subsix Limited	Subseven Limited	Total																																																												
	HK\$'000	HK\$'000	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 (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\$132,000. 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 2009 – continued</b>			
	<b>Goodwill arising on acquisition</b>			
		Subsix Limited HK\$'000	Subseven Limited HK\$'000	Total HK\$'000
	Consideration transferred	505	687	1,192
	Plus: non-controlling interests	132	-	132
	Less: fair value of identifiable net assets acquired	(350)	(496)	(846)
	Goodwill arising on acquisition	287	191	478
HKFRS 3.B64(e)	Goodwill arose in the acquisition of Subsix 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. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.			
	The Group also acquired the customer lists and customer relationships of Subseven Limited as part of the acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.			
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>			
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000	
HKAS 7.40(b)	Consideration paid in cash	1,077	-	
HKAS 7.40(c)	Less: cash and cash equivalent balances acquired	(200)	-	
		877	-	
	<b>Impact of acquisitions on the results of the Group</b>			
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.			
HKFRS 3.61	Had these business combinations been effected at 1 January 2009, 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.			
	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:			
	<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;</li><li>based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and</li><li>excluded takeover defence costs of the acquiree as a one-off pre-acquisition transaction.</li></ul>			

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
	<b>51. Disposal of a subsidiary</b>		
	On 30 November 2009, the Group disposed of Subzero Limited which carried out all of its toy manufacturing operations.		
	<b>Consideration received</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 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	-
	<b>Analysis of asset and liabilities over which control was lost</b>		
HKAS 7.40(d)			30/11/09 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
	<b>Gain on disposal of a subsidiary</b>		
			Year ended 31/12/09 HK\$'000
	Consideration received and receivable		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 differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary		120
HKAS 27.41(f)	Gain on disposal		1,940
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).		

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
	<b>Net cash inflow on disposal of a subsidiary</b>		
		Year ended 31/12/09 HK\$'000	Year ended 31/12/08 HK\$'000
HKAS 7.40(c)	Consideration received in cash and cash equivalents Less: cash and cash equivalent balances disposed of	7,854 (288)	- -
		<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:		
		31/12/09 HK\$'000	31/12/08 HK\$'000
			01/01/08 HK\$'000
	Cash and bank balances	23,446	19,778
	Bank overdrafts	(538)	(378)
		<u>22,908</u>	<u>19,400</u>
	Cash and bank balances included in a disposal group classified as held for sale	175	-
		<u>23,083</u>	<u>8,770</u>
HKAS 7.43	<b>53. Non-cash transactions</b>		
	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 (2009: nil).</li> </ul>		

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – continued</b>		
	<b>54. Operating leases</b>		
	<i>The Group as lessee</i>		
		Year ended <u>31/12/09</u> HK\$'000	Year ended <u>31/12/08</u> HK\$'000
HKAS 17.35(c) Sch 10:13(1)(i)	Minimum lease payments paid under operating leases during the period:		
	Premises	2,008	2,092
	Other assets [please describe]	-	-
		<u>2,008</u>	<u>2,092</u>
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:		
		31/12/09 <u>HK\$'000</u>	31/12/08 <u>HK\$'000</u>
	Within one year	1,734	1,908
	In the second to fifth years inclusive	3,568	4,336
	Over five years	<u>1,618</u>	<u>2,526</u>
		<u>6,920</u>	<u>8,770</u>
HKAS 17.35(d)	Operating leases relate to warehouse facilities with lease terms of between 3 to 7 years (31 December 2008: 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 (2008: 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:		
		31/12/09 <u>HK\$'000</u>	31/12/08 <u>HK\$'000</u>
	Within one year	10	18
	In the second to fifth years inclusive	44	22
	After five years	<u>-</u>	<u>-</u>
		<u>54</u>	<u>40</u>
	<b>55. Commitments</b>		
		31/12/09 <u>HK\$'000</u>	31/12/08 <u>HK\$'000</u>
HKAS 16.74(c) Sch 10:12(6)	Commitments for the acquisition of property, plant and equipment	<u>4,856</u>	<u>6,010</u>
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 (2008: HK\$3,250).		

Source	Hong Kong GAAP Limited		
	<b>Notes to the consolidated financial statements for the year ended 31 December 2009 – 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):		
		31/12/09 HK\$'000	31/12/08 HK\$'000
HKAS 16.74(a)	Freehold land and buildings	24,500	28,762
HKAS 40.75(g)	Investment properties	1,936	132
HKFRS 7.14(a)	Trade receivables	946	-
HKFRS 7.14(a)	Bank deposits	2,000	2,000
		<u>29,382</u>	<u>30,894</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 2008: HK\$162,000).		
HKAS 37.86 Sch 10:12(5)	<b>57. Contingent liabilities and contingent assets</b>		
		31/12/09 HK\$'000	31/12/08 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	-
	Notes:		
	<p>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.</p> <p>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.</p> <p>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 2008: 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 2008: HK\$18,000) has been recognised in the consolidated statement of financial position as liabilities.</p> <p>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.</p>		

## Source

## Hong Kong GAAP Limited

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

**58. Related party transactions**

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.

During the year, the Group entered into the following transactions with related parties:

	Trade sales		Trade purchase		Amounts due from related parties			Amounts due to related parties		
	Year ended	Year ended	Year ended	Year ended	31/12/09	31/12/08	01/01/08	31/12/09	31/12/08	01/01/08
	31/12/09	31/12/08	31/12/09	31/12/08	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fellow subsidiaries	693	582	439	427	209	197	123	231	139	120
Holding company	1,299	981	897	883	398	293	126	149	78	70
Associates	398	291	-	-	29	142	132	-	-	-

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.

**Loans from / to related parties**

	31/12/09	31/12/08	01/01/08
	HK\$'000	HK\$'000	HK\$'000
Amounts due from directors (note 32)	656	107	82
Loans from fellow subsidiaries (note 36)	12,917	31,124	27,954

In addition to the above, the Group received certain consultancy services from a company controlled by Mr. Gary D.K Wong, a director of the Company, for which management fee of HK\$240,000 (2008: HK\$240,000) was charged.

**Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

	Year ended	Year ended
	31/12/09	31/12/08
	HK\$'000	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
	<u>2,761</u>	<u>2,588</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

HKAS 24.4  
HKAS 24.17,18

HKAS 24.16

## Source Hong Kong GAAP Limited

Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued

## 59. Subsidiaries

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

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				
				2009	2008	2009	2008	2009	2008	
				%	%	%	%	%	%	
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
Subseven Limited	Hong Kong	Ordinary	HK\$100	-	-	100	-	100	-	Manufacture of electronic equipment

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 foreign owned enterprises.



Source	Hong Kong GAAP Limited
--------	------------------------

**Notes to the consolidated financial statements  
for the year ended 31 December 2009 – continued**

**60. Information about the statement of financial position of the Company**

Information about the statement of financial position of the Company at the end of the reporting period includes:

	<u>31/12/09</u> HK\$'000	<u>31/12/08</u> HK\$'000
Unlisted investments in subsidiaries	133,030	133,030
Bank balances and cash	2,000	4,000
Other current assets	<u>3,610</u>	<u>3,210</u>
Total assets	<u>138,640</u>	<u>140,240</u>
Share capital (note 44)	17,819	23,005
Reserves	<u>120,821</u>	<u>117,235</u>
Total equity	<u>138,640</u>	<u>140,240</u>

**61. Events after the reporting period**

HKAS 10.21

On 18 January 2010, 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	<b>Financial summary</b>					
	For the year ended 31 December					
		2005	2006	2007	2008	2009
		HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
	<b>Results</b>					
	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	(463)	(888)
	Distribution and selling expenses	(4,891)	(3,214)	(4,216)	(10,055)	(11,520)
	Administrative expenses	(13,246)	(12,160)	(14,032)	(13,656)	(9,466)
	Finance costs	(4,321)	(3,610)	(2,480)	(6,023)	(4,418)
	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 interest in former associate	-	-	-	-	581
	Profit before tax	34,299	27,565	30,827	32,032	30,824
	Income tax expense	(12,432)	(10,121)	(11,201)	(11,799)	(11,564)
	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	118.9	99.2	
				As at 31 December		
	2005	2006	2007	2008	2009	
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	
<b>Assets and liabilities</b>						
Total Assets	216,847	202,839	274,255	262,162	267,080	
Total Liabilities	(91,001)	(75,865)	(132,791)	(95,200)	(95,283)	
	125,846	126,974	141,464	166,962	171,797	
Equity attributable to owners of the Company	115,321	117,303	124,222	146,957	147,481	
Non-controlling interests	10,525	9,671	17,242	20,005	24,316	
	125,846	126,974	141,464	166,962	171,797	

Source	Hong Kong GAAP Limited					
App 16.23 GR 18.23	Particulars of major investment properties at 31 December 2009					
	Completed properties held for investment					
	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	
	Investment properties under construction					
	Location	Type	Lease term	Gross floor	Stage of completion	Anticipated completion date
Lot 1888, Phoenix Bay, Hong Kong	Residential	Medium-term lease	57,650 square meters	In progress	March 2012	







## Contact details for Deloitte's China Practice

### Beijing

**Deloitte Touche Tohmatsu CPA Ltd.  
Beijing Branch**  
8/F Deloitte Tower  
The Towers, Oriental Plaza  
1 East Chang An Avenue  
Beijing 100738, PRC  
Tel: +86 10 8520 7788  
Fax: +86 10 8518 1218

### Chongqing

**Deloitte & Touche Financial Advisory  
Services (China) Limited**  
Room 10-12  
13/F International Trade Center  
Chongqing  
38 Qing Nian Road  
Yu Zhong District  
Chongqing 400010, PRC  
Tel: +86 23 6310 6206  
Fax: +86 23 6310 6170

### Dalian

**Deloitte Touche Tohmatsu CPA Ltd.  
Dalian Branch**  
Room 1503 Senmao Building  
147 Zhongshan Road  
Dalian 116011, PRC  
Tel: +86 411 8371 2888  
Fax: +86 411 8360 3297

### Guangzhou

**Deloitte Touche Tohmatsu CPA Ltd.  
Guangzhou Branch**  
26/F Teemtower  
208 Tianhe Road  
Guangzhou 510620, PRC  
Tel: +86 20 8396 9228  
Fax: +86 20 3888 0119 / 0121

### Hangzhou

**Deloitte Business Advisory Services  
(Hangzhou) Company Limited**  
Room 605, Partition A  
EAC Corporate Office  
18 Jiaogong Road  
Hangzhou 310013, PRC  
Tel: +86 571 2811 1900  
Fax: +86 571 2811 1904

### Hong Kong SAR

**Deloitte Touche Tohmatsu**  
35/F One Pacific Place  
88 Queensway  
Hong Kong  
Tel: +852 2852 1600  
Fax: +852 2541 1911

### Macau SAR

**Deloitte Touche Tohmatsu**  
19/F The Macau Square Apartment H-N  
43-53A Av. do Infante D. Henrique  
Macau  
Tel: +853 2871 2998  
Fax: +853 2871 3033

### Nanjing

**Deloitte Touche Tohmatsu CPA Ltd.  
Nanjing Branch**  
11/F Golden Eagle Plaza  
89 Hanzhong Road  
Nanjing 210029, PRC  
Tel: +86 25 5790 8880  
Fax: +86 25 8691 8776

### Shanghai

**Deloitte Touche Tohmatsu CPA Ltd.**  
30/F Bund Center  
222 Yan An Road East  
Shanghai 200002, PRC  
Tel: +86 21 6141 8888  
Fax: +86 21 6335 0003

### Shenzhen

**Deloitte Touche Tohmatsu CPA Ltd.  
Shenzhen Branch**  
13/F China Resources Building  
5001 Shennan Road East  
Shenzhen 518010, PRC  
Tel: +86 755 8246 3255  
Fax: +86 755 8246 3186

### Suzhou

**Deloitte Business Advisory Services  
(Shanghai) Limited  
Suzhou Branch**  
Suite 908, Century Financial Tower  
1 Suhua Road, Industrial Park  
Suzhou 215021, PRC  
Tel: +86 512 6289 1238  
Fax: +86 512 6762 3338

### Tianjin

**Deloitte Touche Tohmatsu CPA Ltd.  
Tianjin Branch**  
30/F The Exchange North Tower  
189 Nanjing Road  
Heping District  
Tianjin 300051, PRC  
Tel: +86 22 2320 6688  
Fax: +86 22 2320 6699

### Xiamen

**Deloitte & Touche Financial Advisory  
Services Limited  
Xiamen Liaison Office**  
Unit E, 26/F International Plaza  
8 Lujiang Road, Siming District  
Xiamen 361001, PRC  
Tel: +86 592 2107 258  
Fax: +86 592 2107 259

**Hong Kong Financial Reporting Standards - Illustrative Annual Financial Statements 2009** aims to provide useful guidance to preparers of financial statements reporting under Hong Kong Financial Reporting Standards (HKFRSs). Specifically, this publication contains an illustrative financial statements for the year ended 31 December 2009 (prepared by a fictitious entity with its shares listed on The Stock Exchange of Hong Kong Limited) in accordance with HKFRSs and the relevant disclosure requirements set out in the Hong Kong Companies Ordinance and the Listing Rules. The illustrative financial statements assume that the entity early applied HKFRS 3 (revised in 2008) *Business Combinations* and HKAS 27 (revised in 2008) *Consolidated and Separate Financial Statements* in advance of their effective dates.

In addition to the illustrative financial statements, this publication also contains an overview of new and revised HKFRSs that are effective for the financial statements for the year ended 31 December 2009 and those that have been issued but not yet effective and their implication, as well as a brief regulatory update in Hong Kong.

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 future, you are encouraged to visit the Deloitte IAS PLUS website ([www.iasplus.com](http://www.iasplus.com)).

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 140 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's more than 168,000 professionals are committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/cn/en/about](http://www.deloitte.com/cn/en/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

Deloitte's China practice provides services through a number of legal entities and those entities are members of Deloitte Touche Tohmatsu (Swiss Verein).

We are one of the leading professional services providers in the Chinese Mainland, Hong Kong SAR and Macau SAR. We have over 8,000 people in thirteen offices including Beijing, Chongqing, Dalian, Guangzhou, Hangzhou, Hong Kong, Macau, Nanjing, Shanghai, Shenzhen, Suzhou, Tianjin and Xiamen.

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.

These materials and the information contained herein are provided by Deloitte Touche Tohmatsu and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s).

Accordingly, the information in these materials is not intended to constitute accounting, tax, legal, investment, consulting, or other professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

These materials and the information contained therein are provided as is, and Deloitte Touche Tohmatsu makes no express or implied representations or warranties regarding these materials or the information contained therein. Without limiting the foregoing, Deloitte Touche Tohmatsu does not warrant that the materials or information contained therein will be error-free or will meet any particular criteria of performance or quality. Deloitte Touche Tohmatsu expressly disclaims all implied warranties, including, without limitation, warranties of merchantability, title, fitness for a particular purpose, noninfringement, compatibility, security, and accuracy.

Your use of these materials and information contained therein is at your own risk, and you assume full responsibility and risk of loss resulting from the use thereof. Deloitte Touche Tohmatsu will not be liable for any special, indirect, incidental, consequential, or punitive damages or any other damages whatsoever, whether in an action of contract, statute, tort (including, without limitation, negligence), or otherwise, relating to the use of these materials or the information contained therein.

If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.

