Hong Kong Financial Reporting Standards

Illustrative Annual Financial Statements 2013

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Hong Kong Financial Reporting Standards

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Foreword

Welcome to our 2013 edition of Hong Kong Financial Reporting Standards – Illustrative Annual Financial Statements.

There are a number of new and revised standards that are mandatorily effective for 2013, including the following major changes:

- a package of five standards on consolidation, joint arrangements, associates and disclosures, comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 *Separate Financial Statements* (as revised in 2011) and HKAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011), as well as amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance issued in July 2012;

- HKFRS 13 *Fair Value Measurement*;

- HKAS 19 *Employee Benefits* (as revised in 2011); and

- amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*.

In addition to the new and revised standards that are mandatorily effective for 2013, the Hong Kong Institute of Certified Public Accountants ('HKICPA') has issued a number of new and revised standards in the past few years which are not yet mandatorily effective for 2013 (but for which early application is allowed), including the investment entities amendments (amendments to HKFRS 10, HKFRS 12 and HKAS 27) and the new standard on financial instruments (HKFRS 9). The application of these new and revised standards may have a significant impact on entities' financial statements.

Specifically, this publication includes the following sections:

- Section 1 – Accounting, Companies Ordinance and regulatory updates in Hong Kong; and

- Section 2 – A set of illustrative annual financial statements for the year ended 31 December 2013 issued by a Hong Kong listed company, *Hong Kong GAAP Limited.* This set of illustrative financial statements shows the impact of the presentation and disclosure requirements of the new and revised standards that are mandatorily effective on 1 January 2013. Also, the illustrative financial statements have been prepared on the basis that *Hong Kong GAAP Limited* has not applied any of the new or revised standards in advance of their effective dates. Moreover, the illustrative financial statements do not reflect the requirements of new Companies Ordinance which is expected to be effective from March 2014.

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

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

Stephen Taylor
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Abbreviations

AG	=	Accounting Guideline issued by the HKICPA
Alt	=	Alternative
App	=	Appendix to the Listing Rules
EPS	=	Earnings per Share
GEM	=	Growth Enterprise Market of the SEHK
GR	=	Rules Governing the Listing of Securities on the GEM (the GEM Rules)
GR App	=	Appendix to 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	=	IFRS Interpretations Committee
Preface	=	Preface to Hong Kong Standards on Quality Control, Auditing, Assurance and Related Services
LR	=	Rules Governing the Listing of Securities on the SEHK (the Listing Rules)
MD&A	=	Management Discussion and Analysis
PN	=	Practice Note to the Listing Rules
s	=	Section Reference, Hong Kong Companies Ordinance
Sch 10	=	Companies Ordinance, Tenth Schedule
SEHK	=	The Stock Exchange of Hong Kong Limited
SFO	=	Securities and Futures Ordinance

Section 1 – What's new for the 2013 annual financial statements and beyond?

1A. Accounting update in Hong Kong

This section covers the followings:

- an overview of new and revised Hong Kong Financial Reporting Standards (HKFRSs) that are mandatorily effective for the year ending 31 December 2013; and

- an overview of new and revised HKFRSs that are not yet mandatorily effective but allow early application for the year ending 31 December 2013. For this purpose, the discussion below reflects a cut-off date of 30 September 2013. When preparing the financial statements for the year ending 31 December 2013, entities should also consider and disclose the potential impact of the application of any new and revised HKFRSs issued by the HKICPA after 30 September 2013 but before the financial statements are issued.

New and revised HKFRSs that are mandatorily effective for the year ending 31 December 2013

New and revised HKFRSs on consolidation, joint arrangements, associates and disclosures	Effective for annual periods beginning on or after	Application
HKFRS 10 *Consolidated Financial Statements*	1 January 2013	Retrospective application, with specific transitional provisions.
HKFRS 11 *Joint Arrangements*	1 January 2013	Retrospective application, with specific transitional provisions.
HKFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013	Retrospective application, with specific transitional provisions.
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013	Retrospective application. The amendments clarify certain transition guidance on the application of HKFRS 10, HKFRS 11 and HKFRS 12 for the first time.
HKAS 27 *Separate Financial Statements* (as revised in 2011)	1 January 2013	Retrospective application.
HKAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)	1 January 2013	Retrospective application.

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

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

Amendments to other HKFRSs	Effective for annual periods beginning on or after	Application
Amendments to HKFRS 1 *Government Loans*	1 January 2013	Retrospective application.
Amendments to HKFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*	1 January 2013	Retrospective application.
Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012	Retrospective application.
Annual Improvements to HKFRSs 2009-2011 Cycle	1 January 2013	Retrospective application.

New Interpretation	Effective for annual periods beginning on or after	Application
HK (IFRIC) – Int 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013	This Interpretation should be applied to production stripping costs incurred on or after the beginning of the earliest period presented, with specific transitional provisions.

New and revised HKFRSs on consolidation, joint arrangements, associates and disclosures

In June 2011, the HKICPA issued HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011), which are labelled as 'a package of five standards' as these five Standards were issued at the same time with the same effective date.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance* to clarify certain transitional guidance on the application of HKFRS 10, HKFRS 11 and HKFRS 12 for the first time.

The table below is a high level summary of the scope of each of the five new and revised Standards.

Old standard	New or revised standard	Issues
HKAS 27 *Consolidated and Separate Financial Statements* that sets out requirements for both consolidated and separate financial statements	HKFRS 10 *Consolidated Financial Statements*	• ***When should an investor consolidate an investee?*** Similar to the previous version of HKAS 27, the new Standard focuses on control in determining whether an investor needs to consolidate an investee. However, the definition of control under the new Standard has been changed (please see the discussion below for the new definition of control). • ***How to consolidate a subsidiary?*** Most of the requirements regarding

Old standard	New or revised standard	Issues
		consolidation procedures have been carried forward unchanged from the previous standard. • ***How to account for changes in a parent's interest over its subsidiaries (e.g. 'loss of control' and 'no loss of control' scenarios')?*** Most of the requirements have been carried forward unchanged from the previous Standard.
	HKAS 27 (as revised in 2011) *Separate Financial Statements*	• The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard.
HKAS 31 *Interests in Joint Ventures*	HKFRS 11 *Joint Arrangements*	• ***Is an investee a joint arrangement within the scope of HKFRS 11?*** The answer depends on whether parties to the arrangement have joint control over the investee. The definition of joint control under the new Standard is the same as the old standard except that the new definition focuses on 'relevant activities of an investee' rather than just on 'operating and financial activities of the investee'. This is to align with the new definition of control under HKFRS 10. Therefore, when an investor determines whether it shares control over an investee with other parties, it should refer to HKFRS 10 regarding the definition of control. • ***How should a joint arrangement be classified and accounted for?*** *Please see below for further details.*
HKAS 28 *Investments in Associates*	HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*	• Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because HKFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting (please see below for further details).

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Old standard	New or revised standard	Issues
Various standards	HKFRS 12 *Disclosure of Interests in Other Entities*	• HKFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. • HKFRS 12 requires extensive disclosures.

HKFRS 10 Consolidated Financial Statements

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

Under HKFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of HKAS 27 and HK (SIC) – Int 12; the former used a control concept while the latter placed greater emphasis on risks and rewards.

HKFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of HKAS 27. The definition of control under HKFRS 10 includes the following three elements:

a) power over an investee;
b) exposure, or rights, to variable returns from its involvement with the investee; and
c) ability to use its power over the investee to affect the amount of the investor's returns.

All three elements must be met for an investor to have control over an investee.

With regard to the first criterion, HKFRS 10 states that an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities of the investee, which are the activities that significantly affect the returns of the investee (not merely financial and operating activities as set out in the previous version of HKAS 27).

With regard to the second criterion, HKFRS 10 requires that, in assessing control, only substantive rights (i.e. rights that the holder has the practical ability to exercise) are considered. For a right to be substantive, the right needs to be currently exercisable at the time when decisions about the relevant activities need to be made.

HKFRS 10 contains extensive guidance that aims to help deal with complicated issues, including:

- Whether or not an investor has control over an investee when the investor has less than the majority of the voting right of the investee. For example, a private entity has a 48% equity interest in a listed investee. A question arises as to whether the private entity has 'de facto' control over the investee. HKFRS 10 does not give any bright line. However, HKFRS 10 does include a number of illustrative examples some of which indicate that the 'control' conclusion is clear in certain scenarios; and

- Whether or not a decision maker has control over an investee. For example, a fund manager manages a fund and has discretion over some activities of the fund. A question arises as to whether the fund manager has control over the fund it manages. To answer this question, HKFRS 10 requires an analysis as to whether the fund manager is acting as a principal or an agent. If a fund manager is acting as a principal for a fund it manages, it should consolidate the fund. Conversely, if a fund manager is merely acting as an agent, it should not consolidate the fund.

With the new definition of control and extensive guidance on whether an investor has control over an investee, the application of HKFRS 10 may have significant impact on many entities' financial statements which may result in:

- investees that were previously not consolidated (e.g. associates or other investees) may have to be consolidated under HKFRS 10; and

- investees that were previously consolidated subsidiaries may not have to be consolidated under HKFRS 10.

In addition, where entities have special purpose entities (which are broadly the same as 'structured entities' under the new Standard), they should reassess whether or not they have control over them in accordance with the requirements of HKFRS 10. The level of effort required to determine the impact would depend on the information available, the complexity of the operation, and the passage of time from the date control was first acquired to the date of transition.

Specific transitional provisions are given for entities that apply HKFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with HKFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which HKFRS 10 is applied for the first time. For example, where an entity applies HKFRS 10 for the first time when it prepares its consolidated financial statements for the year ending 31 December 2013, the date of initial application is 1 January 2013.

No adjustments are required when the 'control' conclusion made at the date of initial application of HKFRS 10 is the same before and after the application of HKFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of HKFRS 10 is different from that before the application of HKFRS 10.

Scenario	Adjustments required
Scenario 1) Investees that were not consolidated under the previous version of HKAS 27/ HK (SIC) – Int 12 will be consolidated under HKFRS 10 (assessment made at the date of initial application of HKFRS 10)	• Identify the date of control in accordance with HKFRS 10 and apply HKFRS 3 as if that investee had been consolidated from that date (and thus had applied acquisition accounting in accordance with HKFRS 3); • When the date of control was determined to be earlier than the beginning of the immediately preceding period[1] (i.e. 1 January 2012 when an entity applies HKFRS 10 for the first time for the year ending 31 December 2013), an entity should make adjustments to equity at the beginning of the immediately preceding period between (a) the amount of assets, liabilities and non-controlling interests recognised and (b) the previous carrying amount of the investor's involvement with the investee; and • Adjust retrospectively the annual period immediately preceding the date of initial application (i.e. 2012 when an entity applies HKFRS 10 for the first time for the year ending 31 December 2013).
Scenario 2) Investees that were consolidated under the previous version of HKAS 27/ HK (SIC) – Int 12 will not be consolidated under HKFRS 10 (assessment made at the date of initial application of HKFRS 10)	• Measure the interest in the investee at the amount at which it would have been measured if the requirements of HKFRS 10 had been applied when the investor became involved with (but did not control in accordance with HKFRS 10); and • Adjust retrospectively the annual period immediately preceding the date of initial application, and make adjustments to equity at the beginning of the immediately preceding period, where appropriate.

HKFRS 11 Joint Arrangements

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

[1] Notwithstanding the references to the 'immediately preceding period' in HKFRS 10.C4–C5A, an entity may also present adjusted comparative information for any earlier periods presented, but is not required to do so. If an entity does present adjusted comparative information for any earlier periods, all references to the 'immediately preceding period' in the said paragraphs should be read as the 'earliest adjusted comparative period presented'.

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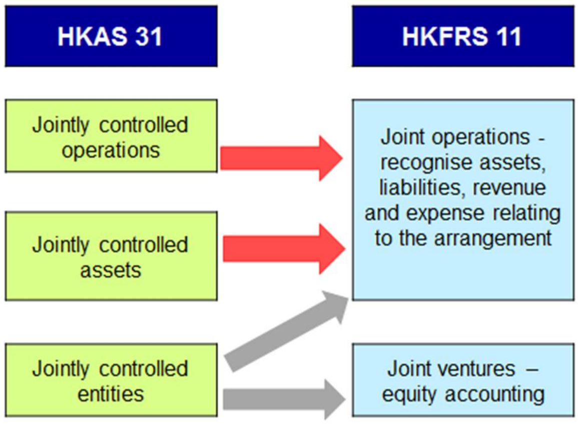
HKFRS 11 deals with how a joint arrangement should be classified where two or more parties have *joint control*. There are two types of joint arrangements under HKFRS 11: *joint operations* and *joint ventures*. The classification of joint arrangements depends on the parties' rights and obligations under the arrangements.

Type of joint arrangement	Features	Accounting under HKFRS 11
Joint venture	Joint venturers have rights to the *net assets* of the arrangement.	Equity method of accounting –Proportionate consolidation is no longer allowed.
Joint operation	Joint operators have rights to the *assets and* obligations for the *liabilities* of the arrangement.	Each joint operator recognises its assets, liabilities, revenue and expenses, and its share of the assets, liabilities, revenue and expenses relating to its interest in the joint operation in accordance with the HKFRSs applicable to those particular assets, liabilities, revenues and expenses.

Under HKFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under HKAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity. Therefore, upon application of HKFRS 11, the following changes would usually occur:



HKFRS 11 requires retrospective application with the following transitional provisions:

Scenario	Adjustments required
Scenario 1) The joint arrangement is a joint venture under HKFRS 11 which was previously treated as a jointly controlled entity and proportionate consolidation was applied	• Recognise the investment in the joint venture as at the beginning of the immediately preceding period (i.e. 1 January 2012 if entities apply HKFRS 11 for the first time for the year ending 31 December 2013) and measure it as the aggregate of the carrying amounts of the assets and liabilities the investor had previously proportionately consolidated, including any goodwill arising from acquisition; • Assess impairment on the initial investment as at the beginning of the immediately preceding period in accordance with paragraphs 40 – 43 of HKAS 28 (as revised in 2011); and • Adjust retrospectively the annual period immediately preceding the date of initial application.
Scenario 2) The joint arrangement is a joint operation under HKFRS 11 which was previously treated	• Derecognise the investment that was previously accounted for using the equity method of accounting as at the beginning of the immediately preceding period (i.e. 1 January 2012 if entities apply HKFRS 11 for the first time for the year ending 31 December

Scenario	Adjustments required
as a jointly controlled entity and the equity method of accounting was applied	2013); • Recognise the joint operator's share of each of the assets and the liabilities (including any goodwill) in a specified proportion in accordance with the contractual arrangements as at the beginning of the immediately preceding period; and • Recognise the difference resulting from the above adjustments against goodwill or retained earnings, as appropriate.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under HK (SIC) – Int 12).

HKFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of, and risks associated with, the reporting entity's interests in other entities, as well as the effects of those interests on the investor's financial statements.

HKFRS 12 requires extensive disclosures. The table below includes some of the new disclosures required by HKFRS 12.

Nature of investment	Disclosures required by HKFRS 12
1) Investments in subsidiaries in consolidated financial statements	• Significant judgements and assumptions a reporting entity has made in determining whether or not it has control over an investee. • Information about the composition of the reporting entity group. • Information about each subsidiary that has material non-controlling interests (e.g. summarised financial information about each subsidiary).
2) Investments in joint arrangements and associates	• Significant judgements and assumptions a reporting entity has made in determining (a) whether or not it has joint control/significant influence over an investee, and (b) how a joint arrangement is classified. • Information about each material joint arrangement/associate (e.g. summarised financial information about each material joint venture/associate). • Information about risks associated with the reporting entity's interests in joint ventures and associates.
3) Investments in unconsolidated structured entities	• Information about the nature and extent of the reporting entity's interests in unconsolidated structured entities (e.g. qualitative and quantitative information about the nature, purpose, size, and activities of the structured entity and how the structured entity is financed). • Information about risks associated with the reporting entity's interests in unconsolidated structured entities.

Section 2 of this publication presents a set of model financial statements of a hypothetical entity that illustrates some of the disclosures required by HKFRS 12.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. HKFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

HKFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under HKFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

HKFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

The application of HKFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. Examples of potential adjustments are:

- investment properties measured using the fair value model – HKFRS 13 requires entities to consider the 'highest and best use' in determining the fair value of a non-financial instrument item. There was no such a requirement in HKAS 40 before the issue of HKFRS 13; and

- Financial assets and financial liabilities measured at fair value under HKAS 39 *Financial Instruments: Recognition and Measurement* or HKFRS 9 *Financial Instruments* – HKFRS 13 does not mandate the use of bid/ask price (which was required by HKAS 39 or HKFRS 9).

In addition, HKFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* are extended by HKFRS 13 to cover all assets and liabilities within its scope. Entities that apply HKFRS 13 for the first time do not need to make the disclosures set out in HKFRS 13 in comparative information provided for periods before initial application.

Section 2 of this publication presents a set of model financial statements of a hypothetical entity that illustrates some of the disclosures required by HKFRS 13.

HKAS 19 Employee Benefits (as revised in 2011)

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

Another significant change to HKAS 19 relates to the presentation of changes in defined benefit obligations and plan assets with changes being split into three components:

- Service cost: recognised in profit or loss and includes current and past service cost as well as gains or losses on settlements.
- Net interest: recognised in profit or loss and calculated by applying the discount rate at the beginning of each reporting period to the net defined benefit liability or asset at the beginning of that reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurement: recognised in other comprehensive income and comprises actuarial gains and losses on the defined benefit obligation, the excess of the actual return on plan assets over the change in plan assets due to the passage of time, and the changes, if any, due to the impact of the asset ceiling.

As a result, the profit or loss will no longer include an expected return on plan assets; instead, imputed finance income is calculated on the plan assets and is recognised as part of the net interest cost in profit or loss. Any actual return above or below the imputed finance income on plan assets is recognised as part of remeasurement in other comprehensive income.

HKAS 19 (as revised in 2011) requires retrospective application with certain exceptions.

Amendments to HKFRS 1 Government Loans

The amendments provide relief to first-time adopters of HKFRSs by amending HKFRS 1 to allow prospective application of HKAS 39 *Financial Instruments: Recognition and Measurement* or HKFRS 9 *Financial Instruments* and paragraph 10A of HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* to government loans outstanding at the date of transition to HKFRSs.

Amendments to HKFRS 7 Disclosures–Offsetting Financial Assets and Financial Liabilities

HKAS 32 *Financial Instruments: Presentation* requires offsetting of financial assets and financial liabilities when certain criteria are met.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The disclosures should be provided retrospectively for all comparative periods.

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

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into the following two categories:

- items that will not be reclassified subsequently to profit or loss (e.g. revaluation surplus on property, plant and equipment under HKAS 16 *Property, Plant and Equipment*, and revaluation surplus on intangible assets under HKAS 38 *Intangible Assets*); and
- items that may be reclassified subsequently to profit or loss when specific conditions are met (e.g. fair value changes on available-for-sale investments under HKAS 39, and fair value changes on hedging instruments in cash flow hedges).

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments require retrospective application.

HK (IFRIC) – Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK (IFRIC) – Int 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of a mine ('production stripping costs'). Under the Interpretation, the costs from this waste removal activity ('stripping') which provide improved access to ore is recognised as a non-current asset ('stripping activity asset') when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

An entity should apply this Interpretation to production stripping costs incurred on or after the beginning of the earliest period presented. Any previously recognised stripping asset balance should be reclassified as a part of an existing asset to which the stripping activity relates to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. If there is no identifiable component of the ore body to which that predecessor stripping asset relates, it should be recognised in opening retained earnings at the beginning of the earliest period presented.

Section 1

Annual Improvements to HKFRSs 2009 - 2011 Cycle

The Annual Improvements include amendments to five HKFRSs, which have been summarised below.

Standard	Subject of amendment	Details
HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*	Repeated application of HKFRS 1	The amendments clarify that an entity may apply HKFRS 1 if its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with HKFRSs, even if the entity applied HKFRS 1 in the past. An entity that does not elect to apply HKFRS 1 must apply HKFRSs retrospectively as if there was no interruption. An entity should disclose: a) the reason why it stopped applying HKFRSs; b) the reason why it is resuming the application of HKFRSs; and c) the reason why it has elected not to apply HKFRS 1, if applicable.
	Borrowing costs	The amendments clarify that borrowing costs capitalised under previous GAAP before the date of transition to HKFRSs may be carried forward without adjustment to the amount previously capitalised at the transition date. Borrowing costs incurred on or after the date of transition to HKFRSs that relate to qualifying assets under construction at the date of transition should be accounted for in accordance with HKAS 23 *Borrowing Costs*. The amendments also state that a first-time adopter can choose to apply HKAS 23 as of a date earlier than the transition date.
HKAS 1 *Presentation of Financial Statements*	Clarification of the requirements for comparative information	The amendments to HKAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position. The amendments also clarify that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of HKAS 1. However, if additional comparative information is provided, the information should be presented in accordance with HKFRSs, including related note disclosure of comparative information for any additional statements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements. However, the entity should present related note information for those additional statements.

Standard	Subject of amendment	Details
HKAS 16 *Property, Plant and Equipment*	Classification of servicing equipment	The amendments clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise.
HKAS 32 *Financial Instruments: Presentation*	Tax effect of distribution to holders of equity instruments	The amendments clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*.
HKAS 34 *Interim Financial Reporting*	Interim financial reporting and segment information for total assets and liabilities	The amendments clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

New and revised HKFRSs that are available for early application

The following new and revised HKFRSs are not mandatorily effective for the year ending 31 December 2013 but are available for early application. Furthermore, paragraph 30 of HKAS 8 requires entities to consider and disclose the potential impact of new and revised HKFRSs that have been issued but are not yet effective.

The list below reflects a cut-off date of 30 September 2013. The potential impact of the application of any new and revised HKFRSs issued by the HKICPA after 30 September 2013 but before the financial statements are issued should also be considered and disclosed.

New HKFRS on financial instruments	Effective for annual periods beginning on or after	Application
HKFRS 9 *Financial Instruments* (as revised in 2010)	1 January 2015	Retrospective application, with specific transitional provisions.
Amendments to HKFRS 9 and HKFRS 7 *Mandatory Effective Date of HKFRS 9 and Transition Disclosures*	1 January 2015	Retrospective application, with specific transitional provisions.
Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014	Retrospective application.

Amendments to other HKFRSs	Effective for annual periods beginning on or after	Application
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*	1 January 2014	Retrospective application, with specific transitional provisions.
Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014	Retrospective application.
Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014	Retrospective application.
HK (IFRIC) – Int 21 *Levies*	1 January 2014	Retrospective application.

HKFRS 9 Financial Instruments (as revised in 2010)

HKFRS 9 is a new Standard for financial instruments that is ultimately intended to replace HKAS 39 in its entirety.

The replacement project consists of the following three phases:

- Phase 1: Classification and measurement of financial assets and financial liabilities;
- Phase 2: Impairment methodology; and
- Phase 3: Hedge accounting.

Phase 1: Classification and measurement of financial assets and financial liabilities

HKFRS 9 contains new requirements for the classification and measurement of financial assets. Under HKFRS 9, all recognised financial assets that are currently within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* will be subsequently measured at either amortised cost or fair value. A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding is 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.

All equity investments within the scope of HKAS 39 are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at fair value through other comprehensive income (FVTOCI), with only dividend income generally recognised in profit or loss.

In November 2012, the IASB re-opened for discussion the classification and measurement requirements of financial assets and published an exposure draft proposing limited improvements to IFRS 9, which is identical to HKFRS 9 in all aspects. The exposure draft proposes a new category for debt investments, which is 'fair value through other comprehensive income' when certain criteria are met. The IASB is still in the process of redeliberation and has not yet issued the final amendments at the time of writing.

HKFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from HKAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability, which changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

In March 2013, the IASB issued a revised exposure draft that proposes a more forward-looking impairment model that reflects expected credit losses, as compared to the incurred loss model under IAS 39, which is identical to HKAS 39 in all aspects. The comment period ended on 5 July 2013. The IASB has not yet issued the final amendments at the time of writing.

Phase 3: Hedge accounting

In September 2012, the IASB issued a review draft of the new hedge accounting guidance that deals with general hedge accounting only. The final standard which will form part of IFRS 9 is expected to be issued in the fourth quarter of 2013. At the time of writing, the IASB has not yet issued the final amendments.

Preparers of financial statements should be aware of the status of the financial instrument projects in considering any potential early application of HKFRS/IFRS 9.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness. The amendments to HKAS 39 are effective for annual periods beginning on or after 1 January 2014. Retrospective application is required.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception from the requirement to consolidate subsidiaries for a parent that meets the definition of an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide investment-related services.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- obtains funds from one or more investors for the purpose of providing them with professional investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

In general, the amendments require retrospective application, with specific transitional provisions.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’. The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014. Retrospective application is required.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Retrospective application is required.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 *Levies* addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for; in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. HK (IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014. Retrospective application is required.

1B. New Companies Ordinance in Hong Kong

A comprehensive exercise to rewrite the Companies Ordinance (Cap. 32) was launched in mid-2006 with the aim of modernising Hong Kong's company law and further enhancing Hong Kong's status as a major international business and financial centre. Following public consultations and numerous discussions over the years, the entire legislative process was completed in 2013 and the new Companies Ordinance ("the new CO") is expected to come into effect in 2014.[2] When the new CO comes into operation, the disclosure requirements regarding financial statements set out in the *Tenth Schedule* of the Companies Ordinance (Cap.32) will be repealed. Instead, companies should make the disclosures set out in the *Fourth Schedule* of the new CO, which contains a significantly reduced number of disclosure requirements compared to the *Tenth Schedule* of the existing Companies Ordinance

The new CO, which consists of more than 900 sections and 11 schedules, provides a modernised legal framework for the incorporation and operation of companies in Hong Kong. It aims to achieve four main objectives, namely, to enhance corporate governance, ensure better regulations, facilitate business and modernise the law. Specifically, the new CO is divided into 21 parts as follows:

- **Part 1 (Preliminary)** sets out the title of the new CO, the commencement provision, and the definitions of various terms and expressions that are used in the new CO.

- **Part 2 (Registrar of Companies and Companies Register)** deals with the general functions and powers of the Registrar of Companies ("the Registrar").

- **Part 3 (Company Formation and Related Matters, and Re-registration of Company)** deals with company formation, registration and related matters.

- **Part 4 (Share Capital)** deals with the core concepts about share capital, its creation, transfer and alteration. In particular, this Part introduces a mandatory no-par regime for all companies with a share capital to modernise the share capital regime.

- **Part 5 (Transactions in relation to Share Capital)** contains the provisions concerning capital maintenance (reduction of capital and purchase of a company's own shares) and the giving of financial assistance by a company to another party for the purpose of acquiring shares of that company or its holding company. To facilitate business operation, this Part streamlines and rationalises the existing rules by introducing new exceptions based on the solvency test for reduction of capital, buy-backs and financial assistance.

- **Part 6 (Distribution of Profits and Assets)** deals with the distribution of profits and assets to members. The usual form of distribution is through payment of dividends. While there is no fundamental change to the current rules, the modernised language should facilitate easier understanding.

- **Part 7 (Debentures)** deals with a miscellany of matters concerning debentures.

- **Part 8 (Registration of Charges)** deals with the registration of charges by both Hong Kong and registered non-Hong Kong companies. It sets out the types of charges which require registration, the registration procedures and the consequences of non-compliance.

- **Part 9 (Accounts and Audit)** contains the accounting and auditing provisions in relation to the keeping of accounting records, the preparation and circulation of annual financial statements, directors' and auditor's reports and the appointment and rights of auditors. New provisions are introduced to facilitate small and medium-sized entities (SMEs) to take advantage of simplified accounting and reporting requirements, to require public and large companies to include an analytical business review in directors' reports, and to enhance auditors' right to information.

- **Part 10 (Directors and Company Secretaries)** deals with directors and company secretaries of a company. It mainly reorganises, with some modifications, the existing provisions of the Companies Ordinance (Cap. 32) relating to the appointment, removal and resignation of directors and company secretaries. This Part also clarifies the standard of directors' duty of care, skill and diligence.

[2] At the time of writing, the exact effective date of the new Companies Ordinance has not yet been announced.

- **Part 11 (Fair Dealing by Directors)** covers fair dealing by directors and deals with specified situations in which a director is perceived to have a conflict of interest.

- **Part 12 (Company Administration and Procedure)** governs resolutions and meetings, registers (including registers of members, directors and company secretaries), company records, registered offices, publication of company names and annual returns.

- **Part 13 (Arrangements, Amalgamation, and Compulsory Share Acquisition in Takeover and Share Buy-Back)** restates, with some amendments, the provisions of Companies Ordinance (Cap. 32) concerning schemes of arrangement, reconstructions or amalgamations of a company with other companies, and compulsory acquisitions.

- **Part 14 (Remedies for Protection of Companies' or Member's' Interests)** consolidates the existing provisions concerning shareholder remedies under the Companies Ordinance (Cap. 32). The scope and operation of the unfair prejudice remedy are refined.

- **Part 15 (Dissolution by Striking Off or Deregistration)** sets out the provisions on striking off and deregistration of defunct companies, restoration of companies that have been struck off or deregistered, and related matters (including treatment of properties of dissolved companies). It introduces changes which streamline the existing procedures for striking-off and restoration of companies. This Part also imposes new requirements to prevent any possible abuse of the deregistration procedure.

- **Part 16 (Non-Hong Kong Companies)** deals with companies incorporated outside Hong Kong which have established a place of business in Hong Kong. There is no fundamental change to the current rules.

- **Part 17 (Companies Not Formed, but Registrable, under this Ordinance)** deals with companies not formed under the new CO or a former Companies Ordinance but are eligible to be registered under the new CO. There is no fundamental change to the current rules.

- **Part 18 (Communications to and by Companies)** builds on the rules governing communications by a company to another person introduced in the Companies (Amendment) Ordinance 2010. The new rules will also facilitate electronic communications by a company's members and debenture holders to the company.

- **Part 19 (Investigations and Enquiries)** deals with investigations and enquiries into a company's affairs by inspectors and the Financial Secretary.

- **Part 20 (Miscellaneous)** contains a number of miscellaneous provisions, including miscellaneous offences and the new power for the Registrar to compound specified offences.

- **Part 21 (Consequential Amendments, and Transitional and Saving Provisions)** deals with the transitional and saving provisions and consequential amendments that are required for the commencement of the new CO.

Part 9 of the new CO contains the accounting and auditing requirements, namely provisions in relation to the keeping of accounting records, the preparation and circulation of annual financial statements, directors' and auditors' reports and the appointment and rights of auditors. New provisions are introduced:

- to facilitate SMEs to take advantage of simplified accounting and reporting;
- to require public and other large companies to include an analytical business review in directors' reports; and
- to enhance auditors' right to information.

Below is a summary of Part 9.

Relaxing the criteria for SMEs to prepare simplified financial and directors' reports i.e. the "reporting exemption"

Section 141D of the Companies Ordinance (Cap. 32) provides that a private company (other than a company which is a member of a corporate group and certain companies specifically excluded, such as insurance and stock-broking companies) may, with the written agreement of all its shareholders, prepare simplified accounts and simplified directors' reports in respect of one financial year at a time. According to the Small and Medium-sized Entity-Financial Reporting Framework ("SME-FRF") issued by the HKICPA, a Hong Kong company qualifies for reporting based on the SME-Financial Reporting Standard ("SME-FRS") if it satisfies the requirement under section 141D.

The new CO allows private companies and groups of private companies meeting certain size criteria to report under the SME-FRF.

Companies which qualify for simplified reporting are referred to in the new CO as companies "falling within the reporting exemption". The reporting exemptions are in respect of the specific requirements relating to the preparation of financial statements and directors' reports. The exemptions are set out in the following sections:

- **Section 380(3)** no requirement to disclose auditor's remuneration in financial statements.
- **Section 380(7**) no requirement for financial statements to give a "true and fair view".
- **Section 381(2**) subsidiary undertakings may be excluded from consolidated financial statements in accordance with applicable accounting standards.
- **Section 388(3)(a)** no requirement to include business review in directors' report.
- **Section 406(1)(b)** no requirement for auditor to express a "true and fair view" opinion on the financial statements.

Under section 380(4)(b) of the new CO, the financial statements of a company must be prepared in compliance with the applicable accounting standards. The intention is that the accounting standards that will be applicable to a company falling within the reporting exemption is the SME-FRS and FRF issued or specified by the HKICPA which is the body prescribed in the Companies (Accounting Standards (Prescribed Body)) Regulation for issuing or specifying the applicable accounting standards under section 380(8)(a) of the new CO. The accounting standards applicable to companies that prepare simplified financial reports are less onerous than the HKFRSs applicable to listed, public or other companies not qualified for simplified reporting.

Audit of the financial statements is still required for all companies, except dormant companies (section 447), under the new CO.

In August 2013, the HKICPA issued a Consultation Draft on SME-FRF & SME-FRS, with a comment deadline of 25 October 2013.

Below is a summary of the main changes proposed in the Consultation Draft as compared to the existing standard:

- Inclusion of a summary of the criteria for "qualifying entities" with cross-references to the new CO;
- The accounting requirements are expanded to cover consolidated financial statements, business combinations and investments in other entities accounted for by application of the equity-method;
- Guidance on presenting a cash flow statement has been included – the preparation of a cash flow statement is optional. However, if a cash flow statement is presented then this guidance should be followed;
- Additional guidance material has been added on the non-exempt disclosure requirements in the new CO and certain other provisions of the new CO which are relevant to the SME-FRF & SME-FRS;
- Guidance has been added on the concept of "realized profits and losses" and the relationship between these and "recognised profits and losses" reported under the SME-FRS;
- Specific disclosure requirements have been added to the SME-FRF to cover the first year that a company transitions from e.g. full HKFRS to SME-FRS;

- Additional disclosure requirements have been added to the Income Taxes section to disclose tax rates and unused tax losses;

- New guidance has been added on determining the "reporting currency" of an entity (which is based on the concept of functional currency in full HKFRS);

- The definition of "related party" has been updated to align with the latest definition in full HKFRS;

- The definitions of "active market" and "fair value" have been updated to be consistent with HKFRS 13 *Fair Value Measurement*;

- Guidance on determining whether an entity is acting as an agent or principal has been added to the appendix; and

- Some minor housekeeping has been done on the other parts of the SME-FRS (for example definitions added to the glossary that were previously only in the text, and other inconsistencies removed).

At the time of writing, the HKICPA has not yet issued a revised version of SME-FRF & SME-FRS.

Requiring public companies and other companies that do not qualify for simplified reporting to prepare a “business review” within the directors’ report

Under the new CO, all companies (except those qualified for simplified reporting) are required to prepare, as part of the directors’ report, a business review which is more analytical and forward-looking than the information required under Companies Ordinance (Cap. 32). Private companies not qualified for simplified reporting may opt out of the requirement to prepare a business review if so approved by a special resolution.

The business review will provide additional information for shareholders and help assess how the directors have performed their duties. In particular, the requirement to include information relating to environmental and employee matters that have a significant impact on the company is in line with international trends to promote corporate social responsibility.

Section 388 and Schedule 5 of the new CO provide for the directors’ duty to prepare a directors’ report and the detailed requirements of a business review. The business review consists of:

- a fair review of the company’s business;
- a description of the principal risks and uncertainties facing the company;
- particulars of important events affecting the company that have occurred since the end of the financial year; and
- an indication of likely future development in the company’s business.

To the extent necessary for an understanding of the development, performance or position of the company’s business, a business review must include:

- an analysis using financial key performance indicators;
- a discussion on the company’s environmental policies and performance and the company’s compliance with the relevant laws and regulations that have a significant impact on the company; and
- an account of the company’s key relationships with its employees, customers and suppliers and others that have a significant impact on the company on which the company’s success depends.

Streamlining disclosure requirements that overlap with the accounting standards

Under the new CO, to avoid any potential conflict between the Tenth Schedule under the Companies Ordinance (Cap. 32) and HKFRS and between the Eleventh Schedule and SME-FRS, both Schedules are repealed, with only a small number of public interest disclosure requirements not covered by the HKFRS or SME-FRS being retained in Schedule 4 of the new CO.

Schedule 4 includes the following public interest disclosures:

a) the aggregate amount of any outstanding loans to directors and employees to acquire shares in the company authorized under sections 280 and 281 of the new CO;
b) information regarding a company's ultimate parent undertaking; and
c) auditors' remuneration (applicable to companies not qualified for simplified reporting, required under paragraph 15 of the Tenth Schedule to Cap. 32).

In addition, Schedule 4 of the new CO requires a statement to be made in the financial statements as to whether they have been prepared in accordance with the applicable accounting standards, and to give the particulars of, and the reasons for, any material departure from those standards.

1C. Regulatory update in Hong Kong

A. Changes to Listing Rules in Hong Kong

A.1 Amendments to Listing Rules under the New IPO Sponsor Regime

In May 2012, the SFC launched a consultation to enhance the regulatory regime of sponsors in an initial public offering ("IPO") exercise. The consultation paper proposes combining the new and existing sponsor requirements as part of the Code of Conduct for Persons Licensed by or Registered with the SFC. The consultation conclusions were published on 12 December 2012 and resulted in changes to codes and guidelines released by the SFC. The key features of the consultation conclusions are:

- Enhanced sponsors responsibility under the new Code of Conduct
- Appointment of a sponsor at least two months before submission of an application and to notify the Exchange about the appointment
- Sponsor should complete all reasonable due diligence before submitting an application except in relation to matters that by their nature can only be dealt with at a later date
- Publication of the draft prospectus submitted for application (the “Application Proof”) on the Exchange’s website
- Application Proofs must be substantially complete
- Moratorium period of eight weeks for returned applications

In July 2013, the Exchange has issued various amendments to Listing Rules and related guidance in order to complement the new regulatory regime of sponsors and to streamline the IPO commenting process. The revisions to SFC codes and guidelines and the amendments to Listing Rules and related guidance became effective on 1 October 2013 and denoted the new regulatory regime for sponsors in a listing application (the "New IPO Sponsor Regime").

A highlight of the new features under the revised Listing Rules and related guidance are set out below.

Substantially complete Application Proofs and an initial 3-day check

Under the New IPO Sponsor Regime, an Application Proof is a substantially complete document except for information by its nature that can only be finalised and incorporated at a later date. In addition to historical financial information, profit forecast (if any), proforma financial information, working capital sufficiency and indebtedness statement are also required to be included in the Application Proof.

Other documents, previously required to be submitted in stages at a later date, including profit and cash flow forecast memorandum, statement of adjustments and an advanced draft of letter from sponsor confirming working capital sufficiency of the listing applicant, together with other new/revised undertakings and confirmations from sponsors and other professional parties should also be submitted together with the Application Proof. Specific requirements are set out in respective guidance letters.

From 1 October 2013 to 30 September 2014, the Exchange will conduct a high level initial 3-day check on the Application Proof to determine whether it is considered “substantially completed”. If the Application Proof is not considered as substantially completed, the application will be returned. The listing applicant can only re-submit eight weeks after the date of return (i.e. the 8-week moratorium period). The listing applicant may request a return decision to be reviewed by the Listing Committee, or further reviewed by the Listing (Review) Committee.

After the Exchange accepted the application of detail vetting, the Exchange may still return an application for not being substantially complete at any stage.

At the end of the first six months, the SFC and the Exchange will assess the effectiveness of the 3-day check to decide whether to continue this process for the remaining period.

Publication of Application Proofs and transitional arrangement

Under the New IPO Sponsor Regime, a set of Application Proof is submitted to the Exchange for vetting purpose (“AP-Vetting”) and another set of Application Proof (after redaction of offering related data) is submitted for publication (“AP-Publication”) on the Exchange’s website. However, the SFC has agreed to suspend the requirement (i) to publish the AP-Publication and to publish information for returned applications (name of listing applicant and sponsor and the date of return) and (ii) to submit a Chinese version of the Application Proof until 31 March 2014. After the end of the suspension period, the AP-Publication and information of returned application will be made public.

Other guidance letters, confirmations and checklists

To align with the New IPO Sponsor Regime, the Exchange has amended the Listing Rules, issued new or revised existing guidance letters to cover logistical matters, content requirements of the Application Proof and other undertakings, declarations, confirmations and checklists to accompany a submission.

With regard to financial reporting matters, the reporting accountants should either provide a signed copy or an advanced proof of each of the accountants' reports on historical financial information, pro forma financial information and profit forecast (if any) (collectively the “Reports”) when the Application Proof is submitted. If only an advanced form is available, the reporting accountants must provide a confirmation to state that no significant adjustment is expected to be made to the advanced draft of the Reports based on the audit procedures and/or reviews carried out by the reporting accountants and a copy of the confirmation must also be submitted to the Exchange.

Other than reporting accountants, the Exchange has issued/revised undertakings, confirmations and declarations that are required from sponsor and other professional parties involved in an IPO.

Templates for confirmations and declarations are appended to the relevant guidance letters. There are also various guidance letters discussing the content requirement of the Application Proof, covering different sections of a prospectus. A list of the relevant guidance letters in preparation of an IPO is provided in section A.4. The Exchange has also revised the checklists to be submitted together with the Application Proof to reduce duplication and improve efficiency.

A.2 Amendments to Listing Rules on Corporate Governance Code and Corporate Governance Report relating to board diversity

In September 2013, the Exchange amended the Listing Rules to implement proposals in the “Consultation Conclusions on Board Diversity” published on 13 December 2012.

The amendments:
- introduce a Code Provision in the Corporate Governance Code and Corporate Governance Report that requires issuers – on a “comply or explain” basis – to have a policy concerning diversity in the board, and to disclose that policy in their Corporate Governance Report; and
- introduce a requirement that if the issuer has a board diversity policy, the disclosure in its Corporate Governance Report concerning the nomination committee should include any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives.

The amendments became effective on 1 September 2013.

A.3. Consultation Papers on Review of Connected Transaction Rules and Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules

On 26 April 2013, the Exchange issued the consultation papers on 1) Review of Connected Transaction Rules; and 2) Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules.

The first consultation paper reviews the Exchange’s current model for regulating connected transactions conducted by Hong Kong listed issuers and the regulation of related party transactions in other jurisdictions. It seeks market views on a number of proposals to simplify the connected transaction rules and address anomalies.

The second consultation paper reviews the Listing Rules that use the general definitions of “connected person” and “associate” in Chapter 1 of the Listing Rules. The paper highlights the differences of the Chapter 1 definitions and those used in Chapter 14A of the Listing Rules for the purpose of the connected transaction requirements. Similar amendments have been made to the GEM Rules.

The consultation period ended on 26 June 2013. The consultation conclusions have not been published as at the time of writing.

A.4. Major guidance issued by the Exchange

During 2013, the Exchange has published and revised a number of letters to provide guidance on matters relating to the Listing Rules. The following is a list of guidance letters issued/revised by the Exchange up to 25 October 2013 in connection with a listed issuer's continuing obligations and an IPO exercise.

New guidance letters in connection with a listed issuer's continuing obligation

§ Guidance letter on continuing obligations under Chapter 18 of the Listing Rules (mineral companies) (HKEx-GL47-13, January 2013)

§ Guidance letter for long suspended companies (HKEx-GL66-13, September 2013)

§ Guidance letter on the compliance adviser requirement for newly listed issuers (HKEx-GL67-13, September 2013)

New guidance letters to complement the New IPO Sponsor Regime (effective for an IPO application submitted on or after 1 October 2013)

§ Guidance on disclosure of material non-compliance incidents in listing documents (HKEx-GL63-13, July 2013 and updated September 2013)

§ Disclosure of Directors, Supervisors and Senior Management section in listing documents (HKEx-GL62-13, July 2013)

§ Guidance on accelerated procedures for reviewing a Listing Division and Listing Committee's decision to return a listing application (HKEx-GL61-13, July 2013)

§ Guidance on Confirmations required on Expert Opinions in Application Proofs and subsequent draft listing documents (excluding any report, opinion or statement issued by the Reporting Accountant which is covered by Guidance Letter HKEx-GL58-13) (HKEx-GL60-13, July 2013)

§ Guidance on management discussion and analysis on the historical financial information ("MD&A") in listing documents (HKEx-GL59-13, July 2013)

§ Guidance on confirmations required on the accountants' report, pro forma financial information and profit forecast in Application Proofs and subsequent draft listing documents (HKEx-GL58-13, July 2013)

§ Guidance on logistical arrangements for publication of Application Proofs, Post Hearing Information Packs ("PHIP") and related materials on the Exchange's Website for listing applicants (HKEx-GL57-13, July 2013 and updated in September 2013)

§ Guidance on (i) disclosure requirements for substantially complete Application Proofs; (ii) a 3-day checklist for disclosure matters that the Exchange will check in Application Proofs prior to acceptance; and (iii) publication of Application Proofs and Post Hearing Information Packs on the Exchange's website (HKEx-GL56-13, July 2013 and updated in September 2013)

§ Guidance on Documentary Requirements and Administrative Matters for New Listing Application (Equity) (HKEx-GL55-13, July 2013 and updated in September 2013)

§ Guidance on the financial information for the trading record period expected in the first draft listing document for listing applications (HKEx-GL6-09A, July 2013)

Revised guidance letters to complement the New IPO Sponsor Regime (effective for an IPO application submitted on or after 1 October 2013)

§ Guidance on liquidity arrangements for issuers seeking to list by introduction where the securities to be listed are already listed on another stock exchange (HKEx-GL53-13, April 2013 and updated in July 2013)

§ Disclosure in listing documents for applicant mineral companies that the Exchange normally expects and to address comments raised by the Exchange and the SFC in the vetting of previous listing applications

(HKEx-GL52-13, March 2013 and updated in July 2013)

§ Simplification Series - Disclosure in listing documents for IPO cases – the “Business” section (HKEx-GL50-13, January 2013 and updated in July 2013)

§ Simplification Series - Disclosure in listing documents for IPO cases – the “History and Development” section (HKEx-GL49-13, January 2013 and updated in July 2013)

§ Simplification Series - Disclosure in listing documents for IPO cases – the “Industry Overview” section (HKEx-GL48-13, January 2013 and updated in July 2013)

§ Guidance on the Latest Practicable Date and the Latest Date for Liquidity Disclosure in listing documents (HKEx-GL38-12, June 2012, updated in July and September 2013)

§ Guidance on indebtedness, liquidity, financial resources and capital structure disclosure in listing documents and sponsor’s confirmation on working capital sufficiency statement (HKEx-GL37-12, June 2012, updated in July and September 2013)

§ Guidance on profit forecast under Main Board Rules 9.11(10)(b) and 11.17, GEM Rules 12.22(14b) and 14.29 (HKEx-GL35-12, May 2012 and updated in July 2013)

§ Disclosure in listing documents for IPO cases – Use of Proceeds (HKEx-GL33-12, April 2012 and updated in July 2013)

§ Simplification Series - Disclosure in listing documents for IPO cases – the "Summary and Highlights" section (HKEx-GL27-12, January 2012 and updated in June and July 2013)

§ Documentation requirements for IPO cases - facilitative procedures (HKEx-GL23-10, December 2010 and updated in July 2013)

§ Sponsor's due diligence on non-disclosure of confidential information in the listing document (HKEx-GL21-10, October 2010 and updated in July 2013)

§ Guidance on publicity materials and e-IPO advertisements (HKEx-GL18-10, June 2010 and updated in July 2013)

§ Listing Document Covers (HKEx-GL13-09, October 2009 and updated in July 2013)

§ Statistics and data quoted in prospectuses (HKEx-GL8-09, July 2009 and updated in July 2013)

§ Documentary requirements for re-filing a listing application (a) more than six months after the date of the original listing application; or (b) where a sponsor has changed (HKEx-GL7-09, July 2009, updated in September 2010 and July 2013)

§ Guidance on assessment of a sponsor's independence (HKEx-GL4-06, April 2009 and updated in July 2013)

Other new and revised guidance letters on listing matters

§ Guidance letter on disclosure in listing documents for IPO case - information in property valuation report and market report (HKEx-GL65-13, September 2013)

§ Guidance letter on pre-conditions for a waiver from the financial standards requirements for new applicant mineral companies under Main Board Rule 18.04 (HKEx-GL22-10, October 2010 and updated in August 2013)

§ Guidance letter on simplification series - disclosure requirements for IPO cases –White and Yellow Application Forms and "How to Apply for Hong Kong Offer Shares" section in a prospectus (HKEx-GL64-13, July 2013)

§ Guidance Letter on disclosure of land use right certificates and/or building ownership certificates for properties in the PRC; properties with defective titles in the PRC and Hong Kong; idle land in the PRC;

civil defense projects in the PRC; and land resettlement operations in the PRC (HKEx-GL19-10, updated in July 2013)

§ Guidance letter on Pre-IPO investments (HKEx-GL43-12, October 2012 and updated in July 2013)

§ Guidance letter on conditions for waivers from strict compliance with Main Board Rule 4.04(1) and GEM Rules 7.03(1) and 11.10 (HKEx-GL25-11, October 2011 and updated in November 2011, March 2012 and June 2013)

§ Guidance letter on simplification series – disclosure in listing documents for IPO cases – "Risk Factors" section (HKEx-GL54-13, May 2013)

§ Guidance letter on cornerstone investment – No direct or indirect benefits to cornerstone investors other than guaranteed allocation at IPO price (HKEx-GL51-13, February 2013)

§ Guidance letter on payment of special dividend based on a new applicant's estimated distributable profits for a period up to the day immediately before listing (HKEx-GL15-09, October 2009 and updated in January 2013)

Guidance issued in the form of Frequently Asked Questions

In addition, the Exchange has also issued series of Frequently Asked Questions to facilitate issuers to understand and comply with the listing rules:

§ Frequently Asked Questions Series 20: Rule requirements relating to Notifiable Transactions, Connected Transactions, Mineral Companies, Issues of Securities and Corporate Governance Code

§ Frequently Asked Questions Series 21: Questions relating to the Corporate Governance Code and associated listing rules

§ Frequently Asked Questions Series 22: Rule changes consequential on the statutory backing of the obligation on listed corporations to disclose inside information

§ Frequently Asked Questions Series 23: Disclosure of a new applicant's unaudited net profits after its track record period in a listing document

§ Frequently Asked Questions Series 24: Listing rule changes to complement the Securities and Futures Commission's New Sponsor Regulation effective on 1 October 2013

§ Frequently Asked Questions Series 25: Revised joint policy statement regarding the listing of overseas companies

Section 2 – HKFRS illustrative annual financial statements for the year ended 31 December 2013

The illustrative financial statements of Hong Kong GAAP Limited for the year ended 31 December 2013 are intended to show the presentation and disclosure requirements of Hong Kong Financial Reporting Standards (HKFRSs), the Hong Kong Companies Ordinance (Cap. 32) and the Listing Rules. They also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in the 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* (as revised in 2011) *Separate Financial Statements*.

The illustrative financial statements show the impact of the application of the amendments to standards that are mandatorily effective on 1 January 2013 (see note 2 to the financial statements for details). These financial statements do not illustrate the impact of the application of new and revised standards and interpretations that are not yet mandatorily effective on 1 January 2013 (e.g. HKFRS 9 *Financial Instruments*).

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

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

Contents

Index to the notes to the consolidated financial statements

Source	Hong Kong GAAP Limited

Corporate information

Board of directors

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

Registered office

35th Floor, The Pacific Tower
33 Front Street
Hamilton HM12
Bermuda

Company secretary

Fanny Song

Registrars

Hong Kong Registrars Limited
Central
Hong Kong

Principal bankers

Admiralty Banking Corporation
Kowloon Bank Limited

Auditor

Deloitte Touche Tohmatsu

Solicitors

Kwan, Lee & Wong

Source	Hong Kong GAAP Limited

Directors' business review

App 16.32
GR 18.41

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

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:

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

App 16.52
GR 18.83

Both the Listing Rules and the GEM Rules encourage listed entities to disclose the following additional commentary on management discussion and analysis in their annual reports:

- efficiency indicators (e.g. return on equity, working capital ratios) for the last 5 financial years indicating the bases of computation;
- industry specific ratios, if any, for the last 5 financial years indicating the bases of computation;
- a discussion of the listed entity's purpose, corporate strategy and principal drivers of performance;
- an overview of trends in the listed entity's industry and business;
- a discussion on business risks (including known events, uncertainties and other factors which may substantially affect future performance) and risks management policy;
- a discussion on the listed entity's environmental policies and performance, including compliance with the relevant laws and regulations;
- a discussion on the listed entity's policies and performance on community, social, ethical and reputational issues;
- an account of the listed entity's key relationships with employees, customers, suppliers and others, on which its success depends; and
- receipts from, and returns to, shareholders.

App 14.C.1.4
GR App 15.C.1.4

Corporate strategy and long term business model

Both the Listing Rules and the GEM Rules require the directors to include an explanation of the basis on which the entity generates or preserves value over the longer term (the business model) and the strategy for delivering the entity's objectives.

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

Source	Hong Kong GAAP Limited
	Corporate governance report
App 16.34 GR18.44(2)	Listed entities, whether listed on the Main Board or GEM, are required to include a report on corporate governance practices in their annual reports.
App 14 G to P GR App 15 G-P	The report should contain, at a minimum, information about the following matters: • corporate governance practices; • directors' securities transactions; • board of directors; • chairman and chief executive; • non-executive directors; • auditors' remuneration; • board committees; • company secretary; • shareholders' rights; and • investor relations relating to any significant changes in the listed entities' constitutional documents during the year.
App 14 Q-T GR App 15 Q-T	In addition, the report should include the following recommended disclosures: • share interests of senior management; • investor relations regarding details of shareholders, meeting particulars, important shareholder dates and public float capitalisation at year end; • internal controls; and • management functions.
LR 13.89(2), (3) GR 17.101(2), (3)	Furthermore, listed entities should state whether they have complied with the code provisions set out in the Corporate Governance Code for the relevant accounting period in their annual reports. Where the entity deviates from the code provisions, it must give reasons in its corporate governance report.
LR 13.89(4) GR 17.101(4)	For the recommended corporate governance best practices, entities listed on either the Main Board or GEM are encouraged, but are not required, to state whether they have complied with these best practices and give reasons for any deviation.
	There is no 'illustrative report' for a corporate governance report. The content of this report should reflect the corporate governance practices of the particular reporting entity.

Source	Hong Kong GAAP Limited

Environmental, social and governance report

LR 13.91
App 27.1-22
GR 17.103
GR App 20.1-22

Listed entities, whether listed on the Main Board or GEM, are **encouraged** to include a report on environmental, social and governance (ESG) information in their annual reports regarding the same period covered in the annual reports, or in a separate report, in print or on their websites. If the information is included in a separate report, the entity is free to report on any period. However, an entity is encouraged to report on the same period covered by the annual report.

The ESG information is divided into four areas: workplace quality, environmental protection, operating practices and community involvement. Each of these areas is further divided into three sections: aspects, general disclosure recommendation and key performance indicators. The key aspects of each area are as follows:

Workplace quality

- Working conditions
- Health and safety
- Development and training
- Labour standards

Environmental protection

- Emissions
- Use of resources
- The environment and natural resources

Operating practices

- Supply chain management
- Product responsibility
- Anti-corruption

Community involvement

- Community investment

This recommended practice is applicable to entities with financial years ending after 31 December 2012.

There is no ‘illustrative report’ for an ESG report. The content of this report should focus on the key issues of the particular reporting entity.

Source	Hong Kong GAAP Limited

App 16.12
GR 18.39

Profiles of directors and senior management

Executive directors

Gary D.K. Wong, Chairman and Managing Director

Mr. Gary D.K. Wong, 54, is a design engineer. He has been with the Group since its formation, holding a number of Board positions before becoming Managing Director in 2005. He has been with the Group for more than 20 years.

Daniel D.D. Lee, Finance Director

Mr. Daniel D.D. Lee, 50, is a chartered accountant and holds a business degree from the University of Ontario. He joined the Board as Finance Director in 2005, having previously held senior positions in a number of manufacturing entities. He has been with the Group for 8 years.

Derek S.Y. Wong

Mr. Derek S.Y. Wong, 45, is an executive director with special responsibility for product development. He is an electronic engineer with previous experience with multi-national conglomerates in the electronics industry. He joined the Board in 2007 and has over 9 year experiences in product development. Derek S.Y. Wong is a brother of Gary D.K. Wong.

Independent non-executive directors

Tiara Cheung

Ms. Tiara Cheung, 42, was appointed as an independent non-executive director in March 2011 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 2011.

Florence K.Y. Tang

Ms. Florence K.Y. Tang, 55, is one of Hong Kong's leading residents with a distinguished record in the business community. She joined the Board as an independent non-executive director in 2009 and serves on the Audit Committee of the Company. She is a member of the Hong Kong Development Corporation and of the Community Development Project.

John Banks

Mr. John Banks, 46, was appointed as an independent non-executive director in April 2010 and serves on the Audit Committee of the Company. He is a chartered accountant and has many years of experience in corporate finance. Mr. Banks holds directorships in a number of public companies in Hong Kong.

Senior management

GR 18.44

Mr. Bruno Gimeli

Mr. Bruno Gimeli, 47, is the chief executive. He is primarily responsible for sales and marketing. He held senior marketing positions with a number of Hong Kong companies before joining the Company in 2005.

Ms. Fanny Song

Fanny Song, 43, is the chief financial controller and the qualified accountant responsible for the financial reporting procedures and internal controls. She also acts as the company secretary, and as the compliance officer responsible for liaison with The Stock Exchange of Hong Kong Limited. She joined the Company in 2004. She is an associate of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Company Secretaries.

Mr. Richard W.L. Chan

Mr. Richard W. L. Chan, 48, is the head of the production department (in relation to leisure goods). He joined the Company in 2009. Before he joined the Company, he held senior positions in a number of large leisure goods manufacturing companies in Hong Kong and the PRC.

Mr. David K.K. Cheung

David K.K. Cheung, 46, is the head of the production department (in relation to electronic equipment) and is primarily responsible for production and product development. He joined the Company in 2005. Before he joined the Company, he held senior positions in a number of large electronic equipment manufacturing companies in Hong Kong.

Source	Hong Kong GAAP Limited

Directors' report

s129D(1)

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2013.

s129D(3)(a)

Principal activities

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries, associates and joint ventures are set out in notes 59, 24 and 25 respectively to the consolidated financial statements.

In prior years, the Group was also engaged in the manufacture of toys and bicycles. These operations were discontinued in the current year (see notes 11 and 12).

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

Results and appropriations

The results of the Group for the year ended 31 December 2013 are set out in the consolidated [statement of profit or loss and] statement of profit or loss and other comprehensive income on pages 41-42/43-44.

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 2014, amounting to approximately HK$4.154 million and the retention of the remaining profit for the year of approximately HK$23.661 million.

App 16.19
GR 18.33

Five year financial summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 183 of the annual report.

s129D(3)(f)

Fixed assets

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. [Please describe the significant movements.]

s129D(3)(g)
App 16.10(4)
GR 18.14
LR 10.06(4)(b)
GR 13.13(2)

Share capital

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.

Purchase, sale or redemption of securities

App 16.10(4)
GR 18.14

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. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.

App 16.29
GR 18.37
GR 24.21
GR 25.33

Distributable reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2013 amounted to approximately HK$100 million (31 December 2012: HK$87 million).

Source	Hong Kong GAAP Limited

Directors' report - continued

Directors

s129D(3)(i)

The directors of the Company during the year and up to the date of this report were:

Executive directors

Gary D.K. Wong
Daniel D.D. Lee
Derek S.Y. Wong

Independent non-executive directors

Tiara Cheung
Florence K.Y. Tang
John Banks

In accordance with 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.

Directors' service contracts

App 16.14
GR 18.24(1)

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

App 16.13(1),(2)

Directors' and chief executive's interests in shares and share options

PN 5(3.2),(3.3)
GR 18.15(1),(2)
GR 18.17
GR 18.17A

At 31 December 2013, 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:

Long positions

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

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Directors			
Mr. Gary D.K. Wong	Beneficial owner	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

Directors' report - continued

SFOs 308
GR 18.45

(b) Share options

Name	Capacity	Number of options held	Number of underlying shares
Directors			
Mr. Gary D.K. Wong	Beneficial owner	60,000	60,000
Mr. Daniel D.D. Lee	Held by spouse	60,000	60,000
		120,000	120,000
Chief executive			
Mr. Bruno Gimeli	Beneficial owner	60,000	60,000

Notes:

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:

	Percentage of the issued share capital of the corporation	Number of shares of the Company held by the corporation
ABC Inc.	35%	55,000
XYE Company Limited	35%	106,000
Group Holdings Limited	60%	10,409,000
		10,570,000

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.

App 16.13(1),(2)
GR 18.15(1),(2)

Other than the holdings disclosed above and nominee shares in certain subsidiaries held in trust for the Group, none of the directors, chief executive and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2013.

Directors' report - continued

Share options

The Company

LR 17.09
GR 23.09

Particulars of the Company's share option scheme are set out in note 47.1 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:

PN 5(3.3)(1) Note 3
GR 18.17A(1)
Note 3
GR 18.28(7)

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

	Option type	Outstanding at beginning of year	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at end of year
Category 1: Directors and chief executive							
Mr. Gary D.K. Wong	2012A	80,000	-	(80,000)	-	-	-
	2012B	75,000	-	(75,000)	-	-	-
	2013	-	60,000	-	-	-	60,000
Mr. Daniel D.D. Lee	2012A	30,000	-	(30,000)	-	-	-
	2013	-	60,000	-	-	-	60,000
Mr. Bruno Gimeli	2013	-	60,000	-	-	-	60,000
Total directors and chief executive		185,000	180,000	(185,000)	-	-	180,000
Category 2: Substantial shareholders							
Mr. Francis F.G. Chan		-	-	-	-	-	-
Group Holdings Limited		-	-	-	-	-	-
Total substantial shareholders		-	-	-	-	-	-
Category 3: Employees							
	2012A	15,000	-	(15,000)	-	-	-
	2012B	75,000	-	(75,000)	-	-	-
	2013	-	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 2013, the date of grant of the 2013 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$2.83.

The subsidiaries

LR 17.09
GR 23.09

Particulars of the share option schemes of Kowloon Limited and Subsix Limited, subsidiaries of the Company are set out in notes 47.2.1 and 47.2.2 respectively to the consolidated financial statements.

LR 17.07
GR 23.07

The following table discloses movements in Kowloon Limited's share options during the year:

	Option type	Outstanding at beginning of year	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at end of year
Employees	2010	1,707,000	-	-	-	-	1,707,000

Source	Hong Kong GAAP Limited

Directors' report - continued

LR 17.07
GR 23.07

The following table discloses movement in Subsix Limited's share options during the year.

	Option type	Outstanding at the acquisition date of Subsix Limited	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at end of year
Employees	2012	5,000	-	-	-	-	5,000

s129D(3)(k)

Arrangements to purchase shares or debentures

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

Directors' interests in contracts of significance

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.

s162A(1)(a)
s129D(3)(ia)

Management contract

A.B. Consultant Company Limited has a management services contract with the Group for a period of three years starting from 1 January 2012. Mr. Gary D.K. Wong is a director and controlling shareholder of that company which received management service fees amounting to HK$240,000 (2012: 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

Substantial shareholders

As at 31 December 2013, 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.

Long positions

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

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Francis F.G. Chan	Beneficial owner	2,263,000	12.7%
Group Holdings Limited	Beneficial owner	10,409,000	58.4%

(b) Share options

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 2013.

Source	Hong Kong GAAP Limited
	Directors' report - continued
App 16.12B GR 18.39B	**Independent non-executive directors** The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.
App 16.8(1)&(2) LR 14A.45 LR 14A.46 GR 18.09(1),(2) GR 20.45 GR 20.46	**Connected transaction** [Describe connected transactions, if any]
LR 8.10(2)(b)&(c) GR 11.04	**Interests in competitors** Mr. Derek S.Y. Wong holds an 80% interest in MNO Ltd., a company engaged in the manufacture of electronic equipment. MNO Ltd., therefore, competes with the Group in certain aspects of its business.
App 16.24B GR 18.29A	**Emolument policy** The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 47 to the consolidated financial statements.
App 16.20 GR 17.39	**Pre-emptive rights** There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.
App 16.34A LR 13.35 GR17.38A	**Sufficiency of public float** The Company has maintained a sufficient public float throughout the year ended 31 December 2013.
s129D(3)(d),(e)	**Charitable donations** During the year, the Group made charitable donations amounting to HK$250,000.
	Major customers and suppliers Details of the Group's transactions with its major suppliers and customers during the year are set out below:
App 16.31(1),(2) GR 18.40(1),(2)	The Group has continued to search for suitable suppliers to source its raw materials. The Group has successfully reduced purchases from its largest supplier from 20% of total purchases in 2012 to 10% in the current year. In 2013, the five largest suppliers comprised 34% (2012: 45%) of the Group's total purchases, evidencing the purchasing department's commitment to ensuring that the Group is not dependent on any one supplier, and that our purchases are at a fair market price.
App 16.31(3),(4) GR 18.40(3),(4)	In 2013, the Group's largest customer accounted for 11% (2012: 13%) of its turnover. The five largest customers remain the same as 2012, although their combined contribution to total sales has decreased slightly from 25% in 2012 to 20% in the current year.
App 16.31(5) GR 18.40(5)	At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

Source	Hong Kong GAAP Limited
	Directors' report - continued
s129D(3)(l)	**Events after the reporting period**
	Details of significant events occurring after the reporting period are set out in note 61 to the consolidated financial statements.
	Auditor
	A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.
s129D(2)	On behalf of the Board
	Gary D.K. Wong Chairman
	10 February 2014

Source	Hong Kong GAAP Limited
Clarified HKSA 700(21)	**INDEPENDENT AUDITOR'S REPORT** Deloitte. 德勤
Clarified HKSA 700(22)	TO THE [MEMBERS/SHAREHOLDERS] OF HONG KONG GAAP LIMITED (incorporated in Bermuda with limited liability)
Clarified HKSA 700(23)	We have audited the consolidated financial statements of Hong Kong GAAP Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group') set out on pages 41 to 182, which comprise the consolidated statement of financial position as at 31 December 2013, and the [consolidated statement of profit or loss,] consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.
Clarified HKSA 700(25) Clarified HKSA 700(26), (27)	**Directors' Responsibility for the Consolidated Financial Statements** The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
Clarified HKSA 700(28) Clarified HKSA 700(29) Clarified HKSA 700(30) Professional Risk Management Bulletin No. 2	**Auditor's Responsibility** Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
Clarified HKSA 700(31), (32)	An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.
Clarified HKSA 700(33)	We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Clarified HKSA 700(34) Clarified HKSA 700(35)	**Opinion** 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 2013, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.
Clarified HKSA 700(40), (A37)	Deloitte Touche Tohmatsu Certified Public Accountants
Clarified HKSA 700(42) Clarified HKSA 700(41)	Hong Kong 10 February 2014

Source	Hong Kong GAAP Limited			
HKAS 1.10(b), (ea), 51(b),(c)	**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013**			**[Alt 1]**
HKAS 1.113		Notes	Year ended 31/12/13	Year ended 31/12/12
HKAS 1.51(d),(e)			HK$'000	HK$'000 (restated)
	Continuing operations			
HKAS 1.82(a)	Revenue	5	140,934	152,075
HKAS 1.85, 99	Cost of sales		(87,688)	(91,645)
HKAS 1.85	Gross profit		53,246	60,430
HKAS 1.85	Investment and other income	7	3,633	2,396
HKAS 1.85	Other gains and losses	8	(1,128)	(173)
HKAS 1.99	Distribution and selling expenses		(11,524)	(10,075)
HKAS 1.99	Administrative expenses		(9,395)	(13,567)
HKAS 1.82(b)	Finance costs	9	(4,178)	(6,313)
HKAS 1.99	Other expenses		(1,280)	(1,711)
HKAS 1.82(c)	Share of profits of joint ventures	25	337	242
HKAS 1.82(c)	Share of profits of associates	24	866	1,209
HKAS 1.85	Gain recognised on disposal of an associate	24	581	-
HKAS 1.85	Profit before tax		31,158	32,438
HKAS 1.82(d)	Income tax expense	10	(11,653)	(11,864)
HKAS 1.85	Profit for the year from continuing operations	13	19,505	20,574
	Discontinued operations			
HKAS 1.82(ea)	Profit for the year from discontinued operations	11	8,310	9,995
HKAS 1.81A(a)	**Profit for the year**		27,815	30,569
HKAS 1.91(a)	**Other comprehensive income, net of income tax**	45		
HKAS 1.82A(a)	***Items that will not be reclassified to profit or loss:***			
	Gain on revaluation of properties		-	-
	Remeasurement of defined benefit obligation		165	(46)
	Share of gain (loss) on property revaluation of associates		-	-
	Others (please describe)		-	-
			165	(46)
HKAS 1.82A(b)	***Items that may be reclassified subsequently to profit or loss:***			
	Exchange differences on translating foreign operations		(191)	177
	Net (loss) gain on revaluation of available-for-sale financial assets		(300)	57
	Net gain on hedging instruments in cash flow hedges		36	36
	Share of exchange differences of associates		-	-
	Others (please describe)		-	-
			(455)	270
HKAS 1.81A(b)	Other comprehensive (expense) income for the year, net of income tax		(290)	224
HKAS 1.81A(c)	**Total comprehensive income for the year**		27,525	30,793
	Profit for the year attributable to:			
HKAS 1.81B(a)(ii)	Owners of the Company		23,423	27,342
HKAS 1.81B(a)(i)	Non-controlling interests		4,392	3,227
			27,815	30,569
	Total comprehensive income for the year attributable to:			
HKAS 1.81B(b)(ii)	Owners of the Company		23,133	27,566
HKAS 1.81B(b)(i)	Non-controlling interests		4,392	3,227
			27,525	30,793

Note: The format outlined above aggregates expenses according to their function.
See next page for a discussion of the format of the statement of profit and loss and other comprehensive income.

Source	Hong Kong GAAP Limited

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 – continued **[Alt 1] continued**

Source		Note	Year ended 31/12/13	Year ended 31/12/12 (restated)
App 16.4(1)(g) GR 18.50B(1)(m)	**Earnings per share**	17		
	From continuing and discontinued operations			
HKAS 33.66	Basic (HK cents per share)		104.1	118.9
HKAS 33.66	Diluted (HK cents per share)		98.6	118.1
	From continuing operations			
HKAS 33.66	Basic (HK cents per share)		67.2	75.4
HKAS 33.66	Diluted (HK cents per share)		63.6	74.8

HKAS 1.10A

HKAS 1.90&94

Note: The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income *for the first time in the current year. The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. Use of the new terminology is not mandatory.*

One statement vs. two statements

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income (OCI) in either a single statement or in two separate but consecutive statements. Alt 1 above illustrates the presentation of profit or loss and OCI in one statement with expenses analysed by function. Alt 2 (see following pages) illustrates the presentation of profit or loss and OCI in two separate but consecutive statements with expenses analysed by nature.

Whichever presentation approach is adopted, the distinction is retained between items recognised in profit or loss and items recognised in OCI. The objective under both approaches is to arrive at an amount for 'total comprehensive income', Under the two-statement approach, the separate statement of profit or loss ends at 'profit for the year', and this 'profit for the year' is then the starting point for the statement of profit or loss and other comprehensive income, which is required to be presented immediately following the statement of profit or loss. In addition, the analysis of 'profit for the year' between the amount attributable to the owners of the Company and the amount attributable to non-controlling interests is presented as part of the separate statement of profit or loss.

OCI: items that may or may not be reclassified

Irrespective of whether the one-statement or the two-statement approach is followed, the items of OCI should be classified by nature and grouped into those that, in accordance with other HKFRSs:

(a) will not be reclassified subsequently to profit or loss; and

(b) may be reclassified subsequently to profit or loss when specific conditions are met.

Presentation options for reclassification adjustments

In addition, in accordance with HKAS 1.94, an entity may present reclassification adjustments in the statement of profit or loss and other comprehensive income or in the notes. In Alt 1 above, the entity has elected to present reclassification adjustments in the notes (see note 45). Alt 2 (see next pages) illustrates the presentation of reclassification adjustments in the statement of profit or loss and other comprehensive income.

Presentation options for income tax relating to items of OCI

Furthermore, for items of other comprehensive income, additional presentation options are available as follows: the individual items of other comprehensive income may be presented net of tax in the statement of profit or loss and other comprehensive income (as illustrated on the previous page), or they may be presented gross with a single line deduction for tax (see Alt 2). Whichever option is selected, the income tax relating to each item of other comprehensive income must be disclosed, either in the statement of profit or loss and other comprehensive income or in the notes (see note 45).

Source	Hong Kong GAAP Limited			
HKAS 1.10A, (ea) 51(b),(c)	**Consolidated statement of profit or loss for the year ended 31 December 2013**			**[Alt 2]**
HKAS 1.113		Notes	Year ended 31/12/13	Year ended 31/12/12
HKAS 1.51(d),(e)			HK$'000	HK$'000 (restated)
	Continuing operations			
HKAS 1.82(a)	Revenue	5	140,934	152,075
HKAS 1.85	Investment and other income	7	3,633	2,396
HKAS 1.85	Other gains and losses	8	(1,128)	(173)
HKAS 1.99	Changes in inventories of finished goods and work in progress		(7,134)	2,118
HKAS 1.99	Raw materials and consumables used		(67,625)	(84,037)
HKAS 1.99	Depreciation and amortisation expenses	13	(12,412)	(13,878)
HKAS 1.99	Employee benefits expense	13	(10,075)	(11,793)
HKAS 1.82(b)	Finance costs	9	(4,178)	(6,313)
HKAS 1.99	Other expenses		(12,641)	(9,408)
HKAS 1.82(c)	Share of profits of joint ventures	25	337	242
HKAS 1.82(c)	Share of profits of associates	24	866	1,209
HKAS 1.85	Gain recognised on disposal of an associate	24	581	-
HKAS 1.85	Profit before tax		31,158	32,438
HKAS 1.82(d)	Income tax expense	10	(11,653)	(11,864)
HKAS 1.85	Profit for the year from continuing operations	13	19,505	20,574
	Discontinued operations			
HKAS 1.82(ea)	Profit for the year from discontinued operations	11	8,310	9,995
HKAS 1.81A(a)	**Profit for the year**		27,815	30,569
	Attributable to:			
HKAS 1.81B(a)(ii)	Owners of the Company		23,423	27,342
HKAS 1.81B(a)(i)	Non-controlling interests		4,392	3,227
			27,815	30,569
App 16.4(1)(g) GR18.50B(1)(m)	**Earnings per share**	17		
	From continuing and discontinued operations			
HKAS 33.66, 67A	Basic (cents per share)		104.1	118.9
HKAS 33.66, 67A	Diluted (cents per share)		98.6	118.1
	From continuing operations			
HKAS 33.66, 67A	Basic (cents per share)		67.2	75.4
HKAS 33.66, 67A	Diluted (cents per share)		63.6	74.8

Note: The format outlined above aggregates expenses according to their nature.

See the previous page for a discussion of the format of the statement of profit or loss and other comprehensive income. Note that where the two-statement approach is adopted (above and on the next page), as required by HKAS 1.10A, the statement of profit or loss must be presented immediately before the statement of profit or loss and other comprehensive income.

Source	Hong Kong GAAP Limited			
HKAS 1.10A, (ea), 51(b),(c)	**Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013**			**[Alt 2] continued**
HKAS 1.113		Note	Year ended 31/12/13	Year ended 31/12/12
HKAS 1.51(d),(e)			HK$'000	HK$'000 (restated)
HKAS 1.10A	**Profit for the year**		27,815	30,569
	Other comprehensive income	45		
HKAS 1.82A(a)	***Items that will not be reclassified to profit or loss:***			
	Gain on revaluation of properties		-	-
	Share of gain (loss) on property revaluation of associates		-	-
	Remeasuerment of defined benefit obligation		220	(61)
	Others (please describe)		-	-
HKAS 1.91(b)	Income tax relating to items that will not be reclassified subsequently		(55)	15
			165	(46)
HKAS 1.82A(b)	***Items that may be reclassified subsequently to profit or loss:***			
	Exchange differences on translating foreign operations			
	Exchange differences arising during the year		(71)	177
	Reclassification adjustments relating to foreign operations disposed of during the year		(120)	-
			(191)	177
	Available-for-sale financial assets			
	Net (loss)/gain arising on revaluation of available-for-sale financial assets during the year		(400)	76
	Reclassification upon impairment		-	-
	Reclassification adjustments relating to available-for-sale financial assets disposed of during the year		-	-
			(400)	76
	Cash flow hedges			
	Gains arising during the year		406	316
	Reclassification adjustments for amounts recognised in profit or loss		(355)	(287)
			51	29
	Share of other comprehensive income of associates		-	-
HKAS 1.91(b)	Income tax relating to items that may be reclassified subsequently		85	(12)
HKAS 1.81A(b)	Other comprehensive (expense) income for the year, net of income tax		(290)	224
HKAS 1.81A(c)	**Total comprehensive income for the year**		27,525	30,793
	Total comprehensive income attributable to:			
HKAS 1.81B(b)(ii)	Owners of the Company		23,133	27,566
HKAS 1.81B(b)(i)	Non-controlling interests		4,392	3,227
			27,525	30,793

Source	Hong Kong GAAP Limited				
HKAS 1.10(a), (ea), (f), 51(b),(c)	**Consolidated statement of financial position at 31 December 2013**				
HKAS 1.113 HKAS 1.51(d),(e)		Notes	31/12/13 HK$'000	31/12/12 HK$'000 (restated)	01/01/12 HK$'000 (restated)
HKAS 1.60	**Non-current assets**				
HKAS 1.54(a)	Property, plant and equipment	18	107,015	133,674	160,657
HKAS 1.55	Prepaid lease payments	19	2,300	2,400	2,500
HKAS 1.54(b)	Investment properties	20	2,086	1,942	1,670
HKAS 1.55	Goodwill	21	20,485	24,260	24,120
HKAS 1.54(c)	Other intangible assets	23	9,739	11,325	12,523
HKAS 1.54(e)	Interests in associates	24	5,319	5,590	4,406
HKAS 1.54(e)	Investments in joint ventures	25	3,999	3,662	3,420
HKAS 1.54(d), 55	Held-to-maturity investments	26	2,059	1,658	1,212
HKAS 1.54(d), 55	Available-for-sale investments	27	5,600	4,857	3,403
HKAS 1.54(o), 56	Deferred tax assets	42	1,714	1,023	1,726
HKAS 1.55	Finance lease receivables	28	830	717	739
HKAS 1.54(d)	Other financial assets	41	212	140	135
			161,358	191,248	216,511
HKAS 1.60	**Current assets**				
HKAS 1.54(g)	Inventories	29	19,014	20,088	24,352
HKAS 1.54(h)	Trade and other receivables	30	20,615	13,878	11,515
HKAS 1.55	Finance lease receivables	28	198	188	182
HKAS 1.55	Amounts due from directors	32	656	107	82
HKAS 1.55	Amounts due from customers for contract work	31	240	230	220
HKAS 1.54(d), 55	Held-to-maturity investments	26	4,804	3,604	2,200
HKAS 1.54(d), 55	Held-for-trading investments	33	12,480	8,448	6,201
HKAS 1.55	Pledged bank deposits	34	2,000	2,000	2,000
HKAS 1.54(d)	Other financial assets	41	316	257	201
HKAS 1.54(n)	Current tax assets		125	60	81
HKAS 1.54(i)	Cash and bank balances	34	21,486	22,888	7,882
			81,934	71,748	54,916
HKAS 1.54(j)	Assets classified as held for sale	12	22,336	-	-
			104,270	71,748	54,916
HKAS 1.60	**Current liabilities**				
HKAS 1.54(k)	Trade and other payables	35	11,373	19,690	52,369
HKAS 1.55	Amounts due to customers for contract work	31	36	15	12
HKAS 1.54(m),55	Borrowings	36	22,446	25,600	33,618
HKAS 1.54(m),55	Loan from government	37	2,798	-	-
HKAS 1.54(m)	Other financial liabilities	41	116	18	-
HKAS 1.54(n)	Current tax liabilities		5,328	5,927	4,990
HKAS 1.54(l)	Provisions	40	3,356	3,195	2,235
HKAS 1.55	Deferred revenue	43	355	240	63
HKAS 1.55	Obligations under finance leases	39	9	54	72
HKAS 1.54(m),55	Bank overdrafts	34	538	378	312
			46,355	55,117	93,671
HKAS 1.54(p)	Liabilities directly associated with assets classified as held for sale	12	3,684	-	-
			50,039	55,117	93,671
App 16.4(2)(d) GR 18.50B(2)(d)	**Net current assets/(liabilities)**		54,231	16,631	(38,755)
App 16.4(2)(e) GR 18.50B(2)(e)	**Total assets less current liabilities**		215,589	207,879	177,756

Source	Hong Kong GAAP Limited				
	Consolidated statement of financial position at 31 December 2013				
		Notes	31/12/13 HK$'000	31/12/12 HK$'000 (restated)	01/01/12 HK$'000 (restated)
	Capital and reserves				
HKAS 1.55	Share capital	44	17,819	23,005	23,005
HKAS 1.55	Share premium and reserves	45	128,101	122,373	100,948
HKAS 1.54(r)	Equity attributable to owners of the Company		145,920	145,378	123,953
HKAS 1.54(q)	Non-controlling interests	45	27,956	23,253	20,026
	Total equity		173,876	168,631	143,979
HKAS 1.60	**Non-current liabilities**				
HKAS 1.54(m),55	Borrowings	36	26,870	27,792	24,301
HKAS 1.54(m),55	Loan from government	37	-	2,610	-
HKAS 1.54(m),55	Convertible notes	38	4,144	-	-
HKAS 1.55	Retirement benefit obligations	46	2,259	1,773	1,026
HKAS 1.54(o)	Deferred tax liabilities	42	6,042	4,510	4,256
HKAS 1.54(l)	Provisions	40	2,294	2,231	4,102
HKAS 1.55	Deferred revenue	43	24	297	41
HKAS 1.55	Obligations under finance leases	39	5	35	51
HKAS 1.54(m)	Other financial liabilities	41	75	-	-
			41,713	39,248	33,777
			215,589	207,879	177,756

HKAS 10.17
s129B(1)

The consolidated financial statements on pages 41 to 182 were approved and authorised for issue by the Board of Directors on 10 February 2014 and are signed on its behalf by:

Gary D.K.Wong
(Chairman and Managing Director)

Daniel D.D. Lee
(Director)

Note: *HKAS 1.10(f) requires that an entity presents a statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.*

As part of the Annual Improvements to HKFRSs 2009-2011 Cycle, *HKAS 1* Presentation of Financial Statements *has been revised to provide guidance on when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes should be presented in the financial statements. Based on the amendments, an entity is required to present a third statement of financial position if:*

(a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

(b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the third statement of financial position.

Other than disclosures of certain specified information as required by HKAS 1.41-44 and HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, *the related notes to the third statement of financial position are not required to be disclosed.*

In this model, it is assumed that the application of new and revised HKFRSs has resulted in a material retrospective restatement of certain items in the financial statements (see note 2). As such, a third statement of financial position has been presented.

Source	Hong Kong GAAP Limited

HKAS 1.10(c), (ea), 51(b),(c) HKAS 1.106

Consolidated statement of changes in equity for the year ended 31 December 2013

HKAS 1.51(d),(e)

	Attributable to owners of the Company										
	Share capital	Share premium	Investments revaluation reserve	Share options reserve	Cash flow hedging reserve	Foreign currency translation reserve	Convertible notes equity reserve	Retained earnings	Subtotal	Attributable to non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2012 (as previously reported)	23,005	26,474	470	-	242	140	-	73,837	124,168	18,437	142,605
Adjustments (see note 2)	-	-	-	-	-	-	-	(215)	(215)	1,589	1,374
Balance at 1 January 2012 (restated)	23,005	26,474	470	-	242	140	-	73,622	123,953	20,026	143,979
Profit for the year	-	-	-	-	-	-	-	27,342	27,342	3,227	30,569
Other comprehensive income (expense) for the year	-	-	57	-	36	177	-	(46)	224	-	224
Total comprehensive income for the year	-	-	57	-	36	177	-	27,296	27,566	3,227	30,793
Recognition of equity-settled share-based payments	-	-	-	246	-	-	-	-	246	-	246
Payment of dividends	-	-	-	-	-	-	-	(6,387)	(6,387)	-	(6,387)
Balance at 31 December 2012 (restated)	23,005	26,474	527	246	278	317	-	94,531	145,378	23,253	168,631
Profit for the year	-	-	-	-	-	-	-	23,423	23,423	4,392	27,815
Other comprehensive income (expense) for the year	-	-	(300)	-	36	(191)	-	165	(290)	-	(290)
Total comprehensive income (expense) for the year	-	-	(300)	-	36	(191)	-	23,588	23,133	4,392	27,525
Non-controlling interests arising on the acquisition of Subsix Limited (see note 50)	-	-	-	-	-	-	-	-	-	132	132
Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 59)	-	-	-	-	-	-	-	-	-	179	179
Difference arising on disposal of interest in Subone Limited (see note 59)	-	-	-	-	-	-	-	34	34	-	34
Recognition of equity-settled share-based payments	-	-	-	218	-	-	-	-	218	-	218
Issue of ordinary shares under employee share option plan	314	433	-	(285)	-	-	-	-	462	-	462
Recognition of the equity component of convertible notes	-	-	-	-	-	-	834	-	834	-	834
Transaction costs attributable to issue of new ordinary shares	-	(6)	-	-	-	-	-	-	(6)	-	(6)
Repurchase of ordinary shares	(5,500)	(11,247)	-	-	-	-	-	(555)	(17,302)	-	(17,302)
Transaction costs attributable to repurchase of ordinary shares	-	(227)	-	-	-	-	-	-	(227)	-	(227)
Income tax relating to transactions with owners of the Company	-	-	-	-	-	-	(208)	-	(208)	-	(208)
Payment of dividends	-	-	-	-	-	-	-	(6,396)	(6,396)	-	(6,396)
Balance at 31 December 2013	17,819	15,427	227	179	314	126	626	111,202	145,920	27,956	173,876

Source	Hong Kong GAAP Limited			
HKAS 1.10(d), (ea), 51(b),(c)	**Consolidated statement of cash flows for the year ended 31 December 2013**			**[Alt 1]**
HKAS 1.113		Notes	Year ended 31/12/13	Year ended 31/12/12
HKAS 1.51(d),(e)			HK$'000	HK$'000 (restated)
HKAS 7.10	**Cash flows from operating activities**			
HKAS 7.18(a)	Receipts from customers		207,087	212,663
	Payments to suppliers		(156,276)	(168,597)
	Payments to employees		(9,300)	(11,500)
	Net cash outflow from held-for-trading investments		(4,032)	(2,247)
	Cash generated from operations		37,479	30,319
HKAS 7.31	Interest paid		(3,945)	(6,340)
HKAS 7.35	Income taxes paid		(10,770)	(9,946)
	Net cash generated by operating activities		22,764	14,033
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 24.19(d)	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		(19,183)	(11,252)
	Proceeds from disposal of property, plant and equipment		10,262	21,245
	Payments for investment properties		(100)	(32)
	Proceeds from disposal of investment properties		-	58
	Payments for intangible assets		(6)	(358)
	(Additions)/repayments of finance lease receivables		(123)	16
HKAS 7.39	Net cash outflow on acquisition of subsidiaries	50	(877)	-
HKAS 7.39	Net cash inflow on disposal of a subsidiary	51	7,566	-
	Net cash (used in)/generated by investing activities		(1,673)	8,800
HKAS 7.10	**Cash flows from financing activities**			
	Proceeds from issue of equity shares		462	-
	Proceeds from issue of convertible notes		4,950	-
	Payment for transaction costs attributable to issue of new ordinary shares		(6)	-
	Payment for repurchase of ordinary shares		(17,302)	-
	Payment for transaction costs attributable to repurchase of ordinary shares		(227)	-
	Proceeds from borrowings		20,122	26,798
	Repayment of borrowings		(24,198)	(31,325)
	Proceeds from a government loan		-	3,000
HKAS 7.42A	Proceeds on disposal of partial interest in a subsidiary (without losing control)		213	-
	Repayment of obligations under finance leases		(75)	(34)
HKAS 7.31	Dividends paid to owners of the Company		(6,396)	(6,387)
	Net cash used in financing activities		(22,457)	(7,948)
	Net (decrease) increase in cash and cash equivalents		(1,366)	14,885
	Cash and cash equivalents at the beginning of year		22,510	7,570
HKAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(21)	55
	Cash and cash equivalents at the end of year	52	21,123	22,510

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

Source	Hong Kong GAAP Limited		
HKAS 1.10(d), (ea), 51(b),(c)	**Consolidated statement of cash flows for the year ended 31 December 2013**		**[Alt 2]**
HKAS 1.113		Year ended 31/12/13	Year ended 31/12/12
HKAS 1.51(d),(e)		HK$'000	HK$'000
HKAS 7.10	**Cash flows from operating activities**		(restated)
HKAS 7.18(b)	Profit for the year	27,815	30,569
	Adjustments for:		
	Income tax expense recognised in profit or loss	14,662	14,862
	Share of profits of associates	(866)	(1,209)
	Share of profits of joint ventures	(337)	(242)
	Finance costs recognised in profit or loss	4,178	6,313
	Investment and other income recognised in profit or loss	(3,633)	(2,396)
	Gain on disposal of property, plant and equipment	(6)	(67)
	Gain arising on change in fair value of investment properties	(50)	(298)
	Gain on disposal of a subsidiary	(1,789)	-
	Gain recognised on disposal of an associate	(581)	-
	(Gain)/loss on sale of available-for-sale financial assets	-	-
	Impairment loss on available-for-sale financial assets	-	-
	Impairment loss recognised on trade receivables	63	430
	Reversal of impairment loss on trade receivables	(103)	-
	Depreciation and amortisation of non-current assets	14,179	17,350
	Impairment loss on non-current assets	1,439	-
	Net foreign exchange (gain)/loss	(78)	116
	Expense recognised in respect of equity-settled share-based payments	218	246
	Gain arising on effective settlement of legal claim against Subseven Limited	(40)	-
		55,071	65,674
	Movements in working capital		
	Increase in trade and other receivables	(9,947)	(5,290)
	Decrease / (increase) in amount due from customers for contract work	11	(7)
	Decrease in inventories	1,074	4,264
	Increase in held-for-trading investments	(4,032)	(2,247)
	Decrease in trade and other payables	(4,764)	(31,597)
	Increase/(decrease) in provisions	224	(911)
	(Decrease)/increase in deferred revenue	(158)	433
	Cash generated from operations	37,479	30,319
HKAS 7.31	Interest paid	(3,945)	(6,340)
HKAS 7.35	Income taxes paid	(10,770)	(9,946)
	Net cash generated by operating activities	22,764	14,033

Source	Hong Kong GAAP Limited			
	Consolidated statement of cash flows for the year ended 31 December 2013			**[Alt 2] continued**
		Notes	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
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 24.19(d)	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		(19,183)	(11,252)
	Proceeds from disposal of property, plant and equipment		10,262	21,245
	Payments for investment properties		(100)	(32)
	Proceeds from disposal of investment properties		-	58
	Payments for intangible assets		(6)	(358)
	(Additions)/repayments of finance lease receivables		(123)	16
HKAS 7.39	Net cash outflow on acquisition of subsidiaries	50	(877)	-
HKAS 7.39	Net cash inflow on disposal of a subsidiary	51	7,566	-
	Net cash (used in)/generated by investing activities		(1,673)	8,800
HKAS 7.10	**Cash flows from financing activities**			
	Proceeds from issue of equity shares		462	-
	Proceeds from issue of convertible notes		4,950	-
	Payment for transaction costs attributable to issue of new ordinary shares		(6)	-
	Payment for repurchase of ordinary shares		(17,302)	-
	Payment for transaction costs attributable to repurchase of ordinary shares		(227)	-
	Proceeds from borrowings		20,122	26,798
	Repayment of borrowings		(24,198)	(31,325)
	Proceeds from a government loan		-	3,000
HKAS 7.42A	Proceeds on disposal of partial interest in a subsidiary (without losing control)		213	-
	Repayment of obligations under finance leases		(75)	(34)
HKAS 7.31	Dividends paid to owners of the Company		(6,396)	(6,387)
	Net cash used in financing activities		(22,457)	(7,948)
	Net (decrease) increase in cash and cash equivalents		(1,366)	14,885
	Cash and cash equivalents at the beginning of year		22,510	7,570
HKAS 7.28	Effects of exchange rate changes on the balance of cash held in foreign currencies		(21)	55
	Cash and cash equivalents at the end of year	52	21,123	22,510

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

Source	Hong Kong GAAP Limited
HKAS 1.10(e), (ea), 51(b),(c)	**Notes to the consolidated financial statements** **for the year ended 31 December 2013**
	1. General information
HKAS 1.138(a), (c) HKAS 24.13	Hong Kong GAAP Limited (the Company) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent and ultimate holding company is Group Holdings Limited (incorporated in the British Virgin Islands). Its ultimate controlling party is Mr. Gary D.K. Wong, who is also the Chairman and Managing Director of the Company. 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.
HKAS 1.138(b)	The principal activities of the Company and its subsidiaries (the Group) are described in note 6.
HKAS 21.53	The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the same as the functional currency of the Company.
	2. Application of new and revised Hong Kong Financial Reporting Standards ('HKFRSs')
	2.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the financial statements
HKAS 8.28	The Group has applied for the first time in the current year the following new and revised HKFRSs.
HKAS 8.28(a) HKAS 8.28(b),(c) & (d)	**Amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*** The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about: a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.
HKAS 8.28(a) HKAS 8.28(b),(c) & (d)	**New and revised Standards on consolidation, joint arrangements, associates and disclosures** In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements. The impact of the application of these standards is set out below.

Source	Hong Kong GAAP Limited
HKAS 1.10(e), (ea), 51(b),(c)	**Notes to the consolidated financial statements for the year ended 31 December 2013 - continued**

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Specifically, the Group has a 45% ownership interest in C Plus Limited, which is listed on the stock exchange of C Land. The Group's 45% ownership interest in C Plus Limited gives the Group the same percentage of the voting rights in C Plus Limited. The Group's 45% ownership interest in C Plus Limited was acquired in June 2010 and there has been no change in the Group's ownership in C Plus Limited since then. The remaining 55% of the ordinary shares of C Plus Limited are owned by thousands of shareholders, none individually holding more than two per cent.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over C Plus Limited in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors concluded that it has had control over C Plus Limited since the acquisition in June 2010 on the basis of the Group's absolute size of holding in C Plus Limited and the relative size of and dispersion of the shareholdings owned by the other shareholders. Therefore, in accordance with the requirements of HKFRS 10, C Plus Limited has been a subsidiary of the Company since June 2010. Previously, C Plus Limited was treated as an associate of the Group and accounted for using the equity method of accounting.

HKFRS 10.C4(a)

Comparative amounts for 2012 and the related amounts as at 1 January 2012 have been restated in accordance with the relevant transitional provisions set out in HKFRS 10 (see the tables below for details).

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC) - Int13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

Source	Hong Kong GAAP Limited
HKAS 1.10(e), (ea), 51(b),(c)	**Notes to the consolidated financial statements for the year ended 31 December 2013 - continued**
	The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investments in A JV Limited and B JV Limited, which were classified as jointly controlled entities under HKAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method.
HKFRS 11.C2, C3	The change in accounting of the Group's investments in A JV Limited and B JV Limited has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investments in A JV Limited and B JV Limited. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors of the Company performed an impairment assessment on the initial investment as at 1 January 2012 and concluded that no impairment loss is required.
	Impact of the application of HKFRS 12
	HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 4, 24, 25 and 59 for details).
HKAS 8.28(a) HKAS 8.28(b),(c) & (d)	**HKFRS 13 *Fair Value Measurement***
	The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).
	HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.
	HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 20 and 49 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.
HKAS 8.28(a), (c)	**Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income***
	The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed as the ‘statement of profit or loss’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied

Source	Hong Kong GAAP Limited
HKAS 1.10(e), (ea), 51(b),(c)	**Notes to the consolidated financial statements for the year ended 31 December 2013 - continued**
	retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.
HKAS 8.28(a) HKAS 8.28(b),(c) & (d)	**HKAS 19 *Employee Benefits* (as revised in 2011)** In the current year, the Group has applied HKAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time. HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years (see the tables below for details). In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures. Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see the tables below for details).

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

Note: *The disclosures below illustrate the impact on profit or loss with expenses analysed by function. Entities should adopt the approach consistent with how expenses have been analysed in the statement of profit or loss and other comprehensive income.*

HKFRS 10.C2A
HKFRS 11.C1B

In accordance with the amendments to HKFRSs 10, 11 and 12 regarding the transition guidance on the first-time application of these Standards, an entity need only present the quantitative information required by paragraph 28(f) of HKAS 8 for the annual period immediately preceding the date of initial application of HKFRS 10 (i.e. 2012). The note below, therefore, has not included the quantitative information required by HKAS 8.28(f) for the current year on the application of HKFRSs 10, 11 and 12.

HKAS 8.28(f)(i)
HKFRS 10.C2A
HKFRS 11.C1B

Impact on profit (loss) for the year of the application of HKFRS 10	Year ended 31/12/12
	HK$'000
Increase in revenue	2,240
Increase in cost of sales	(1,105)
Increase in investment income	45
Increase in distribution expenses	(120)
Increase in administration expenses	(106)
Increase in income tax expenses	(110)
Decrease in share of profits of associates	(380)
Increase in profit for the year	464
Increase in profit for the year attributable to:	
Owners of the Company	-
Non-controlling interests	464
	464

HKAS 8.28(f)(i)
HKFRS 10.C2A
HKFRS 11.C1B

Impact on profit (loss) for the year of the application of HKFRS 11	Year ended 31/12/12
	HK$'000
Decrease in revenue	(2,005)
Decrease in cost of sales	1,300
Decrease in distribution expenses	100
Decrease in administration expenses	339
Decrease in income tax expenses	24
Increase in share of profits of a joint venture	242
Increase (decrease) in profit for the year	-
Increase (decrease) in profit for the year attributable to:	
Owners of the Company	-
Non-controlling interests	-
	-

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 - continued

HKAS 8.28(f)(i)

Impact on total comprehensive income for the year of the application of HKAS 19 (as revised in 2011)	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Impact on profit for the year		
Increase in administration expenses	(206)	(230)
Decrease in income tax expenses	51	58
Decrease in profit for the year	(155)	(172)
Impact on other comprehensive income for the year		
Increase (decrease) in remeasurement of defined benefit obligation	220	(61)
(Increase) decrease in income tax relating to items of other comprehensive income	(55)	15
Increase (decrease) in other comprehensive income for the year	165	(46)
Increase (decrease) in total comprehensive income for the year	10	(218)
Decrease in profit for the year attributable to:		
Owners of the Company	(155)	(172)
Non-controlling interests	-	-
	(155)	(172)
Increase (decrease) in total comprehensive income for the year attributable to:		
Owners of the Company	10	(218)
Non-controlling interests	-	-
	10	(218)

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKAS 8.28(f)(i)
HKFRS 11.C5

Impact on assets, liabilities and equity as at 1 January 2012 of the application of the above new and revised Standards	As at 01/01/12 as previously reported	HKFRS 10 adjust-ments	HKFRS 11 adjust-ments	HKAS 19 adjust-ments	As at 01/01/12 as restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	164,503	2,908	(6,754)	-	160,657
Goodwill	23,920	200	-	-	24,120
Investments in associates	5,706	(1,300)	-	-	4,406
Investment in a joint venture	-	-	3,420	-	3,420
Inventories	25,112	240	(1,000)	-	24,352
Trade and other receivables	12,357	350	(1,192)	-	11,515
Cash and bank balances	7,582	300	-	-	7,882
Borrowings – non-current	(28,014)	(500)	4,213	-	(24,301)
Retirement benefit obligation	(739)	-	-	(287)	(1,026)
Deferred tax liabilities	(4,319)	(209)	200	72	(4,256)
Trade and other payables	(53,162)	(300)	1,093	-	(52,369)
Current tax liabilities	(4,910)	(100)	20	-	(4,990)
Total effect on net assets	148,036	1,589	-	(215)	149,410
Non-controlling interests	(18,437)	(1,589)	-	-	(20,026)
Retained earnings	(73,837)	-	-	215	(73,622)
Total effect on equity	(92,274)	(1,589)	-	215	(93,648)

HKAS 8.28(f)(i)

Impact on assets, liabilities and equity as at 31 December 2012 of the application of the above new and revised Standards	As at 31/12/12 as previously reported	HKFRS 10 adjust-ments	HKFRS 11 adjust-ments	HKAS 19 adjust-ments	As at 31/12/12 as restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	137,211	3,317	(6,854)	-	133,674
Goodwill	24,060	200	-	-	24,260
Investments in associates	7,270	(1,680)	-	-	5,590
Investment in a joint venture	-	-	3,662	-	3,662
Inventories	20,938	250	(1,100)	-	20,088
Trade and other receivables	14,792	320	(1,234)	-	13,878
Cash and bank balances	22,388	500	-	-	22,888
Borrowings – non-current	(31,713)	(380)	4,301	-	(27,792)
Retirement benefit obligation	(1,195)	-	-	(578)	(1,773)
Deferred tax liabilities	(4,667)	(208)	220	145	(4,510)
Trade and other payables	(20,488)	(186)	984	-	(19,690)
Current tax liabilities	(5,868)	(80)	21	-	(5,927)
Total effect on net assets	162,728	2,053	-	(433)	164,348
Non-controlling interests	(21,200)	(2,053)	-	-	(23,253)
Retained earnings	(94,964)	-	-	433	(94,531)
Total effect on equity	(116,164)	(2,053)	-	433	(117,784)

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKAS 8.28(f)(i)

Impact on assets, liabilities and equity as at 31 December 2013 of the application of the amendments to HKAS 19 (as revised in 2011)	HKAS 19 adjustments
	HK$'000
Increase in retirement benefit obligation	564
Decrease in deferred tax liabilities	(141)
Decrease in net assets	423
Decrease in retained earnings	(423)
Decrease in equity	(423)

HKAS 8.28(f)(i)

Impact on cash flows for the year ended 31 December 2012 on the application of the above new and revised Standards	HKFRS 10 adjust-ments	HKFRS 11 adjust-ments	Total
	HK$'000	HK$'000	HK$'000
Net cash inflow (outflow) from operating activities	359	(251)	108
Net cash inflow (outflow) from investing activities	(600)	900	300
Net cash outflow from financing activities	(120)	(88)	(208)
Net cash inflow (outflow)	(361)	561	200

HKAS 8.28(f)(ii)

The impact of the application of the new and revised Standards on basic and diluted earnings per share is disclosed in note 17.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

2.2 New and revised HKFRSs in issue but not yet effective

Note: Entities are required to disclose in their financial statements the potential impact of new and revised HKFRSs that have been issued but are not yet effective. The disclosures below reflect a cut-off date of 30 September 2013. The potential impact of the application of any new and revised HKFRSs issued by the HKICPA after 30 September 2013 should also be considered and disclosed.

HKAS 8.30
HKAS 8.31
Sch 10:17(6)(b)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC) – Int 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

HKFRS 9 *Financial Instruments*

HKAS 8.30(a)
HKAS 8.30(b)

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss are disclosed in note 49.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

HKAS 8.30(a)
HKAS 8.30(b)

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

HKAS 8.30(a)
HKAS 8.30(b)

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

HKAS 8.30(a)
HKAS 8.30(b)

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

HKAS 8.30(a)
HKAS 8.30(b)

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HK (IFRIC) – Int 21 *Levies*

HKAS 8.30(a)
HKAS 8.30(b)

HK (IFRIC) – Int 21 *Levies* addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

HKAS 8.30(a)
HKAS 8.30(b)

[Describe the potential impact of the application of other new and revised HKFRSs, if any.]

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 1.112(a), 117, 119-121
App 16.5
GR 18.19

3. Significant accounting policies

Note: The following are <u>examples</u> of the types of accounting policies that might be disclosed in this entity's financial statements. Entities are required to disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. An accounting policy may be significant because of the nature of the entity's operations even if amounts for the current and prior periods are not material.

In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in HKFRSs.

Each entity considers the nature of its operations and the policies that users of its financial statements would expect to be disclosed for that type of entity. It is also appropriate to disclose each significant accounting policy that is not specifically required by HKFRSs, but that is selected and applied in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.*

For completeness, accounting policies have been provided for some immaterial items in these illustrative financial statements, although this is not required under HKFRSs.

Statement of compliance

HKAS 1.16

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 (Cap. 32).

Basis of preparation

HKAS 1.17(b), 112(a), 117(a)

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 1.17(b), 112(a), 117(a)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities 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 share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); 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.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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. 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.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
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When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Non-current assets held for sale

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

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.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group's Maxi-Points Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

The Group's policy for recognition of revenue from construction contracts is described in the accounting policy for construction contracts below.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy below.

HKAS 11.39(b), (c)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the 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.

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.

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

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.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

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 consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Sch 10:12(14) ***Foreign currencies***

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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 addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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

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

HKAS 20.39(a)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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.

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The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item [‘employee benefits expense’/others (please specify)]. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

LR 17.08
GR 23.08

Share-based payment arrangements

Share-based payment transactions of the Company

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 date of grant 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.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

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Share –based payment transactions of the acquiree in a business combination

When share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with HKFRS 2 *Share-based Payment* ('market-based measure') at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquiree awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with HKFRS 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.

Sch 10:12(15)

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated [statement of profit or loss and other comprehensive income/statement of profit or loss] 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.

Deferred tax

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.

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.

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

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.

HKAS 12.51C

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

HKAS 16.73(a), (b)

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
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HKAS 40.75(a)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

HKAS 38.118(b)

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

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

An internally-generated intangible asset arising from 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 reported at cost less accumulated amortisation and accumulated impairment losses, 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).

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Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 38.118(b)

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

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

HKAS 2.36(a)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on [a first-in-first-out basis or others (please specify)]. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
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Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

HKFRS 7.21 ***Financial instruments***

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.

HKFRS 7.21 *Financial assets*

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised [on a trade date basis]. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Source	Hong Kong GAAP Limited
	Notes to the consolidated financial statements for the year ended 31 December 2013 – continued
HKFRS 7.B5(e)	Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.
	Financial assets at FVTPL
	Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.
	A financial asset is classified as held for trading if:
	• it has been acquired principally for the purpose of selling it in the near term; or
	• 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
	• it is a derivative that is not designated and effective as a hedging instrument.
	A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
	• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
	• 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
	• it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.
HKFRS 7.B5(e)	Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 49.
	Held-to-maturity investments
	Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than: a) those that the entity upon initial recognition designates as at fair value through profit or loss; b) those that the entity designates as available for sale; and c) those that meet the definition of loans and receivables.
	Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).
	AFS financial assets
	AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.
	Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in

Source	Hong Kong GAAP Limited

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the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and other [please describe]) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

HKFRS 7.B5(f), 37(b)

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
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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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

HKFRS 7.21 *Financial liabilities and equity instruments*

Classification as debt or equity

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.

HKFRS 7.21 *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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.

HKFRS 7.21 *Convertible notes*

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to [share premium/other equity [please describe]. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to [retained profits/other equity [please describe]. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities at FVTPL

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.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- 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
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 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
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

HKFRS 7.B5(e)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 49.

Other financial liabilities

Other financial liabilities (including borrowings and other [please describe]) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKFRS 7.21

Derivative financial instruments

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.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

HKFRS 7.21

Hedge accounting

The Group designates certain derivatives as hedging instruments for [fair value hedges, cash flow hedges, or hedges of net investments in foreign operations].

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.

Fair value hedges

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. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Any adjustment to the carrying amount of the hedged item for the designated risk for interest-bearing financial instruments is amortised to profit or loss, with amortisation commencing no later than when the hedged item ceases to be adjusted. The amortisation is based on a recalculated effective interest rate at the date amortisation commences such that the adjustment is fully amortised by maturity.

Cash flow hedges

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.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in the cash flow hedging reserve are transferred from the cash flow hedging reserve and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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 the 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 terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

4. Critical accounting judgements and key sources of estimation uncertainty

Note: The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the performance and financial position of the entity. Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant asset and liability notes, or as part of the relevant accounting policy disclosures.

HKFRS 12.7 requires entities to disclose information about significant judgements and assumptions they have made in determining (i) whether they have control of another entity, (ii) whether they have joint control of an arrangement or significant influence over another entity, and (iii) the type of joint arrangement when the arrangement has been structured through a separate vehicle.

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.

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.

HKAS 1.122

Critical judgements in applying accounting policies

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.

Revenue recognition

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 2013, 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 2015. 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.

In making its judgement, management considered the detailed conditions set out in Note 3 for the recognition of revenue from the sale of goods 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.

Deferred taxation on investment properties

HKAS 12.51C

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Source	Hong Kong GAAP Limited
	Notes to the consolidated financial statements for the year ended 31 December 2013 – continued
HKFRS 12.7(a) HKFRS 12.9(b)	Control over C Plus Limited
	Note 59 describes that C Plus Limited is a subsidiary of the Group although the Group has only 45% ownership interest and voting rights in C Plus Limited. C Plus Limited is listed on the stock exchange of C Land. The Group has the 45% ownership since June 2010 and the remaining 55% of shareholdings are owned by thousands of shareholders that are unrelated to the Group. Details of C Plus Limited are set out in note 59.
	The directors assessed whether or not the Group has control over C Plus Limited based on whether the Group has the practical ability to direct the relevant activities of C Plus Limited unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in C Plus Limited and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of C Plus Limited and therefore the Group has control over C Plus Limited.
HKFRS 12.7(b) HKFRS 12.9(e)	Significant influence over A Plus Limited
	Note 24 describes that A Plus Limited is an associate of the Group although the Group only owns 17% ownership interest in A Plus Limited. The Group has significant influence over A Plus Limited by virtue of the contractual right to appoint two out of the six directors to the board of directors of that company.
HKFRS 12.7(b), (c)	Classification of A JV Limited and B JV Limited as joint ventures
	A JV Limited and B JV Limited are limited liability companies whose legal form confers separation between the parties to the joint arrangements and the companies themselves. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, A JV Limited and B JV Limited are classified as joint ventures of the Group. See note 25 for details.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 1.125, 129

Key sources of estimation uncertainty

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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires 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.

The carrying amount of goodwill as at 31 December 2013 was HK$20.5 million (31 December 2012: HK$24.2 million). Details of the impairment loss calculation are set out in note 22.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

HKFRS 13.93(g), IE65

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 20 and 49 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. Revenue

HKAS 18.35(b)
Sch 10:16(2)

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

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
HKAS 18.35(b)	Revenue from the sale of goods	119,248	129,087
HKAS 18.35(b)	Revenue from the rendering of services	16,388	18,215
HKAS 11.39(a)	Construction contract revenue	5,298	4,773
		140,934	152,075

See note 6 for an analysis of revenue by major products and services.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

App 16.7
GR 18.08

6. Segment information

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):*

- *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*
- *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.*

HKFRS 8.22

Information reported to the Chairman of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. In respect of the 'electronic equipment' and 'leisure goods' operations, the information reported to the chief operating decision maker is further broken down into the different sales channels. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Electronic equipment – Manufacture and sale of electronic appliances:
- wholesale distribution sales
- retail outlets sales
- internet sales

Leisure goods – Sale of sports shoes and equipment, as well as outdoor play equipment:
- wholesale distribution sales
- retail outlets sales

Computer software – Installation of computer software for specialised business applications

Construction – Construction of roads

Two operations (the manufacture and sale of toys and bicycles) were discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 11.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Segment revenues and results

HKFRS 8.23(a)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

Source		Segment revenue		Segment profit	
		Year ended 31/12/13	Year ended 31/12/12	Year ended 31/12/13	Year ended 31/12/12
		HK$'000	HK$'000 (restated)	HK$'000	HK$'000 (restated)
	Electronic equipment - wholesale distribution	37,509	39,641	6,705	10,422
	- retail outlets	20,194	22,534	7,265	5,954
	- internet sales	27,563	29,699	6,632	5,348
	Leisure goods - wholesale distribution	13,514	18,332	3,252	4,110
	- retail outlets	20,468	18,881	4,921	4,372
	Computer software	16,388	18,215	3,749	6,552
	Construction	5,298	4,773	568	522
HKFRS 8.28(a)	Total for continuing operations	140,934	152,075	33,092	37,280
	Share of profits of associates			866	1,209
	Share of profits of joint ventures			337	242
	Gain recognised on disposal of an associate			581	-
	Investment and other income			3,633	2,396
	Other gains and losses			(1,128)	(173)
	Central administration costs			(2,045)	(2,203)
	Finance costs			(4,178)	(6,313)
HKFRS 8.28(b)	Profit before tax (continuing operations)			31,158	32,438

HKFRS 8.23(b)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2012: nil).

HKFRS 8.27

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' emoluments, share of profits of associates, share of profits of joint ventures, gain recognised on disposal of an associate, investment and other income, other gains and losses, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

Segment assets and liabilities

Source			31/12/13 HK$'000	31/12/12 HK$'000 (restated)
HKFRS 8.23, 28(c)	*Segment assets*			
	Electronic equipment	- wholesale distribution	40,342	34,872
		- retail outlets	29,903	35,724
		- internet sales	27,189	37,711
	Leisure goods	- wholesale distribution	34,352	33,280
		- retail outlets	33,032	34,432
	Computer software		26,045	21,783
	Construction		15,801	16,623
	Total segment assets		206,664	214,425
	Assets relating to toy and bicycle operations (now discontinued)		22,336	19,272
	Unallocated		36,628	29,299
	Consolidated assets		265,628	262,996
HKFRS 8.23, 28(d)	*Segment liabilities*			
	Electronic equipment	- wholesale distribution	9,323	9,909
		- retail outlets	4,746	4,859
		- internet sales	2,547	2,757
	Leisure goods	- wholesale distribution	1,556	2,052
		- retail outlets	846	2,229
	Computer software		707	828
	Construction		510	203
	Total segment liabilities		20,235	22,837
	Liabilities relating to toy and bicycle operations (now discontinued)		3,684	4,982
	Unallocated		67,833	66,546
	Consolidated liabilities		91,752	94,365

HKFRS 8.27

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, interests in joint ventures, held-to-maturity investments, available-for-sale investments, held-for-trading investments, other financial assets, and current and deferred tax assets. Goodwill is allocated to segments as described in note 22. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to operating segments other than current and deferred tax liabilities, other financial liabilities, borrowings, obligations under finance leases, loan from government, and convertible notes. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

Other segment information (included in the measure of segment profit or loss or regularly provided to the chief operating decision maker)

HKFRS 8.23(e), 24(b)

		Depreciation and amortisation		Additions to non-current assets	
		Year ended 31/12/13	Year ended 31/12/12	Year ended 31/12/13	Year ended 31/12/12
		HK$'000	HK$'000 (restated)	HK$'000	HK$'000 (restated)
Electronic equipment	- wholesale distribution	3,689	4,595	4,696	2,706
	- retail outlets	2,076	2,066	1,770	1,023
	- internet sales	2,067	1,942	4,205	2,382
Leisure goods	- wholesale distribution	1,514	1,508	3,880	1,547
	- retail outlets	1,589	2,240	4,234	2,401
Computer software		957	987	2,204	1,560
Construction		520	540	290	363
		12,412	13,878	21,279	11,982

HKFRS 8.23(i)
HKAS 36.129

In addition to the depreciation and amortisation reported above, impairment losses of HK$1.204 million (2012: nil) and HK$235,000 (2012: nil) were recognised in respect of property, plant and equipment and goodwill respectively. These impairment losses were attributable to the following reportable segments:

		HK$'000
Impairment losses recognised for the year in respect of property, plant and equipment:		
Electronic equipment	- wholesale distribution	529
	- retail outlets	285
	- internet sales	390
		1,204
Impairment losses recognised for the year in respect of goodwill:		
Construction		235

HKFRS 8.23(f)

Rectification costs of HK$4.17 million disclosed in note 13 relate to the ‘electronic equipment – wholesale distribution’ 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 31/12/13	Year ended 31/12/12
	HK$000	HK$000 (restated)
Electronic equipment	85,266	91,874
Sports shoes	10,780	11,600
Sports equipment	10,239	11,485
Outdoor play equipment	12,963	14,128
Installation of computer software	16,388	18,215
Construction	5,298	4,773
	140,934	152,075

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Geographical information

The Group operates in three principal geographical areas – the People's Republic of China (excluding Hong Kong) (the PRC), Hong Kong and Malaysia.

HKFRS 8.33(a), (b)

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets* by location of assets are detailed below:

	Revenue from external customers		Non-current assets*	
	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
PRC	60,218	63,971	70,485	92,043
Hong Kong	50,898	53,797	51,597	54,745
Malaysia	24,485	25,687	15,085	18,341
European countries	5,333	8,620	4,458	8,472
	140,934	152,075	141,625	173,601

* Non-current assets exclude those relating to the toy and bicycle operations and exclude financial instruments, deferred tax assets, post-employment benefit assets and assets from insurance contracts.

Information about major customers

HKFRS 8.34

Included in revenue arising from sales of electronic equipment of HK$85.3 million (2012: HK$91.9 million) are revenue of approximately HK$15.6 million (2012: HK$19.8 million) which arose from sales to the Group's largest customer (the wholesale distribution segment). No other single customers contributed 10% or more to the Group's revenue for both 2013 and 2012.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

7. Investment and other income

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
	Continuing operations		
HKAS 18.35(b)(iii) HKFRS 7.20(b)	Interest income on:		
	Bank deposits	2,098	790
	Available-for-sale investments – listed	154	148
	Other loans and receivables	66	5
	Held-to-maturity investments – listed	245	210
	Total interest income	2,563	1,153
HKAS 18.35(b)(v)	Dividends from equity investments – listed	146	142
	– unlisted	10	12
HKAS 20.39(b)	Government grants received for staff re-training	731	979
	Rental income from investment properties	18	14
	Other	165	96
		3,633	2,396

Sch 10:13(1)(g) Included above is income from listed investments of HK$421,000 (2012: HK$401,000) and from unlisted investments of HK$134,000 (2012: HK$111,000).

The following is an analysis of investment and other income by category of asset.

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
	Available-for-sale investments	154	148
	Loans and receivables (including cash and bank balances)	2,164	795
	Held-to-maturity investments	245	210
HKFRS 7.20(b)	Total interest income earned on financial assets that are not designated as at fair value through profit or loss	2,563	1,153
	Dividend income earned on available-for-sale financial assets	156	154
	Investment income earned on non-financial assets	18	14
	Others	896	1,075
		3,633	2,396

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

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

8. Other gains and losses

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
	Continuing operations		
HKAS 1.98(c)	Gain on disposal of property, plant and equipment	6	67
HKAS 40.76(d)	Gain arising on change in fair value of investment properties	50	298
HKAS 21.52(a)	Net foreign exchange gain/(loss)	78	(166)
HKFRS 7.20(a)	Gain/(loss) arising on change in fair value of financial assets designated as at FVTPL	-	-
HKFRS 7.20(a)	Gain/(loss) arising on change in fair value of financial assets classified as held for trading	8	(10)
HKFRS 7.20(a)	Gain/(loss) arising on change in fair value of financial liabilities designated as at FVTPL	-	-
HKFRS 7.20(a)	Gain/(loss) arising on change in fair value of financial liabilities classified as held for trading	-	-
HKFRS 7.20(a)	Cumulative gain/(loss) on disposal of available-for-sale investments	-	-
HKFRS 7.24(b)	Hedge ineffectiveness in cash flow hedges	89	68
HKFRS 7.24(c)	Hedge ineffectiveness in net investment hedges	-	-
HKAS 36.126	Impairment loss recognised in respect of property, plant and equipment	(1,204)	-
HKAS 36.126	Impairment loss recognised in respect of goodwill	(235)	-
HKFRS 7.20(e)	Impairment losses on financial assets		
	- trade receivables	(63)	(430)
	- available-for-sale equity investments	-	-
	- available-for-sale debt investments	-	-
	- held-to-maturity investments	-	-
	- loans carried at amortised cost	-	-
	Reversal of impairment losses on trade receivables	103	-
	Gain on effective settlement of legal claim against Subseven Limited (see note 50)	40	-
		(1,128)	(173)

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

9. Finance costs

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
	Continuing operations		
Sch 10:13(1)(b)	Interest on:		
	Bank and other borrowings		
	- wholly repayable within five years	3,067	5,485
	- not wholly repayable within five years	794	850
	Finance leases	2	5
	Interest on interest-free government loan	188	-
	Interest on convertible notes	110	-
	Unwinding of discounts on provisions	28	-
HKFRS 7.20(b)	Total borrowing costs	4,189	6,340
HKAS 23.26(a) App 16.22(2) GR 18.22	Less: amounts capitalised in the cost of qualifying assets	(11)	(27)
		4,178	6,313
HKFRS 7.24(a)(i)	Fair value gain on interest rate swaps in a designated fair value hedge accounting relationship	(35)	(27)
HKFRS 7.24(a)(ii)	Fair value loss on hedged item attributable to the hedged risk in a designated fair value hedge accounting relationship	35	27
		-	-
		4,178	6,313

HKAS 23. 26(b) The weighted average capitalisation rate on funds borrowed generally is 8.0% per annum (2012: 7.8% per annum).

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

10. Income tax expense (relating to continuing operations)

HKAS 12.79
Sch 10:13(1)(c)

Income tax recognised in profit or loss

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
Current tax:		
Hong Kong	4,389	4,952
PRC Enterprise Income Tax	5,683	5,897
Other jurisdictions	34	55
	10,106	10,904
Under/(over) provision in prior year:		
Hong Kong	-	-
PRC Enterprise Income Tax	-	-
Other jurisdictions	-	-
	-	-
Deferred tax (see note 42):		
Current year	1,547	960
Attributable to a change in tax rate	-	-
	1,547	960
Total income tax recognised in profit or loss	11,653	11,864

Sch 10:17(3)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both years). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 12.81(c)

The tax charge for the year can be reconciled to 'profit before tax' per the consolidated [statement of profit or loss and other comprehensive income/statement of profit or loss] as follows:

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
Profit before tax (from continuing operations)	31,158	32,438
Tax at PRC Enterprise Income Tax rate of 25% (2012: 25%) (note)	7,790	8,110
Tax effect of share of profits of associates	(217)	(302)
Tax effect of share of profits of joint ventures	(84)	(61)
Tax effect of expenses not deductible for tax purpose	4,515	5,673
Tax effect of income not taxable for tax purpose	(94)	(630)
Under/(over) provision in prior year	-	-
Tax effect of [tax losses/deductible temporary differences] not recognised	-	-
Utilisation of [tax losses/deductible temporary differences] previously not recognised	-	-
Effect of different tax rates of group entities operating in jurisdictions other than PRC	(257)	(926)
Income tax expense for the year (relating to continuing operations)	11,653	11,864

Note: The PRC Enterprise Income Tax rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

HKAS 12.81(a)

Income tax recognised directly in equity

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Current tax		
[please describe]	-	-
Deferred tax		
Arising on transactions with owners:		
Initial recognition of the equity component of convertible notes	208	-
Others [please describe]	-	-
	208	-
Total income tax recognised directly in equity	208	-

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 12.81(ab)

Income tax recognised in other comprehensive income

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
Current tax		
[Please describe]	-	-
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluations of available-for-sale financial assets	(100)	19
Revaluations of effective hedging instruments in cash flow hedges	101	79
Remeasurement of defined benefit obligation	55	(15)
Others [please describe]	-	-
	56	83
Arising on reclassification of cumulative gain of effective hedging instruments in cash flow hedges from equity to profit or loss	(86)	(86)
Total income tax recognised in other comprehensive income	(30)	(3)

11. Discontinued operations

Disposal of toy manufacturing operations

HKFRS 5.30
HKFRS 5.41

On 28 September 2013, 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 on the electronic equipment and other leisure goods markets. The disposal was completed on 30 November 2013, 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.

Plan to dispose of the bicycle business

HKFRS 5.30
HKFRS 5.41

On 30 November 2013, the Directors announced a plan to dispose of the Group's bicycle business. The disposal is consistent with the Group's long-term policy to focus its activities on 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 2014. 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.

Analysis of profit for the year from discontinued operations

The combined results of the discontinued operations (i.e. toy and bicycle businesses) included in the profit for the year 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		
	Notes to the consolidated financial statements for the year ended 31 December 2013 – continued		
		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
HKFRS 5.33(b)	*Profit for the year from discontinued operations*		
	Revenue	64,435	77,892
	Other gains	30	49
	Distribution and selling expenses	(23,118)	(32,009)
	Administrative expenses	(31,817)	(32,939)
	Profit before tax	9,530	12,993
HKAS 12.81(h)	Attributable income tax expense	(2,524)	(2,998)
		7,006	9,995
	Loss on remeasurement to fair value less costs to sell	-	-
	Gain on disposal of operation (including HK$0.12 million reclassification of foreign currency translation reserve from equity to profit or loss on disposal of the operation (see note 51)	1,789	-
HKAS 12.81(h)	Attributable income tax expense	(485)	-
		1,304	-
HKFRS 5.33(d)	Profit for the year from discontinued operations (attributable to owners of the Company)	8,310	9,995
	Profit for the year from discontinued operations include the following:		
Sch 10:13(1)(a)	Depreciation and amortisation	1,767	3,472
Sch 10:15	Auditor's remuneration	150	130
HKFRS 5.33(c)	*Cash flows from discontinued operations*		
	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 2013 as a disposal group held for sale (see note 12).

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

12. Assets classified as held for sale

	31/12/13 HK$'000	31/12/12 HK$'000
Leasehold land (Note 1)	1,120	-
Assets related to bicycle business (Note 2)	21,216	-
	22,336	-
Liabilities directly associated with assets classified as held for sale (Note 2)	3,684	-

Notes:

HKFRS 5.41

1) The Group intends to dispose of a parcel of leasehold land which it no longer uses in the next 12 months. The property located on the leasehold land was previously used in the Group's toy manufacturing operations and has been fully depreciated. A search is underway for a buyer. No impairment loss was recognised on reclassification of the land as held for sale nor at 31 December 2013.

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 2014. The major classes of assets and liabilities of the bicycle business at the end of the reporting period are as follows:

Source		31/12/13 HK$'000
	Goodwill	1,147
	Property, plant and equipment	17,084
HKAS 2.36(c)	Inventories	830
	Trade receivables	1,980
	Cash and bank balances	175
	Assets of bicycle business classified as held for sale	21,216
	Trade payables	(3,254)
	Current tax liabilities	-
	Deferred tax liabilities	(430)
	Liabilities of bicycle business associated with assets classified as held for sale	(3,684)
	Net assets of bicycle business classified as held for sale	17,532

13. Profit for the year from continuing operations

HKFRS 5.33(d)

Profit for the year from continuing operations is attributable to:

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
Owners of the Company	15,113	17,347
Non-controlling interests	4,392	3,227
	19,505	20,574

Source	Hong Kong GAAP Limited		

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

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

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
HKAS 16.73(e)(vii)	Depreciation of property, plant and equipment	10,820	12,322
HKAS 38.118(d)	Amortisation of other intangible assets (included in [cost of sales/depreciation and amortisation expense/other expenses])	1,592	1,556
HKAS 1.104 Sch 10:13(1)(a)	Total depreciation and amortisation	12,412	13,878
Sch 10:15	Auditor's remuneration	2,000	1,850
HKAS 38.126	Research and development costs	502	440
HKAS 40.75(f)	Gross rental income from investment properties	(18)	(14)
	Less:		
	Direct operating expenses incurred for investment properties that generated rental income during the year	1	2
	Direct operating expenses incurred for investment properties that did not generate rental income during the year	-	-
		(17)	(12)
	Employee benefits expense:		
	Post employment benefits		
HKAS 19.51	Defined contribution plans	160	148
HKAS 19.56-60	Defined benefit plans	846	786
		1,006	934
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 19.165, 169	Termination benefits	-	-
	Other employee benefits	8,851	10,613
HKAS 1.104	Total employee benefits expense	10,075	11,793
HKAS 2.36(d)	Cost of inventories recognised as an expense	86,780	90,100

HKAS 1.97

Costs of HK$4.17 million (2012: 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 2015. An amount of 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 2014 and 2015 (see note 40).

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

14. Directors' and chief executive's emoluments

s161
s161A
App 16.24
GR 18.28
App 16.24 note 5
GR 18.28 note 6

The emoluments paid or payable to each of the six (2012: six) directors and the chief executive were as follows:

2013	Directors						Chief executive	
	Gary D.K. Wong	Daniel D.D. Lee	Derek S.Y. Wong	Tiara Cheung	Florence K.Y. Tang	John Banks	Bruno Gimeli	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	-	-	-	100	100	100	-	300
Other emoluments								
Salaries and other benefits	600	200	200	-	-	-	120	1,120
Contributions to retirement benefits schemes	5	5	5	-	-	-	3	18
Share-based payments	60	60	-	-	-	-	33	153
Discretionary and performance related incentive payments (Note)	80	70	70	-	-	-	-	220
Total emoluments	745	335	275	100	100	100	156	1,811

2012	Directors						Chief executive	
	Gary D.K. Wong	Daniel D.D. Lee	Derek S.Y. Wong	Tiara Cheung	Florence K.Y. Tang	John Banks	Bruno Gimeli	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	-	-	-	100	100	100	-	300
Other emoluments								
Salaries and other benefits	580	150	150	-	-	-	108	988
Contributions to retirement benefits schemes	5	5	5	-	-	-	6	21
Share-based payments	160	35	-	-	-	-	24	219
Discretionary and performance related incentive payments (Note)	50	70	70	-	-	-	-	190
Total emoluments	795	260	225	100	100	100	138	1,718

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

Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2013 (2012: nil).

App 16.24 note 5
GR 18.28 note 6

Note: The requirement to disclose the remuneration of a chief executive is effective for annual periods ending on or after 1 January 2013. The separate disclosure is required only for a chief executive who is not a director. If the chief executive is also a director, no separate disclosure in respect of the chief executive's remuneration is necessary; however, that fact should be disclosed.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

App 16.25
GR 18.30

15. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2012: three) were directors of the Company whose emoluments are included in the disclosures in note 14 above. The emoluments of the remaining two (2012: two) individuals were as follows:

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'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	-	-
	260	230

Their emoluments were all within HK$nil to 1,000,000.

App 14.B.1.8
GR App 15.B.1.8

Note: In accordance with the recommended best practices laid down in the corporate governance code, an entity should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in its annual report.

Sch 10:13(1)(j)

16. Dividends

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Dividends recognised as distributions during the year:		
2013 Interim, paid - HK10.00 cents per share (2012: nil)	2,300	-
2012 Final, paid - HK17.80 cents per share (2012: 2010 Final, paid HK27.76 cents per share)	4,096	6,387
	6,396	6,387

HKAS 1.137(a)
HKAS 10.13

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2013 of HK23.31 cents per share (2012: HK17.80 cents per share in respect of the year ended 31 December 2012) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – 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:

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
HKAS 33.70(a)	*Earnings*		
	Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	23,423	27,342
	Effect of dilutive potential ordinary shares:		
	Adjustment in relation to share options issued by subsidiaries of the Company	(83)	(70)
	Interest on convertible notes (net of tax)	92	-
	Earnings for the purpose of diluted earnings per share	23,432	27,272

Source		Year ended 31/12/13 '000	Year ended 31/12/12 '000
HKAS 33.70(b)	*Number of shares*		
	Weighted average number of ordinary shares for the purpose of basic earnings per share	22,496	23,005
	Effect of dilutive potential ordinary shares:		
	Share options issued by the Company	73	91
	Convertible notes	1,203	-
	Weighted average number of ordinary shares for the purpose of diluted earnings per share	23,772	23,096

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

From continuing operations

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 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
Profit for the year attributable to owners of the Company	23,423	27,342
Less:		
Profit for the year from discontinued operations	(8,310)	(9,995)
Earnings for the purpose of basic earnings per share from continuing operations	15,113	17,347
Effect of dilutive potential ordinary shares:		
Adjustment in relation to share options issued by subsidiaries of the Company	(83)	(70)
Interest on convertible notes (net of tax)	92	-
Earnings for the purpose of diluted earnings per share from continuing operations	15,122	17,277

HKAS 33.70(b) The denominators used are the same as those detailed above for both basic and diluted earnings per share.

HKAS 33.68

From discontinued operations

Basic earnings per share for the discontinued operations is HK36.94 cents per share (2012: HK43.45 cents per share) and diluted earnings per share for the discontinued operations is HK34.96 cents per share (2012: HK43.28 cents per share), based on the profit for the year from the discontinued operations of HK$8.310 million (2012: HK$9.995 million) and the denominators detailed above for both basic and diluted earnings per share.

Impact of changes in accounting policies

HKFRS 10.C2A
HKFRS 11.C1B

Note: When an entity applies an HKFRS for the first time that has an effect on the current or prior period, HKAS 8.28(f) requires the entity to disclose, for the current and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected and for basic and diluted earnings per share. HKFRS 10 and HKFRS 11 contain specific transitional provisions that require entities to disclose only the effect for the period immediately preceding the date of initial application of the Standards (i.e. 2012). Therefore, the table below does not present the effect for the current period (i.e. 2013) regarding the application of HKFRS 10 and HKFRS 11.

HKAS 8.28(f)(ii) Changes in the Group's accounting policies during the year are described in detail in note 2. The changes in accounting policies affected only the Group's results from continuing operations.

The table below summarises that impact on both basic and diluted earnings per share.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

	Decrease in profit for the year attributable to the owners of the Company		Decrease in basic earnings per share		Decrease in diluted earnings per share	
	Year ended 31/12/13	Year ended 31/12/12	Year ended 31/12/13	Year ended 31/12/12	Year ended 31/12/13	Year ended 31/12/12
	HK$'000	HK$'000	Cents per share	Cents per share	Cents per share	Cents per share
Changes in accounting policies relating to (see note 2):						
- Application of HKFRS 10	N/A	-	N/A	-	N/A	-
- Application of HKFRS 11	N/A	-	N/A	-	N/A	-
- Application of HKAS 19 (as revised in 2011)	(155)	(172)	(0.69)	(0.75)	(0.65)	(0.74)
- Others (please specify)	-	-	-	-	-	-
	(155)	(172)	(0.69)	(0.75)	(0.65)	(0.74)

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

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

18. Property, plant and equipment

	Source	Leasehold land HK$'000	Buildings HK$'000	Property under construction HK$'000	Plant and equipment HK$'000	Equipment under finance lease HK$'000	Total HK$'000
Cost							
Balance at 1 January 2012 (restated)		19,055	13,972	-	157,794	630	191,451
Additions		-	895	-	10,657	40	11,592
Disposals		-	-	-	(25,788)	-	(25,788)
Effect of foreign currency exchange differences		(860)	-	-	(1,498)	-	(2,358)
Balance at 31 December 2012 (restated)		18,195	14,867	-	141,165	670	174,897
Additions		-	-	-	20,183	-	20,183
Disposals		(1,439)	-	-	(12,401)	(624)	(14,464)
Construction expenditure capitalised	HKAS 16.74(b)	-	-	-	-	-	-
Derecognised on disposal of a subsidiary		-	-	-	(8,419)	-	(8,419)
Acquisitions through business combinations		-	-	-	512	-	512
Reclassified as held for sale		(1,260)	(1,357)	-	(22,045)	-	(24,662)
Effect of foreign currency exchange differences		309	-	-	1,673	-	1,982
Balance at 31 December 2013		15,805	13,510	-	120,668	46	150,029
Accumulated depreciation and impairment							
Balance at 1 January 2012 (restated)		(2,132)	(1,551)	-	(26,733)	(378)	(30,794)
Eliminated on disposals of assets		-	-	-	4,610	-	4,610
Depreciation expense		(1,002)	(947)	-	(13,715)	(130)	(15,794)
Effect of foreign currency exchange differences		(3)	(2)	-	760	-	755
Balance at 31 December 2012 (restated)		(3,137)	(2,500)	-	(35,078)	(508)	(41,223)
Eliminated on disposals of assets		-	106	-	3,602	500	4,208
Eliminated on disposal of a subsidiary		-	-	-	2,757	-	2,757
Eliminated on reclassification as held for sale		140	153	-	6,165	-	6,458
Impairment losses recognised in profit or loss	HKAS 36.126(a)	-	-	-	(1,204)	-	(1,204)
Reversals of impairment losses recognised in profit or loss	HKAS 36.126(b)	-	-	-	-	-	-
Depreciation expense		(801)	(774)	-	(11,002)	(10)	(12,587)
Effect of foreign currency exchange differences		-	-	-	(1,423)	-	(1,423)
Balance at 31 December 2013		(3,798)	(3,015)	-	(36,183)	(18)	(43,014)
Carrying amounts							
Balance at 31 December 2013		12,007	10,495	-	84,485	28	107,015
Balance at 31 December 2012 (restated)		15,058	12,367	-	106,087	162	133,674

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 16.73(c)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease, and 20 – 30 years
Plant and equipment	7 – 20%
Equipment under finance lease	20%

Impairment losses recognised in the current year

HKAS 36.130(a) to (g)
HKAS 36.131

During the year, as the result of the unexpected poor performance of a manufacturing plant, the Group carried out a review of the recoverable amount of that manufacturing plant and the related equipment. These assets are used in the Group's electronic equipment reportable segments. The review led to the recognition of an impairment loss of HK$1.09 million, which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 9% per annum. No impairment assessment was performed in 2012 as there was no indication of impairment.

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.

HKAS 36.126(a)

The impairment losses have been included in profit or loss in the ['other gains and losses'] line item.

Sch 10:12(9)
Sch 10:31(c)

The carrying value of land shown above comprises:

	31/12/13 HK$'000	31/12/12 HK$'000
Land in Hong Kong:		
Long lease	-	-
Medium-term lease	1,600	1,700
	1,600	1,700
Land outside Hong Kong:		
Freehold	-	-
Long lease	7,507	10,210
Medium-term lease	2,900	3,148
Short lease	-	-
	10,407	13,358
	12,007	15,058

Assets pledged as security

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

Leasehold land and buildings with a carrying amount of approximately HK$22.5 million (31 December 2012: approximately HK$27.4 million) have been pledged to secure general banking facilities granted to the Group.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

Sch 10:12(9)

19. Prepaid lease payments

	31/12/13 HK$'000	31/12/12 HK$'000
The Group's prepaid lease payments comprise:		
Land outside Hong Kong		
Long lease	-	-
Medium term lease	2,400	2,500
Short lease	-	-
	2,400	2,500
Analysed for reporting purposes as:		
Current assets (included in trade and other receivables)	100	100
Non-current assets	2,300	2,400
	2,400	2,500

20. Investment properties

	31/12/13 HK$'000	31/12/12 HK$'000
Completed investment properties	2,086	1,942

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
HKAS 40.76	***At fair value***		
	Completed investment properties		
HKFRS 13.93(e)	Balance at beginning of year	1,942	1,670
	Additions	100	32
	Disposals	-	(58)
	Gain on property revaluation	50	298
	Effect of foreign currency exchange differences	(6)	-
	Balance at end of year	2,086	1,942
HKFRS 13.93(f)	Unrealised gain on property revaluation included in profit or loss (included in other gains and losses)	50	298

HKAS 40.75(b) — The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

HKAS 40.75(g), Sch 10:12(4) — The Group's investment properties have been pledged to secure general banking facilities granted to the Group.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Sch 10:12(9)

The carrying amounts of investment properties shown above comprises:

	31/12/13 HK$'000	31/12/12 HK$'000
Land in Hong Kong:		
Long lease	-	-
Medium-term lease	2,086	1,942
Land outside Hong Kong:		
Long lease	-	-
Medium-term lease	-	-
Short lease	-	-
	2,086	1,942

20.1 Fair value measurement of the Group's investment properties

HKAS 40.75(e)
HKFRS 13.91(a), 93(d)

The fair value of the Group's investment properties as at 31 December 2013 and 31 December 2012 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs [XYZ], independent qualified professional valuers not connected to the Group.

The fair value was determined [based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties/ others (please describe).]

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

HKFRS 13.93(d)
HKFRS 13.93(h)(i)

One of the key inputs used in valuing the investment properties was the discount rates used, which ranged from 5.1% to 7.4%. A slight increase in the discount rate used would result in a significant decrease in fair value measurement of the investment properties, and vice versa.

HKFRS 13.93(a), (b)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 31/12/13 HK$'000
Commercial property units located in Hong Kong	-	-	2,086	2,086

HKFRS 13.93(e)(iv)

There were no transfers into or out of Level 3 during the year.

HKFRS 13.95

[Where there had been a transfer between the different levels of the fair value hierarchy, the Group should disclose the reasons for the transfer and the Group's policy for determining when transfers between levels are deemed to have occurred (for example, at the beginning or end of the reporting period or at the date of the event that caused the transfer).]

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Note: Fair value hierarchy

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The above categorisations are for illustrative purpose only.

HKFRS 13.C3

Transitional provisions

HKFRS 13 contains specific transitional provisions such that entities that apply HKFRS 13 for the first time do not need to make the disclosures required by the Standard in comparative information provided for periods before initial application of the Standard. Nevertheless, an entity should provide disclosures for the prior period that were required by the then applicable Standards.

HKFRS 13.97

Fair value disclosures for investment properties measured using the cost model

For investment properties that are measured using the cost model, HKAS 40.79(e) requires the fair value of the properties to be disclosed in the notes to the financial statements. In that case, the fair value of the properties (for disclosure purpose) should be measured in accordance with HKFRS 13. In addition, HKFRS 13.97 requires the following disclosures:

- *at which level fair value measurement is categorised (i.e. Level 1, 2 or 3);*
- *where the fair value measurement is categorised within Level 2 or Level 3, a description of the valuation technique(s) and the inputs used in the fair value measurement; and*
- *the highest and best use of the properties (if different from their current use) and the reasons why the properties are being used in a manner that is different from their highest and best use.*

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

21. Goodwill

Source		31/12/13 HK$'000	31/12/12 HK$'000 (restated)
HKFRS 3.B67(d)	***Cost***		
	Balance at beginning of year	24,260	24,120
	Additional amounts recognised from business combinations occurring during the year (see note 50)	478	-
	Derecognised on disposal of a subsidiary (see note 51)	(3,080)	-
	Reclassified as held for sale (see note 12)	(1,147)	-
	Effect of foreign currency exchange differences	209	140
	Others [please describe]	-	-
	Balance at end of year	20,720	24,260
	Accumulated impairment losses		
	Balance at beginning of year	-	-
HKAS 36.126(a)	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	(235)	-
	Carrying amounts		
	Balance at 31 December	20,485	24,260

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

22. Impairment testing on goodwill

HKAS 36.134, 135

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

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

Before recognition of impairment losses, the carrying amount of goodwill (other than goodwill relating to discontinued operations) was allocated to groups of cash-generating units as follows:

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
Leisure goods – retail outlets	9,929	9,820
Electronic equipment – internet sales	9,056	8,478
Construction operations – Murphy Construction	235	235
Construction operations – other	1,500	1,500
	20,720	20,033

Leisure goods – retail outlets

The recoverable amount of this group of cash-generating units 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 (2012: 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 group of units to exceed the aggregate its recoverable amount.

Electronic equipment – internet sales

The recoverable amount of the 'electronic equipment – internet sales' segment as a 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 (2012: 12.5% per annum). Cash flows beyond that five-year period have been extrapolated using a steady growth rate of 11% per annum (2012: 11%). This growth rate exceeds the long-term average growth rate for the international electronic equipment market by 0.5 percentage points. 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 2007, which is still acknowledged as one of the top models in the market. The steady growth rate of 11% is estimated by the directors based on past performance and their expectations of market development. The directors estimate that a decrease in growth rate by 1 to 5% would result in the aggregate carrying amount of the cash-generating unit exceeding the recoverable amount of the cash-generating unit by approximately HK$ 1 to 5 million. The directors believe that any reasonably possible change in the other key assumptions on which recoverable amount is based would not cause the 'electronic equipment – internet sales' carrying amount to exceed its recoverable amount.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Construction operations – Murphy Construction

HKAS 36.130

The goodwill associated with Murphy Construction arose when that business was acquired by the Group in 2006. The business has continued to operate on a satisfactory basis, but without achieving any significant increase in market share. During the year, the government of A Land introduced new regulations requiring registration and certification of builders for government contracts. In the light of the decision to focus the Group's construction activities through the other operating units in Subthree Limited, the directors have decided not to register Murphy Construction for this purpose, which means that it has no prospects of obtaining future contracts. The directors have consequently determined to write off the goodwill directly related to Murphy Construction amounting to HK$235,000. No other write-down of the assets of Murphy Construction is considered necessary. Contracts in progress at the end of the year will be completed without loss to the Group.

The impairment loss has been included in profit or loss in the 'other gains and losses' line item.

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 (2012: 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 and are 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

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

23. Other intangible assets

Source		Capitalised development costs HK$'000	Patents HK$'000	Trademarks HK$'000	Licences HK$'000	Total HK$'000
HKAS 38.118(c),(e)	***Cost***					
	Balance at 1 January 2012	3,230	5,825	4,711	6,940	20,706
	Additions	-	-	-	-	-
	Additions from internal developments	358	-	-	-	358
	Acquisitions through business combinations	-	-	-	-	-
	Disposals or reclassified as held for sale	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Others [please describe]	-	-	-	-	-
	Balance at 31 December 2012	3,588	5,825	4,711	6,940	21,064
	Additions	-	-	-	-	-
	Additions from internal developments	6	-	-	-	6
	Acquisitions through business combinations	-	-	-	-	-
	Disposals or reclassified as held for sale	-	-	-	-	-
	Effect of foreign currency exchange differences	-	-	-	-	-
	Others [please describe]	-	-	-	-	-
	Balance at 31 December 2013	3,594	5,825	4,711	6,940	21,070
	Accumulated amortisation and impairment					
	Balance at 1 January 2012	(1,000)	(874)	(3,533)	(2,776)	(8,183)
	Amortisation expense	(682)	(291)	(236)	(347)	(1,556)
	Disposals or reclassified as held for sale	-	-	-	-	-
HKAS 36.130(b)	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	-	-	-	-	-
	Others [please describe]	-	-	-	-	-
	Balance at 31 December 2012	(1,682)	(1,165)	(3,769)	(3,123)	(9,739)
	Amortisation expense	(718)	(291)	(236)	(347)	(1,592)
	Disposals or reclassified as held for sale	-	-	-	-	-
HKAS 36.130(b)	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	-	-	-	-	-
	Others [please describe]	-	-	-	-	-
	Balance at 31 December 2013	(2,400)	(1,456)	(4,005)	(3,470)	(11,331)
	Carrying amounts					
	Balance at 31 December 2013	1,194	4,369	706	3,470	9,739
	Balance at 31 December 2012	1,906	4,660	942	3,817	11,325

HKAS 38.118(a) The following useful lives are used in the calculation of amortisation:

Capitalised development costs	5 years
Patents	20 years
Trademarks	20 years
Licences	20 years

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

24. Interests in associates

Details of the Group's interests in associates are as follows:

Source		31/12/13 HK$'000	31/12/12 HK$'000 (restated)
Sch 10:9(1)(a)	Cost of investments in associates		
	Listed in Hong Kong	-	-
	Listed outside Hong Kong	-	-
	Unlisted	2,624	2,824
	Share of post-acquisition profits and other comprehensive income, net of dividends received	2,695	2,766
		5,319	5,590
HKFRS 12.21(b)(iii)	Fair value of listed investments	-	-

HKFRS 12.21(a) s129(1)&(2) s129(4)&(5)

Details of each of the Group's material associates at the end of the reporting period are as follow:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
A Plus Limited	Incorporated	A Land	A Land	Ordinary	17%	17% (Note 1)	Transport
B Plus Limited	Incorporated	B Land	B Land	Ordinary	56%	56% (Note 2)	Finance

Note: To illustrate the disclosure requirements of HKFRS 12, it is assumed that the Group only has two material associates, A Plus Limited and B Plus Limited.

Notes:

HKFRS 12.9(e)

1) The Group is able to exercise significant influence over A Plus Limited because it has the power to appoint two out of the six directors of that company under the Articles of Association of that company.

HKFRS 12.9(d)

2) The Group holds 56% of the issued share capital of B Plus Limited. However, under a shareholders' agreement, the other shareholder controls the composition of the board of directors of B Plus Limited and has control over B Plus Limited. The directors of the Company consider that the Group does have significant influence over B Plus Limited and it is therefore classified as an associate of the Group.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

24.1 Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

HKFRS 12.21(b)(i) — All of these associates are accounted for using the equity method in these consolidated financial statements.

HKFRS 12.21(b)(ii), HKFRS 12.B12, HKFRS 12.B14(a)

A Plus Limited

	31/12/13 HK$'000	31/12/12 HK$'000
Current assets	19,151	18,442
Non-current assets	18,460	17,221
Current liabilities	(15,981)	(14,220)
Non-current liabilities	(6,206)	(8,290)

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Revenue	5,790	5,890
Profit or loss from continuing operations	2,271	2,262
Post-tax profit (loss) from discontinued operations	-	-
Profit (loss) for the year	2,271	2,262
Other comprehensive income for the year	-	-
Total comprehensive income for the year	2,271	2,262
Dividends received from the associate during the year	-	-

HKFRS 12.B14(b) — Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/13 HK$'000	31/12/12 HK$'000
Net assets of the associate	15,424	13,153
Proportion of the Group's ownership interest in A Plus Limited	17%	17%
Goodwill	-	-
Effect of fair value adjustments at acquisition	-	-
Other adjustments (please specify)	-	-
Carrying amount of the Group's interest in A Plus Limited	2,622	2,236

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKFRS 12.21(b)(ii)
HKFRS 12.B12
HKFRS 12.B14(a)

B Plus Limited

	31/12/13 HK$'000	31/12/12 HK$'000
Current assets	7,570	7,269
Non-current assets	4,574	3,579
Current liabilities	(3,562)	(3,061)
Non-current liabilities	(4,228)	(4,216)

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Revenue	2,554	2,560
Profit or loss from continuing operations	783	833
Post-tax profit (loss) from discontinued operations	-	-
Profit (loss) for the year	783	833
Other comprehensive income for the year	-	-
Total comprehensive income for the year	783	833
Dividends received from the associate during the year	30	22

HKFRS 12.B14(b)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/13 HK$'000	31/12/12 HK$'000
Net assets of the associate	4,354	3,571
Proportion of the Group's ownership interest in B Plus Limited	56%	56%
Goodwill	-	-
Effect of fair value adjustments at acquisition	-	-
Other adjustments (please specify)	-	-
Carrying amount of the Group's interest in B Plus Limited	2,438	2,000

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKFRS 12.21(c)(ii)
HKFRS 12.B16

Aggregate information of associates that are not individually material	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
The Group's share of profit (loss) from continuing operations	42	358
The Group's share of post-tax profit (loss) from discontinued operations	-	-
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive income	42	358
Aggregate carrying amount of the Group's interests in these associates	259	1,354

HKFRS 12.22(c)

Unrecognised share of losses of an associate	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
The unrecognised share of loss of an associate for the year	-	-

	31/12/13 HK$'000	31/12/12 HK$'000
Cumulative share of loss of an associate	-	-

24.2 Change in ownership interest in an associate

HKAS 28.22

In the prior year, the Group held a 40% interest in E Plus Limited and accounted for the investment as an associate. In December 2013, the Group disposed of a 30% interest in E Plus Limited to a third party for proceeds of HK$1.245 million (received in January 2014). The Group has accounted for the remaining 10% interest as an available-for-sale investment whose fair value at the date of disposal was HK$360,000, which was determined using a discounted cash flow model (please describe key factors and assumptions used in determining the fair value). This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

	HK$'000
Proceeds of disposal	1,245
Plus: fair value of investment retained (10%)	360
Less: carrying amount of the 40% investment on the date of loss of significant influence	(1,024)
Gain recognised	581

The gain recognised in the current year comprises a realised profit of HK$477,000 (being the proceeds of HK$1.245 million less HK$768,000 carrying amount of the interest disposed of) and an unrealised profit of HK$104,000 (being the fair value less the carrying amount of the 10% interest retained). A current tax expense of HK$143,000 arose on the gain realised in the current year, and a deferred tax expense of HK$32,000 has been recognised in respect of the portion of the profit recognised that is not taxable until the remaining interest is disposed of.

24.3 Significant restriction

HKFRS 12.22(a)

[When there are significant restrictions on the ability of associates to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group, the Group should disclose the nature and extent of significant restrictions in the financial statements. Please see HKFRS 12.22(a) for details.]

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

25. Joint ventures

Note: Similar to the disclosures applicable to associates, HKFRS 12 requires the following information to be disclosed for each of the Group's material joint ventures. In this model, the Group has only two joint ventures, A JV Limited and B JV Limited, and for illustrative purposes, both entities are assumed to be material to the Group.

Details of the Group's investments in joint ventures are as follows:

		31/12/13 HK$'000	31/12/12 HK$'000 (restated)
	Cost of investments in joint ventures		
	Listed in Hong Kong	-	-
	Listed outside Hong Kong	-	-
	Unlisted	1,820	1,820
	Share of post-acquisition profits and other comprehensive income, net of dividends received	2,179	1,842
		3,999	3,662
HKFRS 12.21(b)(iii)	Fair value of listed investments	-	-

HKFRS 12.21(a) Details of the Group's material joint ventures at the end of the reporting period are as follows:

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

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
A JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	25%	25%	Manufacture of electronic equipment
B JV Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	40%	40%	Manufacture of electronic equipment

25.1 Summarised financial information of material joint ventures

HKFRS 12.B14 Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

HKFRS 12.21(b)(i) The joint ventures are accounted for using the equity method in these consolidated financial statements.

HKFRS 12.21(b)(ii)
HKFRS 12.B12
HKFRS 12.B14(a)

A JV Limited

	31/12/13 HK$'000	31/12/12 HK$'000
Current assets	5,454	7,073
Non-current assets	23,887	20,769
Current liabilities	(2,836)	(3,046)
Non-current liabilities	(13,721)	(13,033)

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKFRS 12.B13 The above amounts of assets and liabilities include the following:

Cash and cash equivalents	-	-
Current financial liabilities (excluding trade and other payables and provisions)	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	(13,721)	(13,033)

		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
HKFRS 12.B12	Revenue	6,436	6,076
	Profit or loss from continuing operations	1,021	733
	Post-tax profit (loss) from discontinued operations	-	-
	Profit (loss) for the year	1,021	733
	Other comprehensive income for the year	-	-
	Total comprehensive income for the year	1,021	733
	Dividends received from A JV Limited during the year	-	-

HKFRS 12.B13 The above profit (loss) for the year include the following:

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Depreciation and amortisation	200	180
Interest income	-	-
Interest expense	56	48
Income tax expense	-	-

HKFRS 12.B14(b) Reconciliation of the above summarised financial information to the carrying amount of the interest in A JV Limited recognised in the consolidated financial statements:

	31/12/13 HK$'000	31/12/12 HK$'000
Net assets of A JV Limited	12,784	11,763
Proportion of the Group's ownership interest in A JV Limited	25%	25%
Goodwill	-	-
Effect of fair value adjustments at acquisition	-	-
Other adjustments (please specify)	-	-
Carrying amount of the Group's interest in A JV Limited	3,196	2,941

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKFRS 12.21(b)(ii)
HKFRS 12.B12
HKFRS 12.B14(a)

B JV Limited

Source		31/12/13 HK$'000	31/12/12 HK$'000
	Current assets	1,091	1,414
	Non-current assets	7,344	4,154
	Current liabilities	(568)	(609)
	Non-current liabilities	(5,861)	(3,157)
HKFRS 12.B13	The above amounts of assets and liabilities include the following:		
	Cash and cash equivalents	-	-
	Current financial liabilities (excluding trade and other payables and provisions)	-	-
	Non-current financial liabilities (excluding trade and other payables and provisions)	(5,861)	(3,157)

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
HKFRS 12.B12	Revenue	1,288	1,215
	Profit or loss from continuing operations	204	147
	Post-tax profit (loss) from discontinued operations	-	-
	Profit (loss) for the year	204	147
	Other comprehensive income for the year	-	-
	Total comprehensive income for the year	204	147
	Dividends received from the joint venture during the year	-	-

HKFRS 12.B13 The above profit (loss) for the year include the following:

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Depreciation and amortisation	36	33
Interest income	-	-
Interest expense	5	8
Income tax expense	-	-

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKFRS 12.B14(b)

Reconciliation of the above summarised financial information to the carrying amount of the interest in B JV Limited recognised in the consolidated financial statements:

	31/12/13 HK$'000	31/12/12 HK$'000
Net assets of the joint venture	2,006	1,802
Proportion of the Group's ownership interest in B JV Limited	40%	40%
Goodwill	-	-
Effect of fair value adjustments at acquisition	-	-
Other adjustments (please specify)	-	-
Carrying amount of the Group's interest in B JV Limited	803	721

HKFRS 12.21(c)(i)
HKFRS 12.B16

Aggregate information of joint ventures that are not individually material	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
The Group's share of profit (loss) from continuing operations	-	-
The Group's share of post-tax profit (loss) from discontinued operations	-	-
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive income	-	-

HKFRS 12.22(c)

Unrecognised share of losses of a joint venture	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
The unrecognised share of loss of a joint venture for the year	-	-

	31/12/13 HK$'000	31/12/12 HK$'000
Cumulative share of loss of a joint venture	-	-

25.2 Significant restriction

HKFRS 12.22(a)

[When there are significant restrictions on the ability of joint ventures to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group, the Group should disclose the nature and extent of significant restrictions in the financial statements. Please see HKFRS 12.22(a) for details.]

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKFRS 7.7
HKFRS 7.8(b)

26. Held-to-maturity investments

Held-to-maturity investments comprise:

	31/12/13 HK$'000	31/12/12 HK$'000
Debt securities (Note)	6,863	5,262
Analysed for reporting purposes as:		
Current assets	4,804	3,604
Non-current assets	2,059	1,658
	6,863	5,262

HKFRS 7.7

Note: The Group's held-to-maturity investments represent debt securities that are issued by financial institutions and are listed in Hong Kong, and carry fixed interest at 6%-7.5% (2012: 6.5%-7.5%) per annum, payable monthly, and will mature from March 2014 to March 2015 (2012: March 2013 to March 2015). None of these assets has been past due or impaired at the end of the reporting period.

27. Available-for-sale investments

HKFRS 7.7
HKFRS 7.8(d)
Sch 10:9(1)(a)
Sch 10:9(3)

Available-for-sale investments comprise:

	31/12/13 HK$'000	31/12/12 HK$'000
Listed investments:		
- Equity securities listed in Hong Kong	2,560	2,315
- Debt securities listed in Hong Kong (Note 1)	2,200	2,122
	4,760	4,437
Unlisted investments:		
- Equity securities (Note 2)	840	420
Total	5,600	4,857
Analysed for reporting purposes as:		
Current assets	-	-
Non-current assets	5,600	4,857
	5,600	4,857

Notes:

1) The Group holds listed redeemable notes with fixed interest of 7% (2012: 7%) per annum. The notes are redeemable at par value in 2015 (2012: redeemable at par value in 2015). The notes are held with a single counterparty with an AA credit rating. The Group holds no collateral over this balance.

HKFRS 12.9(d)
2012: HKAS 28.37(d)

2) The Group holds 20% (2012: 20%) of the ordinary share capital of Rocket Corp Limited, a company involved in the refining and distribution of fuel products. The directors of the Company do not believe that the Group is able to exercise significant influence over Rocket Corp Limited as the other 80% of the ordinary share capital is held by one shareholder, who also manages the day-to-day operations of that company.

   At 31 December 2013, the Group also holds a 10% interest in E Plus Limited (see note 24.2).

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

28. Finance lease receivables

	31/12/13 HK$'000	31/12/12 HK$'000
Current finance lease receivables	198	188
Non-current finance lease receivables	830	717
	1,028	905

Leasing arrangements

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.

Amounts receivable under finance leases

HKAS 17.47(a)

Source		Minimum lease payments		Present value of minimum lease payments	
		31/12/13 HK$'000	31/12/12 HK$'000	31/12/13 HK$'000	31/12/12 HK$'000
	Not later than one year	282	279	198	188
	Later than one year and not later than five years	1,074	909	830	717
		1,356	1,188	1,028	905
HKAS 17.47(b)	Less: unearned finance income	(328)	(283)	n/a	n/a
	Present value of minimum lease payments receivable	1,028	905	1,028	905
HKAS 17.47(d)	Allowance for uncollectible lease payments	-	-	-	-
		1,028	905	1,028	905

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 2012: 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 2012: 11%) per annum.

HKFRS 7.15 — Finance lease receivable balances are secured over the storage equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

HKFRS 7.36(c) — The finance lease receivables at the end of the reporting period are neither past due nor impaired.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKAS 2.36(b)

29. Inventories

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
Raw materials	4,732	3,672
Work in progress	4,790	4,554
Finished goods	9,492	11,862
	19,014	20,088

HKAS 1.61

Inventories of HK$1.29 million (31 December 2012: HK$0.86 million) are expected to be recovered after more than twelve months.

30. Trade and other receivables

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
Trade receivables	18,914	14,156
Allowance for doubtful debts	(798)	(838)
	18,116	13,318
Deferred sales proceeds		
- toy manufacturing operations (see note 51)	960	-
- partial disposal of E Plus Limited (see note 24)	1,245	-
Prepaid lease payments (see note 19)	100	100
Others [please describe]	194	460
	20,615	13,878

HKFRS 7.14(a), 42D(a), (b), (c), (f)

During the year, the Group discounted trade receivables with an aggregate carrying amount of HK$3.102 million to a bank for cash proceeds of HK$3 million (2012: nil). If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 36).

HKFRS 7.42D(e)

At the end of the reporting period, the carrying amount of the trade receivables that have been transferred but have not been derecognised amounted to HK$2.792 million and the carrying amount of the associated liability is HK$2.769 million.

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, which approximates the respective revenue recognition dates. The analysis below includes those classified as part of a disposal group held for sale, net of allowance for doubtful debts:

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
0-60 days	18,534	12,185
61-90 days	1,100	800
91-120 days	462	333
	20,096	13,318

HKFRS 7.36(c), 37

The average credit period on sales of goods is 60 days. No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowances for doubtful debts are recognised against trade receivables between 61 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

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 2012: 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 2012: 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.

HKFRS 7.37

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts (which include interest accrued) are still considered recoverable.

HKFRS 7.37(a)

Age of receivables that are past due but not impaired

	31/12/13 HK$'000	31/12/12 HK$'000
Overdue by:		
1-30 days	300	190
31-60 days	211	256
61-90 days	251	77
Total	762	523
Average age (days)	62	52

HKFRS 7.16

Movement in the allowance for doubtful debts

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Balance at beginning of the year	838	628
Impairment losses recognised on receivables	63	430
Amounts written off during the year as uncollectible	-	(220)
Amounts recovered during the year	-	-
Impairment losses reversed	(103)	-
Foreign exchange translation gains and losses	-	-
Balance at end of year (HKFRS 7.20(e))	798	838

HKFRS 7.33(a), (b)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

HKFRS 7.37(b)

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of HK$63,000 (31 December 2012: HK$52,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

HKFRS 7.37(b)

Age of impaired trade receivables

	31/12/13 HK$'000	31/12/12 HK$'000
Overdue by:		
60-90 days	353	320
91-120 days	101	201
>120 days	344	317
Total	798	838

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

31. Amounts due from (to) customers for contract work

Source		31/12/13 HK$'000	31/12/12 HK$'000
	Contracts in progress at the end of the reporting period		
HKAS 11.40(a)	Contract costs incurred plus recognised profits less recognised losses	1,517	1,386
	Less: progress billings	(1,313)	(1,171)
		204	215
	Analysed for reporting purposes as:		
HKAS 11.42(a)	Amounts due from contract customers	240	230
HKAS 11.42(b)	Amounts due to contract customers	(36)	(15)
		204	215

HKAS 11.40(c) — At 31 December 2013, retentions held by customers for contract works amounted to HK$75,000 (31 December 2012: HK$69,000). Advances received from customers for contract work amounted to HK$14,000 (31 December 2012: nil).

HKFRS 7.7

32. Amounts due from directors

s161B — Directors' current accounts/loans to officers disclosed pursuant to section 161B of the Companies Ordinance (Cap. 32) are as follows:

Director	Terms of loan	Balance at 31/12/13 HK$'000	Balance at 1/1/13 HK$'000	Maximum amount outstanding during the year HK$'000
Gary D.K. Wong	Secured on property, repayable within one year, interest free (Note)	440	-	480
Daniel D.D. Lee	Unsecured, repayable within one year, interest free	216	107	216
		656	107	

HKFRS 7.15 — Note: The loan is secured over a property owned by Gary D.K. Wong. The Group is not permitted to sell or repledge the collateral in the absence of default by that director. Gary D.K. Wong is also the ultimate controlling party of the Company.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

33. Held-for-trading investments (other than derivatives)

HKFRS 7.7
Sch 10.9(1)(a)
Sch 10.9(3)

Held-for-trading investments include:

	31/12/13 HK$'000	31/12/12 HK$'000
Listed securities:		
- Equity securities listed in Hong Kong	10,250	6,480
- Equity securities listed outside Hong Kong	2,230	1,968
	12,480	8,448

34. Bank balances/pledged bank deposits/bank overdrafts

Bank balances carry interest at market rates which range from 2% to 4% (2012: 3.5% to 4%) per annum. The pledged bank deposits carry fixed interest rate of 3.5% (2012: 4.25%) per annum. Bank overdrafts carry interest at market rates which range from 6.5% to 9.5% (2012: 6% to 6.75%) per annum.

HKFRS 7.14

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$2 million (31 December 2012: 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.

35. Trade and other payables

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
Trade payables	11,283	19,595
Other payables	90	95
	11,373	19,690

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.

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
0-60 days	8,211	9,928
61-90 days	4,803	6,233
>90 days	1,523	3,529
	14,537	19,690

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 2012: HK$217,000) (see note 58).

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKFRS 7.8(f)

36. Borrowings

Source		31/12/13 HK$'000	31/12/12 HK$'000 (restated)
	Bank loans (Note 1)	15,371	20,836
	Bills of exchange (Note 2)	1,206	916
	Loans from fellow subsidiaries (Note 3)	8,609	27,203
	Loans from other entities (Note 4)	21,361	4,437
	Bank loans obtained in relation to transferred receivables (Note 5)	2,769	-
		49,316	53,392
Sch 10:10	Secured	19,063	20,836
	Unsecured	30,253	32,556
		49,316	53,392
App 16.22(1) GR 18.21	Carrying amount repayable (Note 6):		
	Within one year	7,138	11,499
	More than one year, but not exceeding two years	16,685	16,167
	More than two years, but not more than five years	8,921	9,218
	More than five years	5,572	6,328
		38,316	43,212
	Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	11,000	10,180
		49,316	53,392
	Less: Amounts shown under current liabilities	(22,446)	(25,600)
		26,870	27,792

HKFRS 7.7
HKFRS 7.14

Notes:

1) Secured by a mortgage over the Group's leasehold land and buildings (see note 56) and bear interest at HIBOR + 4.75% (31 December 2012: HIBOR + 4.75%) per annum. The weighted average effective interest rate on the bank loans is 6.1% (31 December 2012: 6.32%) per annum.

2) Bills of exchange with a variable interest rate were issued in 2008. The weighted average effective interest rate on the bills is 6.8% (31 December 2012: 6.8%) per annum.

3) Bear interest at HIBOR + 4.5% (31 December 2012: HIBOR + 4.5%) per annum. Interest of 5.0% - 5.2% per annum is charged on the outstanding loan balances (31 December 2012: 6.0% - 6.2% per annum) (see note 58).

4) Fixed rate loans with a financial institution amounted to approximately HK$6.1 million (31 December 2012: HK$2.1 million) with maturity periods not exceeding 3 years (31 December 2012: 2 years). The weighted average effective interest rate on the fixed rate loans is 6.15% (31 December 2012: 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$15.3 million (31 December 2012: HK$2.3 million) carries interest at HIBOR + 3.75% (31 December 2012: HIBOR + 3%) per annum, ranging from 6.5% to 7% (31 December 2012: 7.3% - 8.5%) per annum during the current year.

5) Please see note 30.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

6) The amounts due are based on the scheduled repayment dates set out in the loan agreements.

HKFRS 7.18

During the current year, the Group was late in paying interest for the first quarter on one of its loans with a carrying amount of HK$5 million. The delay arose because of a temporary lack of funds on the date when interest was payable due to a technical problem on settlement. The interest payment outstanding of HK$107,500 was repaid in full a week later, including the additional interest and penalty. The lender did not request accelerated repayment of the loan and the terms of the loan were not changed. Management has reviewed the Group's settlement procedures to ensure that such circumstances do not recur.

37. Loan from government

	31/12/13 HK$'000	31/12/12 HK$'000
Loan from government	2,798	2,610

Note: On 17 December 2012, the Group received an interest-free loan of HK$3 million from the government of A Land to finance staff training over a two-year period. The loan is repayable in full at the end of that two-year period. Using prevailing market interest rates for an equivalent loan of 7.2%, the fair value of the loan is estimated at HK$2.61 million on initial recognition. The difference of HK$390,000 between the gross proceeds and the fair value of the loan is the benefit derived from the interest-free loan and is recognised as deferred revenue (see note 43). Interest expenses HK$188,000 were recognised on this loan in 2013 and HK$202,000 will be recognised in 2014.

HKFRS 7.7

38. Convertible notes

On 1 September 2013, the Company issued 4.5 million 5.5% HK dollar denominated convertible notes with the aggregate principal amount of HK$4.5 million. Each note entitles the holder to convert to ordinary shares at a conversion price of HK$1.25.

Conversion may occur at any time between 2 September 2013 and 31 August 2016. If the notes have not been converted, they will be redeemed on 1 September 2016 at HK$1 each. Interest of 5.5% will be paid quarterly up until the notes are converted or redeemed.

HKAS 32.28

The convertible notes contain two components: liability and equity elements. The equity element is presented in equity heading 'convertible notes equity reserve'. The effective interest rate of the liability component on initial recognition is 8% per annum.

	HK$'000
Proceeds of issue	4,950
Liability component at date of issue	(4,116)
Equity component	834
Liability component at date of issue	4,116
Interest charged calculated at an effective interest rate of 8%	110
Interest paid	(82)
Liability component at 31 December 2013	4,144

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

39. Obligations under finance leases

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 (2012: 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2012: 3.75% - 6%) per annum. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

Source		Minimum lease payments		Present value of minimum lease payments	
		31/12/13	31/12/12	31/12/13	31/12/12
		HK$'000	HK$'000	HK$'000	HK$'000
HKAS 17.31(b)	Amounts payable under finance leases:				
	Within one year	10	58	9	54
	In more than one year and not more than five years	6	44	5	35
	In more than five years	-	-	-	-
		16	102	14	89
	Less: future finance charges	(2)	(13)	n/a	n/a
	Present value of lease obligations	14	89	14	89
	Less: Amount due for settlement within 12 months (shown under current liabilities)			(9)	(54)
	Amount due for settlement after 12 months			5	35

Sch 10:10 — The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

HKFRS 7.31 — Financial lease obligations are denominated in Hong Kong dollars, currency other than the functional currency of the relevant group entity.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

40. Provisions

Source		Employee benefits (Note 1)	Rectification work (Note 2)	Warranties (Note 3)	Onerous leases (Note 4)	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
HKAS 37.84(a)	Balance at 1 January 2013	4,388	-	295	743	5,426
HKAS 37.84(b)	Additional provisions recognised	-	4,170	338	369	4,877
	Acquisition of Subsix Limited	45	-	-	-	45
HKAS 37.84(c)	Reductions arising from payments/other sacrifices of future economic benefits	(3,099)	(1,112)	(90)	(310)	(4,611)
HKAS 37.84(d)	Reductions resulting from re-measurement or settlement without cost	-	-	(15)	(100)	(115)
HKAS 37.84(e)	Unwinding of discount and effect of changes in the discount rate	-	-	-	28	28
	Others [please describe]	-	-	-	-	-
HKAS 37.84(a)	Balance at 31 December 2013	1,334	3,058	528	730	5,650

Analysed for reporting purposes as:

	31/12/13	31/12/12
	HK$'000	HK$'000
Current liabilities	3,356	3,195
Non-current liabilities	2,294	2,231
	5,650	5,426

Notes:

HKFRS 3.B64(j) Sch 10:12(5)

1) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees. On the acquisition of Subsix Limited, the Group recognised an additional contingent liability of HK$45,000 in respect of employees' compensation claims outstanding against that company. The decrease in the carrying amount of the provision for the current year results from settlement in the current year.

HKAS 37.85(a), (b)

2) The provision for rectification work relates to the estimated cost of work agreed to be carried out for the rectification of goods supplied to one of the Group's major customers (see note 13). Anticipated expenditure for 2014 is HK$1.94 million, and for 2015 is HK$1.118 million. These amounts have not been discounted for the purpose of measuring the provision for rectification work, because the effect is not material.

HKAS 37.85(a), (b)

3) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

HKAS 37.85(a), (b)

4) The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases range from 3 to 5 years.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKFRS 7.7
HKFRS 7.31

41. Other financial assets/liabilities

	Current		Non-current	
	31/12/13	31/12/12	31/12/13	31/12/12
	HK$'000	HK$'000	HK$'000	HK$'000
Other financial assets				
Derivatives under hedge accounting				
Fair value hedges – Interest rate swaps	72	37	212	140
Cash flow hedges – Foreign currency forward contracts	244	220	-	-
Others [please describe]	-	-	-	-
	316	257	212	140
Other financial liabilities				
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 (see note 50)	-	-	75	-
Others [please describe]	-	-	-	-
	96	-	75	-
	116	18	75	-

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:

2013

Notional amount	Maturity	Swaps
HK$1,000,000	30/09/2014	8% for HIBOR + 3.75%
HK$2,000,000	31/05/2015	5% for HIBOR + 2.01%
HK$3,000,000	31/12/2016	4% for HIBOR + 1.06%

2012

Notional amount	Maturity	Swaps
HK$1,000,000	15/04/2013	6% for HIBOR + 3.25%
HK$1,000,000	30/09/2014	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

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During the year, the hedge was 100% (2012: 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 (2012: 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.

Cash flow hedges:

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.

The terms of the foreign exchange contracts have been negotiated to match the terms of the respective designated hedged items.

Major terms of these contracts are as follows:

2013

Notional amount	Maturity	Exchange rates
Buy RMB 5.5 million	15/03/2014	HK$1: RMB0.8138
Sell RMB 1 million	15/06/2014	HK$1: RMB0.8156
Sell RMB 3.3 million	30/04/2014	HK$1: RMB0.8142
Sell RMB 1.7 million	30/06/2014	HK$1: RMB0.8132

2012

Notional amount	Maturity	Exchange rates
Buy RMB 4 million	31/03/2013	HK$1: RMB0.8240
Sell RMB 1 million	30/06/2013	HK$1: RMB0.8238
Sell RMB 4.5 million	15/07/2013	HK$1: RMB0.8241

HKFRS 7.34(a)

Note: The table above provides an example 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.

During the current year, fair value gains of HK$0.406 million (2012: 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.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKAS 12.81(a), (g)

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	Convertible notes	Hedging instruments	Undistributed profits of associates	Available-for-sale investments	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$000
At 1 January 2012 (restated)	2,540	650	-	110	570	202	529	4,601
Charge (credit) to profit or loss	440	(97)	-	-	150	-	747	1,240
Charge (credit) to other comprehensive income	-	-	-	(7)	-	19	-	12
At 31 December 2012 (restated)	2,980	553	-	103	720	221	1,276	5,853
Charge (credit) to profit or loss	1,606	(214)	(9)	-	400	-	(29)	1,754
Charge (credit) to other comprehensive income	-	-	-	15	-	(100)	-	(85)
Recognised directly in equity	-	-	208	-	-	-	-	208
Acquisitions/ disposals	(454)	-	-	-	-	-	-	(454)
At 31 December 2013	4,132	339	199	118	1,120	121	1,247	7,276

Deferred tax assets

	Deferred revenue	Doubtful debts	Provisions	Defined benefit obligation	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012 (restated)	20	52	1,692	257	50	2,071
Credit (charge) to profit or loss	12	167	(20)	171	(50)	280
Credit (charge) to other comprehensive income	-	-	-	15	-	15
At 31 December 2012 (restated)	32	219	1,672	443	-	2,366
Credit (charge) to profit or loss	10	(12)	32	177	-	207
Credit (charge) to other comprehensive income	-	-	-	(55)	-	(55)
At 31 December 2013	42	207	1,704	565	-	2,518

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

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:

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
Deferred tax assets	1,714	1,023
Deferred tax liabilities	(6,042)	(4,510)
	(4,328)	(3,487)
Deferred tax liabilities associated with assets held for sale (see note 12)	(430)	-
	(4,758)	(3,487)

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 2012: 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 12.51C

With regard to the Group's investment properties, as none of them is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

HKAS 12.81(e)

At the end of the reporting period, the Group has unused tax losses of HK$3 million (31 December 2012: 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.

43. Deferred revenue

Source		31/12/13 HK$'000	31/12/12 HK$'000
	Arising from customer loyalty programme (Note 1)	239	147
HKAS 20.39(b)	Arising from government grant (Note 2)	140	390
		379	537
	Analysed for reporting purposes as:		
	Current liabilities	355	240
	Non-current liabilities	24	297
		379	537

Notes:

1) The deferred revenue arises in respect of the Group's Maxi-Point Scheme recognised in accordance with HK (IFRIC)-Int 13 *Customer Loyalty Programmes*.

2) The deferred revenue arises as a result of the benefit received from an interest-free government loan received in December 2012 (see note 37). The revenue was offset against training costs of HK$250,000 incurred in 2013 and will be offset against training cost of HK$140,000 to be incurred in 2014.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – 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 notes to the financial statements. HKAS 1.106A allows an analysis of other comprehensive income by item for each component of equity to be presented either in the statement of changes in equity or in the notes. For the purposes of the preparation of this model, the Group has elected to present the analysis of other comprehensive income in the notes.

HKAS 1 also allows some of the details regarding items of other comprehensive income (income tax and reclassification adjustments) to be disclosed in the notes rather than in the statement of profit or loss and other 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 the impact on each such component of (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 item of other comprehensive income should be disclosed (in the statement of profit or loss and other comprehensive income or in the notes); and*
- *reclassification adjustments should be presented separately from the related item of other comprehensive income (in the statement of profit or loss and other comprehensive income or in the notes).*

HKAS 1.79(a)
Sch 10:2

44. Share capital

	Number of shares		Share capital	
	31/12/13	31/12/12	31/12/13	31/12/12
	'000	'000	HK$'000	HK$'000
Authorised				
200 million ordinary shares of HK$1 each	200,000	200,000	200,000	200,000
Issued and fully paid				
At beginning of year	23,005	23,005	23,005	23,005
Repurchase of shares	(5,500)	-	(5,500)	-
Exercise of share options under the Company's employee share option plan (see note 47)	314	-	314	-
At end of year	17,819	23,005	17,819	23,005

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

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

LR 10.06(4)(b)
GR 13.13(2)

Month of repurchase	No. of ordinary shares at HK$1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
	'000	HK$	HK$	HK$'000
November 2013	3,000	3.15	2.85	9,172
December 2013	2,500	3.50	2.90	8,130
				17,302

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.

45. Share premium, reserves and non-controlling interests

Share premium and reserves

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
Share premium	15,427	26,474
Investments revaluation reserve	227	527
Share options reserve	179	246
Cash flow hedging reserve	314	278
Foreign currency translation reserve	126	317
Convertible notes equity reserve	626	-
Retained earnings	111,202	94,531
Others [please describe]	-	-
	128,101	122,373

HKAS 1.106(d)

Share premium

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'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	15,427	26,474

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKAS 1.90
HKAS 1.106(d)
HKAS 1.106A

Investments revaluation reserve

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'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
	Income tax relating to (loss)/gain arising on revaluation of available-for-sale investments	100	(19)
HKFRS 7.20(a)	Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale investments	-	-
HKFRS 7.20(a)	Cumulative loss reclassified to profit or loss on impairment of available-for-sale investments	-	-
	Balance at end of year	227	527

HKAS 1.79(b)
HKAS 1.82A

The investments revaluation reserve represents cumulative gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those investments are disposed of or are determined to be impaired.

HKAS 1.106(d)

Share options reserve

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Balance at beginning of year	246	-
Recognition of equity-settled share-based payments	218	246
Issue of ordinary shares upon exercise of share options	(285)	-
Balance at end of year	179	246

HKAS 1.79(b)

The share options reserve relates to share options granted to employees under the Company's employee share option plan. Items included in share options reserve will not be reclassified subsequently to profit or loss. Further information about share-based payments to employees is set out in note 47.1.

HKAS 1.90
HKAS 1.106(d)
HKAS 1.106A

Cash flow hedging reserve

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
	Balance at beginning of year	278	242
HKFRS 7.23(c)	Gain recognised in relation to cash flow hedges	406	316
	Income tax relating to gains recognised in other comprehensive income	(101)	(79)
HKFRS 7.23(d)	Reclassified to profit or loss	(355)	(287)
	Income tax relating to amounts reclassified to profit or loss	86	86
	Others [please describe]	-	-
	Balance at end of year	314	278

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKAS 1.79(b)
HKAS 1.82A

The cash flow hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain and loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

HKFRS 7.23(d)

Cumulative gains and losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line items in the consolidated [statement of profit or loss and other comprehensive income/statement of profit or loss]:

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Increase in revenue	(355)	(287)
Increase in income tax expense	86	86
Others [please describe]	-	-
	(269)	(201)

HKAS 1.82A
HKAS 1.90
HKAS 1.106(d)
HKAS 1.106A

Foreign currency translation reserve

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
HKAS 1.82A(a)	***Items that will not be reclassified subsequently to profit or loss:***		
	Balance at beginning of year	-	-
	Exchange differences arising on translating to presentation currency	-	-
	Other (please describe)	-	-
		-	-
HKAS 1.82A(b)	***Items that may be reclassified subsequently to profit or loss:***		
	Balance at beginning of year	317	140
	Exchange differences arising on translating the net assets of foreign operations	(71)	177
	Income tax relating to exchange differences arising on translating the net assets of foreign operations	-	-
	Reclassified to profit or loss on disposal of foreign operations	(120)	-
	Income tax relating to amounts reclassified to profit or loss on disposal of foreign operations	-	-
	Others [please describe]	-	-
	Balance at end of year	126	317

HKAS 1.79(b)
HKAS 1.82A

Exchange differences relating to the translation of the results and 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. Exchange differences previously accumulated in the foreign currency translation reserve in respect of translating the net assets of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKAS 1.106(d)

Convertible notes equity reserve

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Balance at beginning of year	-	-
Recognition of the equity component of convertible notes	834	-
Deferred tax	(208)	-
Balance at end of year	626	-

HKAS 1.79(b)
HKAS 1.82A

The convertible notes equity reserve represents the equity component (conversion rights) of the HK$4.5 million 5.5% convertible notes issued during the year (see note 38). Items included in convertible notes equity reserve will not be reclassified subsequently to profit or loss.

HKAS 1.106(b), (d), 106A

Non-controlling interests

	Share of net assets of subsidiaries HK$'000	Share options reserve of subsidiaries HK$'000	Total HK$'000
Year ended 31 December 2013			
Balance at beginning of year (restated)	22,058	1,195	23,253
Share of profit for the year	4,392	-	4,392
Non-controlling interests arising on the acquisition of Subsix Limited (see note 50)	127	5	132
Additional non-controlling interests arising on disposal of interest in Subone Limited (see note 59)	179	-	179
Others [please describe]	-	-	-
Balance at end of year	26,756	1,200	27,956
Year ended 31 December 2012			
Balance at beginning of year (restated)	18,831	1,195	20,026
Share of profit for the year	3,227	-	3,227
Others [please describe]	-	-	-
Balance at end of year (restated)	22,058	1,195	23,253

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

46. Retirement benefit plans

Defined contribution plan

App 16.26(1), (2)
GR 18.34(1), (2)

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.

HKAS 19.43

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

HKAS 19.53

The total expense recognised in profit or loss of HK$160,000 (2012: 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 2013, contributions of HK$8,000 (31 December 2012: HK$8,000) due in respect of the year ended 31 December 2013 (2012) had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

Defined benefit plan

HKAS 19.139
App 16.26(1), (2)
GR 18.34(1), (2)

The Group operates a funded defined benefit plan for qualifying employees of its subsidiaries in Malaysia. The defined benefit plan is administered by a separate fund that is legally separated from the entity. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

Under the plan, 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.

IAS 19.139(b)

The plan in Malaysia exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is re-insured by an external insurance company.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

App 16.26(5)
GR 18.34(5)

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2013 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.

HKAS 19.144

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	31/12/13	31/12/12
	%	%
Discount rate(s)	5.52%	5.20%
Expected rate(s) of salary increase	5.00%	5.00%
Average longevity at retirement age for current pensioners (years)*		
Males	27.5	27.3
Females	29.8	29.6
Average longevity at retirement age for current employees (future pensioners) (years)*		
Males	29.5	29.3
Females	31.0	30.9
Others [describe]	-	-

* Based on Malaysia's standard mortality table [with modification to reflect expected changes in mortality/ others (please describe)].

App 16.26(5)
GR 18.34(5)

The actuarial valuation showed that the market value of plan assets was HK$4.2 million (2012: HK$4.3 million) and that the actuarial value of these assets represented 71% (2012: 71%) of the benefits that had accrued to members. The shortfall of HK$1.7 million (2012: HK$1.8 million) is to be cleared over the estimated remaining service period of 16.5 years.

HKAS 19.120, 135

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.

HKAS 19.141

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
Service cost:		
Current service cost	754	733
Past service cost and (gain)/loss from settlements	-	-
Net interest expense	92	53
Components of defined benefit costs recognised in profit or loss	846	786
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(271)	91
Actuarial gains and losses arising from changes in demographic assumptions	25	(11)
Actuarial gains and losses arising from changes in financial assumptions	21	(9)
Actuarial gains and losses arising from experience adjustments	5	(10)
Other (describe)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Components of defined benefit costs recognised in other comprehensive income	(220)	61
Total	626	847

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 19.135

The expense for the year is included in the employee benefits expense in profit or loss. / Of the expense for the year, HK$450,000 (2012: HK$402,000) has been included in profit or loss as cost of sales and the remainder in administrative expenses.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

HKAS 19.140

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:

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)	01/01/12 HK$'000 (restated)
Present value of funded defined benefit obligation	6,461	6,099	5,814
Fair value of plan assets	(4,202)	(4,326)	(4,788)
Funded status	2,259	1,773	1,026
Restrictions on asset recognised	-	-	-
Others [please describe]	-	-	-
Net liability arising from defined benefit obligation	2,259	1,773	1,026

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 19.141

Movements in the present value of the defined benefit obligation in the current year were as follows:

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Opening defined benefit obligation	6,099	5,814
Current service cost	754	733
Interest cost	317	302
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in demographic assumptions	25	(11)
Actuarial gains and losses arising from changes in financial assumptions	21	(9)
Actuarial gains and losses arising from experience adjustments	5	(10)
Others [please describe]	-	-
Past service cost, including losses/(gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Exchange differences on foreign plans	-	-
Benefits paid	(760)	(720)
Others [please describe]	-	-
Closing defined benefit obligation	6,461	6,099

HKAS 19.141

Movements in the present value of the plan assets in the current year were as follows:

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
Opening fair value of plan assets	4,326	4,788
Interest income	225	249
Remeasurement gain (loss):		
Return on plan assets (excluding amounts included in net interest expense)	271	(91)
Others [please describe]	-	-
Contributions from the employer	140	100
Contributions from plan participants	-	-
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange differences on foreign plans	-	-
Benefits paid	(760)	(720)
Others [please describe]	-	-
Closing fair value of plan assets	4,202	4,326

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKAS 19.142

The fair value of the plan assets at the end of the reporting period for each category, are as follows.

	Fair value of plan assets	
	31/12/13	31/12/12
	HK$'000	HK$'000
Cash and cash equivalents	-	-
Equity investments categorised by industry type:		
- Consumer industry	-	-
- Manufacturing industry	300	280
- Energy and utilities	-	-
- Financial institutions	310	300
- Health and care	-	-
- ICT and telecom	-	-
- Equity instrument funds	416	406
Subtotal	1,026	986
Debt investments categorised by issuers' credit rating:		
- AAA	1,970	1,830
- AA	-	-
- A	10	20
- BBB and lower	-	-
- not rated	-	-
Subtotal	1,980	1,850
Properties categorised by nature and location:		
- Retail shops in A land	300	200
- Commercial properties in B land	717	912
- Residential properties in C land	96	290
Subtotal	1,113	1,402
Derivatives:		
- Interest rate swaps	57	72
- Forward foreign exchange contracts	26	16
Subtotal	83	88
Other [describe]	-	-
Total	4,202	4,326

HKAS 19.142

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties and derivatives are not based on quoted market prices in active markets. It is the policy of the fund to use interest rate swaps to hedge its exposure to interest rate risk. This policy has been implemented during the current and prior years. Foreign currency exposures are fully hedged by the use of the forward foreign exchange contracts.

The actual return on plan assets was HK$0.496 million (31 December 2012: HK$0.158 million).

HKAS 19.143

The plan assets include ordinary shares of the Company with a fair value of HK$0.38 million (31 December 2012: HK$0.252 million) and property occupied by a subsidiary of the Company with a fair value of HK$0.62 million (31 December 2012: HK$0.62 million).

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 19.145(a)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by HK$744,000 (increase by HK$740,000).
- If the expected salary growth increases (decreases) by 1%, the defined benefit obligation would increase by HK$120,000 (decrease by HK$122,000).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by HK$150,000 (decrease by HK$156,000).

HKAS 19.145(b)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

HKAS 19.145(b)

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

HKAS 19.145(c)

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Note: In accordance with HKAS 19(2011).173(b), for financial statements with accounting periods that begin before 1 January 2014, entities need not present comparative information for the disclosures required by HKAS 19.145 (i.e. the sensitivity of the defined benefit obligation).

HKAS 19.146

Each year an Asset-Liability-Matching study is performed in which the consequences of the strategic investment policies are analysed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are:

- Asset mix based on 25% equity instruments, 50% debt instruments and 25% investment property;
- Interest rate sensitivity caused by the duration of the defined benefit obligation should be reduced by 30% by the use of debt instruments in combination with interest rate swaps.
- Maintaining an equity buffer that gives a 97.5% assurance that assets are sufficient within the next 12 months.

There has been no change in the process used by the Group to manage its risks from prior periods.

HKAS 19.147

The Group's subsidiaries fund the cost of the entitlements expected to be earned on a yearly basis. Employees pay a fixed 5% percentage of pensionable salary. The residual contribution (including back service payments) is paid by the entities of the Group. The funding requirements are based on the local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) are paid immediately to the Fund. Apart from paying the costs of the entitlements, the Group's subsidiaries are not liable to pay additional contributions in case the Fund does not hold sufficient assets. In that case, the Fund would take other measures to restore its solvency, such as a reduction of the entitlements of the plan members.

The average duration of the benefit obligation at 31 December 2013 is 16.5 years (2012: 15.6 years). This number can be analysed as follows:

- active members: 19.4 years (2012: 18.4 years);
- deferred members: 22.6 years (2012: 21.5 years); and
- retired members: 9.3 years (2012: 8.5 years).

The Group expects to make a contribution of HK$0.18 million (2012: HK$0.14 million) to the defined benefit plan during the next financial year.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

47. Share-based payment transactions

47.1. The Company

HKFRS 2.45(a)
LR 17.09
GR 23.09

The Company's share option scheme (the 'Scheme') was adopted pursuant to a resolution passed on 28 November 2007 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 27 November 2018. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares of the Company.

At 31 December 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 181,000 (31 December 2012: 275,000), representing 1.0% (31 December 2012: 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.

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.

HKFRS 2.45(d)

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price	Fair value at grant date
			HK$	HK$
2012A	31/03/12	31/03/12 to 30/03/14	1.15	0.95
2012B	30/09/12	30/09/12 to 29/09/14	1.30	0.85
2013	31/03/13	31/03/13 to 30/03/15	3.15	0.99

HKFRS 2.46, 47(a)
LR 17.08
GR 23.08

In accordance with the terms of the Scheme, options granted during the financial year ended 31 December 2012 and 31 December 2013 vested at the date of grant.

The fair value of the share options is determined using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was two and a half times the exercise price.

LR 17.08 Note 4
GR 23.08 Note 4

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.

Inputs into the model

	Option type		
	2012A	2012B	2013
Grant date share price	HK$1.14	HK$1.27	HK$3.15
Exercise price	HK$1.15	HK$1.30	HK$3.15
Expected volatility	70.20%	70.40%	56.10%
Option life	2 years	2 years	2 years
Dividend yield	13.27%	13.12%	13.00%
Risk-free interest rate	5.13%	5.14%	5.50%
Others [please describe]	-	-	-

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKFRS 2.45(b)
LR 17.07
GR 23.07

The following table discloses movements of the Company's share options held by employees and directors during the year.

Option type	Outstanding at 1/1/13	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/13
2012A	125,000	-	(125,000)	-	-	-
2012B	150,000	-	(150,000)	-	-	-
2013	-	220,000	(39,000)	-	-	181,000
	275,000	220,000	(314,000)	-	-	181,000
Exercisable at the end of the year						181,000
Weighted average exercise price	HK$1.23	HK$3.15	HK$2.47	-	-	HK$3.15

The following table discloses movements of the Company's share options held by employees and directors during prior year:

Option type	Outstanding at 1/1/12	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/12
2012A	-	125,000	-	-	-	125,000
2012B	-	150,000	-	-	-	150,000
	-	275,000	-	-	-	275,000
Exercisable at the end of the year						275,000
Weighted average exercise price	-	HK$1.23	-	-	-	HK$1.23

HKFRS 2.45(c)
LR 17.07
GR 23.07

The following share options granted under the employee share option plan were exercised in the current year:

Options type	Number exercised	Exercise date	Share price at exercise date
			HK$
2012A	30,000	05/01/13	2.50
2012A	45,000	31/01/13	2.25
2012A	50,000	15/03/13	3.00
2012B	65,000	03/07/13	2.95
2012B	85,000	28/08/13	2.75
2013	39,000	15/04/13	3.50
	314,000		

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

47.2. The Subsidiaries

47.2.1 Employee share option plan of Kowloon Limited

HKFRS 2.45(a)
LR 17.09
GR 23.09

A subsidiary of the Company, Kowloon Limited, also operates a share option scheme (the 'Kowloon Limited's Scheme'). The Kowloon Limited's Scheme was adopted pursuant to a resolution passed on 17 January 2009 for the primary purpose of providing incentives to directors and eligible employees of Kowloon Limited, and will expire on 16 May 2019. Under the Kowloon Limited's Scheme, the board of directors of Kowloon Limited may grant options to eligible employees, including directors of Kowloon Limited, to subscribe for shares of Kowloon Limited.

At 31 December 2013, the number of shares in respect of which options had been granted and remained outstanding under the Kowloon Limited's Scheme was 1,707,000 (31 December 2012: 1,707,000), representing 4% (2012: 4%) of the shares of Kowloon Limited in issue at that date. The total number of shares in respect of which options may be granted under the Kowloon Limited's Scheme is not permitted to exceed 10% of the shares of Kowloon Limited in issue at any point in time, without prior approval from the shareholders of Kowloon Limited. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Kowloon Limited in issue at any point in time, without prior approval from the shareholders of Kowloon Limited.

No consideration is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the fifth anniversary of the date of grant. The exercise price is determined by the directors of Kowloon Limited, and will not be less than the fair value of each share of Kowloon Limited on the date of grant.

HKFRS 2.45(d)

Details of the options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$	Fair value at grant date HK$
2010	01/04/10	01/04/10 to 31/03/15	1.32	0.70

HKFRS 2.46, 47(a)
LR 17.08
GR 23.08

Options that were granted during the year ended 31 December 2010 vested at the date of grant.

The fair value of the share options is determined using the binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years.

LR 17.08 Note 4
GR 23.08 Note 4

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.

Inputs into the model

	Option type 2010
Grant date share price	1.32
Exercise price	1.32
Expected volatility	60.70%
Option life	5 years
Dividend yield	2.38%
Risk-free interest rate	5.25%
Others [please describe]	-

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKFRS 2.45(b)
LR 17.07
GR 23.07

The following table discloses movements of share options held by employees and directors of Kowloon Limited during the year under the Kowloon Limited's share option scheme:

Option type	Outstanding at 1/1/2012 & 1/1/2013	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/2012 & 31/12/2013
2010	1,707,000	-	-	-	-	1,707,000
Exercisable at the end of the year						1,707,000
Exercise price	HK$1.32	-	-	-	-	HK$1.32

HKFRS 2.51(a)
HKFRS 2.50

The Group recognised an expense of HK$218,000 for the year ended 31 December 2013 (2012: HK$246,000) in relation to share options granted by the Company.

47.2.2. Employee share option plan of Subsix Limited

HKFRS 2.45(a)
LR 17.09
GR 23.09

Subsix Limited has a share option scheme for its executives and senior employees. The outstanding share options were not replaced and were still in existence at the time when the Group acquired Subsix Limited in the current year.

Each employee share option of Subsix Limited converts into one ordinary share of Subsix Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. All outstanding share options granted by Subsix Limited had vested by the date when the Group acquired Subsix Limited.

At 31 December 2013, the number of shares in respect of which options had been granted and remained outstanding under Subsix Limited's Scheme was 5,000, representing 1% of the shares of Subsix Limited at that date. The total number of shares in respect of which options may be granted under Subsix Limited's Scheme is not permitted to exceed 10% of the shares of Subsix Limited in issue at any point in time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Subsix Limited in issue at any point in time, without prior approval from Subsix Limited's shareholders.

The following share-based payment arrangements were in existence at the acquisition date:

Options series	Number	Grant date	Expiry date	Exercise price	Market-based measure at the acquisition date of Subsix Limited
				HK$	HK$
(1) Granted on 13 March 2012	2,000	13/03/12	12/03/15	0.5	1.00
(2) Granted on 18 September 2012	3,000	18/09/12	17/09/15	0.5	1.00

All options vested on their date of grant and will expire within three years of their grant.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Market-based measure of share options at the acquisition date

HKFRS 2.46, 47(a)

All outstanding vested share options were measured in accordance with HKFRS 2 *Share-based Payment* at their market-based measure at the acquisition date. The market-based measure of each share option determined at the acquisition date of Subsix Limited is HK$1.00. Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was three and a half times the exercise price.

Inputs into the model

	Option series	
	1	2
Acquisition date share price	HK$1.12	HK$1.12
Exercise price	HK$0.50	HK$0.50
Expected volatility	8.10%	8.50%
Option life	1.7 years	2.2 years
Dividend yield	3.00%	3.11%
Risk-free interest rate	5.50%	5.45%
Others [please describe]	-	-

Movements in share options during the year

No more share options were granted and exercised after the Group obtained control over Subsix Limited. The share options outstanding at the end of the year had an exercise price of HK$0.50, and a weighted average remaining contractual life of 551 days.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKAS 1.134
HKAS 1.135

48. Capital 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 2012.

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

The Group is not subject to any externally imposed capital requirements.

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 20-25% determined as the proportion of net debt to equity. The Group expects to increase its gearing ratio closer to 25% through the issue of new debts and the payment of dividends.

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

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
Debts (Note 1)	56,272	56,091
Cash and cash equivalents (see note 52)	(21,123)	(22,510)
Net debt	35,149	33,581
Equity (Note 2)	145,920	145,378
Net debt to equity ratio	24%	23%

Notes:

1) Debt comprises long-term and short-term borrowings, loan from government, convertible notes and obligations under finance leases as detailed in notes 36, 37, 38 and 39 respectively.

2) Equity includes all capital and reserves attributable to owners of the Company.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

49. Financial instruments

49.1 Categories of financial instruments

Source		31/12/13 HK$'000	31/12/12 HK$'000 (restated)
	Financial assets		
	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 (see note 41)	528	397
HKFRS 7.8(b)	Held-to-maturity investments	6,863	5,262
HKFRS 7.8(c)	Loans and receivables (including cash and cash equivalents)	44,657	38,773
HKFRS 7.8(d)	Available-for-sale investments	5,600	4,857
	Financial liabilities		
	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 (see note 41)	96	-
HKFRS 7.8(f)	Amortised cost	68,169	76,070
	Financial guarantee contracts (see note 41)	20	18
	Contingent consideration for a business combination (see note 41)	75	-
	Loans and receivables designated as at FVTPL		
	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) *Credit derivatives over loans and designated as at FVTPL*

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Opening fair value	-	-
Additions during the year	-	-
Realised during the year	-	-
Change in fair value	-	-
Closing fair value	-	-

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Financial liabilities designated as at FVTPL

Source		31/12/13 HK$'000	31/12/12 HK$'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

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.

HKFRS 7.31

49.2 Financial risk management objectives and policies

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.

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.

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.

HKFRS 7.33(c)

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

HKFRS 7.33

49.2.1 Market risk

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:

- forward foreign exchange contracts to hedge the exchange rate risk arising on foreign currency sales; and
- interest rate swaps to mitigate the fair value interest rate risk.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.

HKFRS 7.33(c) There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

HKFRS 7.41 *49.2.1.1 Value at Risk (VaR) analysis*

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.

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.

Historical VaR (99%, one-day) by risk type	Average		Minimum		Maximum		Year ended	
	2013	2012	2013	2012	2013	2012	31/12/13	31/12/12
	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

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.

49.2.1.2 Foreign currency risk management

HKFRS 7.33, 34 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.

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:

	Liabilities		Assets	
	31/12/13	31/12/12	31/12/13	31/12/12
	HK$'000	HK$'000	HK$'000	HK$'000
RMB	8,297	7,469	1,574	1,671
Euro	186	135	-	-
Others (please specify)	-	-	-	-

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB and Euro.

HKFRS 7.34(a), 40(b)

The following table details the Group's sensitivity to a 5% and 10% (2012: 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% (2012: 5%) are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as hedging instruments in cash flow hedges. It also includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the Hong Kong dollars strengthen 5% (2012: 5%) against RMB and 10% (2012: 5%) against Euro. For a 5% (2012: 5%) weakening of the Hong Kong dollars against RMB and 10% (2012: 5%) against Euro, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

Source		Impact of RMB			Impact of Euro		
		2013	2012		2013	2012	
		HK$'000	HK$'000		HK$'000	HK$'000	
	Sensitivity rate	5%	5%		10%	5%	
HKFRS 7.40(a)	Profit or loss	252	217	(Note 1)	14	5	(Note 3)
HKFRS 7.40(a)	Equity	35	50	(Note 2)	-	-	

Notes:

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.

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.

3) This is mainly attributable to the exposure to outstanding payables denominated in Euro at the end of the reporting period.

HKFRS 7.42

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year. RMB denominated sales are seasonal with lower sales volumes in the last quarter of the financial year, which results in a reduction in RMB receivables at the end of the reporting period.

HKFRS 7.33
HKFRS 7.34

49.2.1.3 Interest rate risk management

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).

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.

HKFRS 7.34(c)

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.

Source	Hong Kong GAAP Limited
	Notes to the consolidated financial statements for the year ended 31 December 2013 – continued
	Interest rate sensitivity analysis
HKFRS 7.40(b) HKFRS 7.34(a)	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 (2012: 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.
HKFRS 7.40(a)	If interest rates had been 50 basis points (2012: 50 basis points) higher/lower and all other variables were held constant, the Group's:
	• post-tax profit for the year ended 31 December 2013 would decrease/increase by HK$162,000 (2012: decrease/increase by HK$192,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and
	• other comprehensive income for the year ended 31 December 2013 would decrease/increase by HK$11,000 (2012: decrease/increase by HK$11,000) mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.
HKFRS 7.33, 34	*49.2.1.4 Other price risks*
HKFRS 7.34(c)	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.
	Equity price sensitivity analysis
HKFRS 7.40(b)	The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.
HKFRS 7.40(a)	If equity prices had been 15% higher/lower (2012: 15% higher/lower):
	• post-tax profit for the year ended 31 December 2013 would increase/decrease by HK$1,404,000 (2012: increase/decrease by HK$950,000). This is mainly due to the changes in fair value of held-for-trading investments; and
	• other comprehensive income for the year ended 31 December 2013 would increase/decrease by HK$630,000 (2012: increase/decrease by HK$546,000) as a result of the changes in fair value of available-for-sale investments.
	49.2.2 Credit risk management
HKFRS 7.33, 34, 36, B8, B9	As at 31 December 2013, 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:
	• the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
HKFRS 7.B10(c)	• the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 57.
	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.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivable and, where appropriate, credit guarantee insurance cover is purchased.

Apart from Company A, the largest customer of the Group (see below and refer to notes 6 and 30), the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to Company A did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

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

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.

49.2.2.1 Collateral held as security and other credit enhancements

HKFRS 7.36(b)

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for finance lease receivables and an amount due from a director. Credit risks associated with the finance lease receivables and an amount due from a director are mitigated because the finance lease receivables and the amount due from a director are secured over the leased storage equipment and a residential property respectively. The carrying amounts of the finance lease receivables and the amount due from a director amounted to HK$1,028,000 and HK$440,000 respectively (31 December 2012: HK$905,000 and HK$nil respectively).

As at 31 December 2013, the fair value of the leased assets and the residential property are estimated to be approximately HK$1,000,000 and HK$2,500,000 respectively. As at 31 December 2012, the fair value of the leased assets amounted to HK$900,000.

The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee and the director.

Note: HKFRS 7.36(b) specifies that entities should give a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk.

49.2.3 Liquidity risk management

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 2013, the Group has available unutilised overdrafts, and short and medium term bank loan facilities of approximately HK$2 million (31 December 2012: HK$1 million) and HK$5 million (31 December 2012: HK$3 million) respectively.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKFRS 7.34, 35, 39

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

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.

HKFRS 7.B11E

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.

HKFRS 7.B10A(b)

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.

Moreover, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of these derivatives, which have been entered into for hedging purposes.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – 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	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
31/12/13								
Non-derivative financial assets								
Trade and other receivables	-	9,064	10,950	462	39	-	20,515	20,515
Debt investments	6.9%	18	88	5,766	4,000	-	9,872	9,063
Equity investments	-	-	-	-	15,880	-	15,880	15,880
Pledged bank deposits	3.5%	-	-	-	2,140	-	2,140	2,000
Cash and bank balances	3.0%	9,611	11,982	-	-	-	21,593	21,486
Amounts due from directors	-	-	-	656	-	-	656	656
Others (please specify)	-	-	-	-	-	-	-	-
		18,693	23,020	6,884	22,059	-	70,656	69,600
Non-derivative financial liabilities								
Trade and other payables	-	(5,019)	(6,354)	-	-	-	(11,373)	(11,373)
Borrowings								
- fixed rate	6.2%	(198)	(594)	(1,584)	(4,764)	-	(7,140)	(6,100)
- variable rate (note 1)	6.1%	(7,427)	(4,825)	(16,181)	(12,035)	(5,794)	(46,262)	(43,216)
Loan from government	7.2%	-	-	(3,000)	-	-	(3,000)	(2,798)
Convertible notes	5.5%	-	-	(248)	(4,994)	-	(5,242)	(4,144)
Bank overdrafts	7.5%	(547)	-	-	-	-	(547)	(538)
Obligations under finance leases	4.0%	(1)	(2)	(7)	(6)	-	(16)	(14)
Financial guarantee contracts (note 2)	-	(970)	-	-	-	-	(970)	(20)
Others (please specify)	-	-	-	-	-	-	-	-
		(14,162)	(11,775)	(21,020)	(21,799)	(5,794)	(74,550)	(68,203)
31/12/12								
Non-derivative financial assets								
Trade and other receivables	-	5,409	8,369	-	-	-	13,778	13,778
Debt investments	6.7%	20	1,165	3,630	2,818	-	7,633	7,384
Equity investments	-	-	-	-	11,183	-	11,183	11,183
Pledged bank deposits	4.3%	-	-	-	2,140	-	2,140	2,000
Cash and bank balances	3.7%	13,175	9,854	-	-		23,029	22,888
Amount due from a director	-	-	-	107	-	-	107	107
Others (please specify)	-	-	-	-	-	-	-	-
		18,604	19,388	3,737	16,141	-	57,870	57,340
Non-derivative financial liabilities								
Trade and other payables	-	(7,193)	(8,089)	(4,408)	-	-	(19,690)	(19,690)
Borrowings								
- fixed rate	6.1%	(14)	(28)	(1,120)	(1,424)	-	(2,586)	(2,100)
- variable rate (note 1)	6.2%	(13,780)	(5,409)	(17,389)	(10,517)	(6,850)	(53,945)	(51,292)
Loan from government	7.2%				(3,000)		(3,000)	(2,610)
Bank overdrafts	6.4%	(392)	-	-	-	-	(392)	(378)
Obligations under finance leases	4.5%	(5)	(10)	(43)	(44)	-	(102)	(89)
Financial guarantee contracts(note 2)	-	(1,050)	-	-	-	-	(1,050)	(18)
Others (please specify)	-	-	-	-	-	-	-	-
		(22,434)	(13,536)	(22,960)	(14,985)	(6,850)	(80,765)	(76,177)

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

Notes:

HKFRS 7.39(c)

1) Bank loans with a repayment on demand clause are included in the 'on demand or less than 1 month' time band in the above maturity analysis. As at 31 December 2013 and 31 December 2012, the aggregate undiscounted principal amounts of these bank loans amounted to HK$11,000,000 and HK$10,180,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$11,500,000.

HKFRS 7.B10(c)

2) The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

HKFRS 7.39(b)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Total carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31/12/13							
Derivatives - net settlement							
Interest rate swaps	13	38	16	212	-	279	279
Foreign exchange forward contracts	(5)	(21)	9	-	-	(17)	(17)
	8	17	25	212	-	262	262
Derivatives - gross settlement							
Foreign exchange forward contracts							
- inflow	-	6,054	5,079	-	-	11,133	11,133
- outflow	-	(5,811)	(5,152)	-	-	(10,963)	(10,963)
	-	243	(73)	-	-	170	170
31/12/12							
Derivatives - net settlement							
Interest rate swaps	12	5	20	140	-	177	177
Foreign exchange forward contracts	(10)	(15)	(9)	-	-	(34)	(34)
	2	(10)	11	140	-	143	143
Derivatives - gross settlement							
Foreign exchange forward contracts							
- inflow	-	3,423	5,316	-	-	8,739	8,739
- outflow	-	(3,240)	(5,245)	-	-	(8,485)	(8,485)
	-	183	71	-	-	254	254

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

49.3 Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

49.3.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

*Note: The following is an **example** of the disclosures that should be made under HKFRS 13. The valuation techniques and key inputs used will be dictated by the facts and circumstances of the individual entity, and entities should consult valuation experts if necessary.*

HKFRS 13.93(a)
HKFRS 13.93(b)
HKFRS 13.93(d)

2012:
HKFRS 7.27

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/13	31/12/12		
1) Foreign currency forward contracts classified as other financial assets on the statement of financial position (see note 41)	Assets – HK$ 244,000; Liabilities – HK$91,000	Assets – HK$220,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Interest rate swaps classified as other financial assets on the statement of financial position (see note 41)	Assets – HK$284,000; Liabilities – HK$5,000	Assets – HK$177,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Held-for-trading non-derivative financial assets (see note 33)	Listed equity securities In Hong Kong: • Real estate industry – HK$10.25m Outside Hong Kong: • Oil and gas industry – HK$2.23m	Listed equity securities In Hong Kong: • Real estate industry – HK$6.48m Outside Hong Kong: • Oil and gas industry – HK$1.968m	Level 1	Quoted bid prices in an active market.
4) Listed available for sale investments (AFS) (see note 27)	Listed equity securities in Hong Kong: • Real estate industry – HK$2.56m	Listed equity securities in Hong Kong: • Real estate industry – HK$2.315m	Level 1	Quoted bid prices in an active market.
5) Listed redeemable notes classified as AFS on the statement of financial position (see note 27)	Listed debt securities in Hong Kong – Energy industry – HK$2.2m	Listed debt securities in Hong Kong – Energy industry – HK$2.122m	Level 1	Quoted bid prices in an active market.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKFRS 13.93(a)
HKFRS 13.93(b)
HKFRS 13.93(d)
HKFRS 3.B64(f)(iii)
HKFRS 3.B64(g)
HKFRS 3.B67(b)
HKFRS 3.IE65(e)

2012: HKFRS 7.27

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31/12/13	31/12/12			
6) Private equity investments classified as AFS on the statement of financial position (see note 27) (note 1)	20 per cent equity investment in Rocket Corp Limited engaged in refining and distribution of fuel products in A land – HK$480,000; and 10 per cent equity investment in E Plus Limited engaged in Shoe manufacturing in A land – HK$360,000	20 per cent equity investment in Rocket Corp Limited engaged in refining and distribution of fuel products in A land – HK$420,000	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries, ranging from 4.8 to 5.2% (2012: 4.9%). (Note 2) Long-term pre-tax operating margin, taking into account management's experience and knowledge of market conditions of the specific industries, ranging from 5 – 12% (2012: 5.1%). Weighted average cost of capital (WACC), determined using a Capital Asset Pricing Model, ranging from 12.2 to 13.6% (2012: 11.9%). (Note 3) Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries, ranging from 5 – 20% (2012: 5.2%).
7) Contingent consideration in a business combination (see note 50)	Liabilities – HK$75,000	-	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate.	Discount rate of 12.5%. (Note 3) Probability-adjusted revenues and profits, with a range from HK$100,000 to HK$150,000 and a range from HK$60,000 to HK$90,000 respectively. (Note 4)

HKFRS 13.93(h)(ii)
2012: HKFRS 7.27B(e)

Note 1: If the above unobservable inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the shares would decrease/increase by HK$80,000 (31 December 2012: decrease/increase by HK$40,000).

HKFRS 13.93(h)(i)

Note 2: A slight increase in the long-term revenue growth rates used in isolation would result in a significant increase in the fair value measurement of the private equity investments, and vice versa.

HKFRS 13.93(h)(i)

Note 3: A slight increase in the WACC or discount rate used in isolation would result in a significant decrease in the fair value measurement of the private equity investments and the contingent consideration respectively, and vice versa.

HKFRS 13.93(h)(i)

Note 4: A slight increase in the probability-adjusted revenues and profits used in isolation would result in a significant increase in the fair value measurement of the contingent consideration, and vice versa.

HKFRS 13.93(c)
2012: HKFRS 7.27B(b)

There were no transfers between Level 1 and 2 in the period.

HKFRS 13.93(h)(ii)
2012: HKFRS 7.27B(e)

Note: For financial assets and financial liabilities whose recurring fair value measurements are categorised within Level 3, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change the fair value determined ***significantly****, an entity should state that fact and disclose the effect of those changes. The entity should also disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated.*

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKFRS 7.25, 29(a)

49.3.2 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31/12/13		31/12/12	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
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
Financial liabilities				
Convertible notes (Note 2)	4,144	4,150	-	-
Obligations under finance leases	14	13	89	85
Fixed-rate borrowings	6,100	5,941	2,100	2,143

Notes:

1) The fair value of finance lease receivables is estimated to be HK$1,070,500 (31 December 2012: HK$919,000) using an 8.5% (31 December 2012: 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.

2) The fair value of the liability component of convertible notes is determined assuming redemption on 1 September 2016 and using a 7.95% interest rate based on a quoted swap rate of 6.8% for a 20 months loan and holding the credit risk margin constant.

HKFRS 13.97
HKFRS 13.93(b)

	Fair value hierarchy as at 31/12/13			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Derivative financial assets	-	528	-	528
Held for trading-listed equity securities	12,480	-	-	12,480
Available-for-sale investments				
Listed equity securities	2,560	-	-	2,560
Listed debt securities	2,200	-	-	2,200
Unlisted equity securities (Note)	-	-	840	840
Total	17,240	528	840	18,608
Financial liabilities				
Contingent consideration for a business combination (Note)	-	-	(75)	(75)
Other derivative financial liabilities	-	(96)	-	(96)
Total	-	(96)	(75)	(171)

Notes: The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The above categorisations are for illustrative purpose only.

HKFRS 13.97
HKFRS 13.93(d)

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

HKFRS 13.93(e)
2012: HKFRS 7.27B(c)

49.3.3 Reconciliation of Level 3 fair value measurements

31 December 2013

	Available-for-sale - unlisted securities HK$'000	Others [describe] HK$'000	Total HK$'000
Opening balance	420	-	420
Total gains or losses:			
- in profit or loss	-	-	-
- in other comprehensive income	(10)	-	(10)
Reclassification of remaining interest in E Plus Limited from investment in associate to available-for-sale following partial sale of interest (see note 24)	360	-	360
Purchases	70	-	70
Issues	-	-	-
Disposals/settlements	-	-	-
Transfers out of level 3	-	-	-
Closing balance	840	-	840

31 December 2012

	Available-for-sale - unlisted securities HK$'000	Others [describe] HK$'000	Total HK$'000
Opening balance	400	-	400
Total gains or losses:			
- in profit or loss	-	-	-
- in other comprehensive income	-	-	-
Purchases	20	-	20
Issues	-	-	-
Disposals/settlements	-	-	-
Transfers out of level 3	-	-	-
Closing balance	420	-	420

The only financial liability subsequently measured at fair value on Level 3 fair value measurement represents contingent consideration relating to the acquisition of Subsix Limited (see note 50). No gain or loss for the current year relating to this contingent consideration has been recognised in profit or loss.

HKFRS 13.93(f)
2012: HKFRS 7.27B(d)

The total gains or losses for the year included an unrealised gain of HK$60,000 relating to financial assets that are measured at fair value at the end of each reporting period (2012: a gain of HK$43,000). Such fair value gains or losses are included in 'other gains and losses' (see note 8).

HKFRS 13.93(e)(ii)
2012: HKFRS 7.27B(d)

All gains and losses included in other comprehensive income for the current year relate to unquoted equity securities 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 2013 – continued

50. Business combinations

HKFRS 3.B64(a) to (d)

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred HK$'000
2013				
Subsix Limited	Manufacture of electronic equipment	15/07/13	80	505
Subseven Limited	Manufacture of electronic equipment	30/11/13	100	687
				1,192

Subsix Limited and Subseven Limited were acquired so as to continue the expansion of the Group's electronic equipment operations.

2012	
[Please describe]	-
	-

HKFRS 3.B66

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 2012, all of the disclosures set out in HKFRS 3 would also be required for that prior year business combination.

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.

HKFRS 3.B64(f)

Consideration transferred

	Subsix Limited HK$'000	Subseven Limited HK$'000
Cash	430	647
Contingent consideration arrangement (Note 1)	75	-
Plus: effect of settlement of legal claim against Subseven Limited (Note 2)	-	40
Total (HKAS 7.40(a))	505	687

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 2013 and 2014 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.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
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HKFRS 3.B64(l)

2) Prior to the acquisition of Subseven Limited, the Group was pursuing a legal claim against that company in respect of damage to goods in transit to a customer. Although the Group was confident of recovery, this amount has not previously been recognised as an asset. In line with the requirements of HKFRS 3, the Group has recognised the effective settlement of this legal claim on the acquisition of Subseven Limited by recognising HK$40,000 (being the estimated fair value of the claim) as a gain in the 'other gains and losses' line item in profit or loss. 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 profit or loss and other comprehensive income/statement of profit or loss].

HKFRS 3.B64(i)

Assets acquired and liabilities recognised at the date of acquisition

HKAS 7.40(d)

	Subsix Limited	Subseven Limited	Total
	HK$'000	HK$'000	HK$'000
Current assets			
Cash and cash equivalents	200	-	200
Trade and other receivables	87	105	192
Inventories	-	57	57
Non-current assets			
In-process research and development	-	-	-
Plant and equipment	143	369	512
Current liabilities			
Trade and other payables	(18)	(35)	(53)
Non-current liabilities			
Deferred tax liabilities	(17)	-	(17)
Contingent liabilities (see note 40)	(45)	-	(45)
	350	496	846

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).

Non-controlling interests

HKFRS 3.B64(o)

The non-controlling interests (20%) in Subsix Limited recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK$127,000. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate of 18%;
- assumed long-term sustainable growth rate of 3%; and
- 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.

In addition, the non-controlling interests recognised at the acquisition date include the market-based measure of all outstanding share options granted by Subsix Limited to its employees. These outstanding share options had been vested at the acquisition date and were measured in accordance with HKFRS 2 at their market-based measure of HK$5,000. Methods and significant assumptions used in determining the market-based measure at the acquisition date are set out in note 47.2.2.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Goodwill arising on acquisition

	Subsix Limited HK$'000	Subseven Limited HK$'000	Total HK$'000
Consideration transferred	505	687	1,192
Plus: non-controlling interests (20% in Subsix Limited)	127	-	127
Plus: non-controlling interests (outstanding share options granted by Subsix Limited)	5		5
Less: fair value of identifiable net assets acquired	(350)	(496)	(846)
Goodwill arising on acquisition	287	191	478

HKFRS 3.B64(e) Goodwill arose in the acquisition of Subsix Limited and Subseven Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Subsix Limited and Subseven Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

HKFRS 3.B64(k) None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

HKAS 36.84
HKAS 36.133
Note: If the initial allocation of goodwill acquired in a business combination during the period cannot be completed before the end of the reporting period, the amount of the unallocated goodwill should be disclosed together with the reasons why that amount remains unallocated.

Net cash outflow on acquisition of subsidiaries

Source		Year ended 31/12/13 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

Impact of acquisitions on the results of the Group

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.B64(q) Had these business combinations been effected at 1 January 2013, 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:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

51. Disposal of a subsidiary

On 30 November 2013, the Group disposed of Subzero Limited which carried out its entire toy manufacturing operations.

Consideration received

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
HKAS 7.40(b)	Consideration received in cash and cash equivalents	7,854	-
	Deferred sales proceeds (see note 30)	960	-
HKAS 7.40(a)	Total consideration received	8,814	-

HKAS 7.40(d) ***Analysis of asset and liabilities over which control was lost***

	Year ended 31/12/13 HK$'000
Current assets	
Cash and cash equivalents	288
Trade receivables	1,034
Inventories	2,716
Non-current assets	
Property, plant and equipment	5,662
Goodwill	3,080
Current liabilities	
Payables	(822)
Non-current liabilities	
Borrowings	(4,342)
Deferred tax liabilities	(471)
Net assets disposed of	7,145

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Gain on disposal of a subsidiary

Source		Year ended 31/12/13 HK$'000
	Consideration received	8,814
	Net assets disposed of	(7,145)
	Non-controlling interests	-
	Cumulative gain/loss on available-for-sale financial assets reclassified from equity on loss of control of subsidiary	-
	Cumulative exchange gain in respect of the net assets of the subsidiary and related hedging instruments reclassified from equity to profit or loss on loss of control of subsidiary	120
HKFRS 12.19	Gain on disposal	1,789

HKFRS 12.19(b) The gain on disposal is included in the profit for the year from discontinued operations (see note 11).

Net cash inflow on disposal of a subsidiary

Source		Year ended 31/12/13 HK$'000
	Consideration received in cash and cash equivalents	7,854
HKAS 7.40(c)	Less: cash and cash equivalent balances disposed of	(288)
		7,566

52. Cash and cash equivalents

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:

	31/12/13 HK$'000	31/12/12 HK$'000 (restated)
Cash and bank balances	21,486	22,888
Bank overdrafts	(538)	(378)
	20,948	22,510
Cash and bank balances included in a disposal group classified as held for sale	175	-
	21,123	22,510

HKAS 7.43 **53. Non-cash transactions**

In addition to non-cash transactions disclosed in note 50, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- 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).

- In prior year, the Group acquired HK$40,000 of equipment under a finance lease (2013: nil).

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

54. Operating leases

The Group as lessee

Source		Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
	Minimum lease payments paid under operating leases during the period:		
HKAS 17.35(c)	Premises	2,008	2,092
Sch 10:13(1)(i)	Other assets [please describe]	-	-
		2,008	2,092

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:

	31/12/13 HK$'000	31/12/12 HK$'000
Within one year	1,734	1,908
In the second to fifth years inclusive	3,568	4,336
Over five years	1,618	2,526
	6,920	8,770

HKAS 17.35(d) — Operating leases relate to warehouse facilities with lease terms of between 3 to 7 years (31 December 2012: 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.

The Group as lessor

HKAS 17.56(c) — Property rental income earned during the year was HK$18,000 (2012: 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:

	31/12/13 HK$'000	31/12/12 HK$'000
Within one year	10	18
In the second to fifth years inclusive	44	22
After five years	-	-
	54	40

55. Commitments

Source		31/12/13 HK$'000	31/12/12 HK$'000
HKAS 16.74(c) Sch 10:12(6)	Commitments for the acquisition of property, plant and equipment	4,856	6,010

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 (2012: HK$3,250).

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKFRS 12.23(a)
HKFRS 12.B18 - B19

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, A JV Limited, is as follows:

	31/12/13 HK$'000	31/12/12 HK$'000
Commitments to contribute funds for the acquisition of property, plant and equipment	983	192
Commitments to provide loans	-	-
Commitments to acquire other venturer's ownership interest when a particular event occurs or does not occur in the future (please specify what the particular event is)	-	-
Others (please specify)	-	-

56. Pledge of assets

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):

Source		31/12/13 HK$'000	31/12/12 HK$'000
HKAS 16.74(a)	Leasehold land and buildings	22,502	27,425
HKAS 40.75(g)	Investment properties	2,086	1,942
HKFRS 7.14(a)	Trade receivables	1,053	-
HKFRS 7.14(a)	Bank deposits	2,000	2,000
		27,641	31,367

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 2012: HK$162,000).

HKAS 37.86
Sch 10:12(5)

57. Contingent liabilities and contingent assets

Source		31/12/13 HK$'000	31/12/12 HK$'000
	Contingent liabilities		
	Court proceedings (Note 1)	-	-
	Financial guarantees given to banks (Note 2)	970	1,050
HKFRS 12.23(b) HKAS 37.86(a)	Contingent liabilities incurred by the Group arising from its interests in a joint venture (Note 3)	110	116
HKFRS 12.23(b)	Contingent liabilities incurred by the Group arising from its interests in associates (please disclose the details)	-	-
HKFRS 12.23(b)	Group's share of associates' contingent liabilities (Note 4)	150	14
HKFRS 12.23(b)	Group's share of joint venture's contingent liabilities (please specify the details)	-	-
	Contingent assets		
HKAS 37.89	Faulty goods claim (Note 5)	140	-

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

Notes:

1) A subsidiary of the Group is a defendant in a legal action involving the alleged failure of the subsidiary to supply goods in accordance with the terms of contract. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including claims for costs) will be incurred. The legal claim is expected to be settled in the course of the next eighteen months.

2) 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 2012: 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 2012: HK$18,000) has been recognised in the consolidated statement of financial position as liabilities (see note 41).

HKFRS 12.23(b)
HKAS 37.86(a)

3) A number of contingent liabilities have arisen as a result of the Group's interests in joint ventures. The amount disclosed represents the aggregate amount of such contingent liabilities for which the Group as an investor is liable. The extent to which an outflow of funds will be required is dependent on the future operations of the joint ventures being more or less favourable than currently expected. The Group is not contingently liable for the liabilities of other venturers in its joint ventures.

HKFRS 12.23(b)
HKAS 37.86(a)

4) The amount disclosed represents the Group's share of contingent liabilities of associates. The extent to which an outflow of funds will be required is dependent on the future operations of the associates being more or less favourable than currently expected.

5) A subsidiary of the Group has a claim outstanding against a supplier for the supply of faulty products. Based on negotiations to date, the directors believe that it is probable that their claim will be successful and that compensation of HK$0.14 million will be recovered.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – 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.

HKAS 24.18,19

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

	Trade sales		Trade purchases		Amounts due from related parties		Amounts due to related parties	
	Year ended 31/12/13	Year ended 31/12/12	Year ended 31/12/13	Year ended 31/12/12	31/12/13	31/12/12	31/12/13	31/12/12
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fellow subsidiaries	693	582	439	427	209	197	231	139
Holding company	1,299	981	897	883	398	293	149	78
Associates of Group Holdings Limited	398	291	-	-	29	142	-	-

HKAS 24.23

Sales of goods to related parties were made at the Group's usual list prices, less average discounts of 5%. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

HKAS 24.18

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

	31/12/13 HK$'000	31/12/12 HK$'000
Amounts due from directors (see note 32)	656	107
Loans from fellow subsidiaries (see note 36)	8,609	27,203

HKAS 24.18, 19

In addition to the above, the Group received certain consultancy services from a company controlled by Mr. Gary D.K Wong, a director and the ultimate controlling party of the Company, for which management fee of HK$240,000 (2012: HK$240,000) was charged.

HKAS 24.17

Compensation of key management personnel

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

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000 (restated)
Short-term benefits	2,368	2,027
Post-employment benefits	60	139
Other long-term benefits	115	176
Share-based payments	218	246
Termination benefits	-	-
	2,761	2,588

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

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

59. Subsidiaries

59.1 General information of subsidiaries

HKFRS 12.10(a)

Details of the Group's material subsidiaries at the end of the reporting period are set out below.

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 of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2013	2012	2013	2012	2013	2012	
				%	%	%	%	%	%	
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 roads
Subthree Limited	Malaysia	Ordinary	RMB10,000,000	-	-	70	70	70	70	Manufacture of leisure good
Subfour Limited	PRC	Registered	USD100	100	100	-	-	100	100	Manufacture of electronic equipment
Subfive Limited	PRC	Registered	USD5,000	100	100	-	-	100	100	Manufacture of electronic equipment
Subsix Limited	Hong Kong	Ordinary	HK$100	-	-	80	-	80	-	Manufacture of electronic equipment
Kowloon Limited	Hong Kong	Ordinary	HK$100	-	-	100	-	100	-	Manufacture of electronic equipment
C Plus Limited	C Land	Ordinary	USD100	-	-	45	45	45	45	Manufacture of electronic equipment

Note: HKFRSs do not explicitly require an entity to disclose a list of its subsidiaries in the consolidated financial statements. Nevertheless, local laws or regulations may require an entity to make such a disclosure. The above disclosure is for information only and may have to be modified to comply with the additional local requirements.

s128(4)&(5)
App 16.9(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, 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 2013 – continued

HKFRS 12.10(a)
HKFRS 12.4
HKFRS 12.B4(a)
HKFRS 12.B5-B6

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in A Land. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31/12/13	31/12/12
Manufacture of electronic equipment	A Land	1	1
	B Land	2	2
		3	3
Manufacture of leisure goods	A Land	2	2
Construction	A Land	1	1
Toys manufacturing	A Land	Nil	1
		6	7

59.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

HKFRS 12.10(a)(ii)
HKFRS 12.12(a)-(f)

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

HKFRS 12.B11

Notes:

1) For illustrative purposes, the following non-wholly subsidiaries are assumed to have non-controlling interests that are material to the Group.

2) The amounts disclosed below do not reflect the elimination of intragroup transactions.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/13	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12
				HK$'000	HK$'000	HK$'000	HK$'000
Subthree Limited	Malaysia	30%	30%	1,020	980	10,680	9,660
C Plus Limited (i)	C Land	55%	55%	392	464	2,445	2,053
Individually immaterial subsidiaries with non-controlling interests						14,831	11,540
						27,956	23,253

HKFRS 12.9(b)

(i) C Plus Limited is listed on the stock exchange of A Land. Although the Group has only 45% ownership in C Plus Limited, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of C Plus Limited on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The 55% ownership interests in C Plus Limited are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 2%.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

HKFRS 12.12(g)
HKFRS 12.B10
HKFRS 12.B11

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Subthree Limited	31/12/13 HK$'000	31/12/12 HK$'000
Current assets	32,100	31,400
Non-current assets	10,238	10,441
Current liabilities	(1,617)	(4,299)
Non-current liabilities	(5,121)	(5,342)
Equity attributable to owners of the Company	24,920	22,540
Non-controlling interests	10,680	9,660

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Revenue	6,200	6,101
Expenses	(2,800)	(2,834)
Profit (loss) for the year	3,400	3,267
Profit (loss) attributable to owners of the Company	2,380	2,287
Profit (loss) attributable to the non-controlling interests	1,020	980
Profit (loss) for the year	3,400	3,267
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive income attributable to owners of the Company	2,380	2,287
Total comprehensive income attributable to the non-controlling interests	1,020	980
Total comprehensive income for the year	3,400	3,267
Dividends paid to non-controlling interests	-	-
Net cash inflow (outflow) from operating activities	4,405	2,050
Net cash inflow (outflow) from investing activities	(330)	1,148
Net cash inflow (outflow) from financing activities	(3,489)	(315)
Net cash inflow (outflow)	586	2,883

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

C Plus Limited	31/12/13 HK$'000	31/12/12 HK$'000
Current assets	1,530	3,517
Non-current assets	3,625	1,070
Current liabilities	(280)	(266)
Non-current liabilities	(430)	(588)
Equity attributable to owners of the Company	2,000	1,680
Non-controlling interests	2,445	2,053

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Revenue	2,165	2,285
Expenses	(1,453)	(1,441)
Profit (loss) for the year	712	844
Profit (loss) attributable to owners of the Company	320	380
Profit (loss) attributable to the non-controlling interests	392	464
Profit (loss) for the year	712	844
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive income attributable to owners of the Company	320	380
Total comprehensive income attributable to the non-controlling interests	392	464
Total comprehensive income for the year	712	844
Dividends paid to non-controlling interests	-	-
Net cash inflow (outflow) from operating activities	(263)	(241)
Net cash inflow (outflow) from investing activities	-	-
Net cash inflow (outflow) from financing activities	(160)	(120)
Net cash inflow (outflow)	(423)	(361)

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements
for the year ended 31 December 2013 – continued

59.3 Change in ownership interest in a subsidiary

HKFRS 12.18

During the year, the Group disposed of 10% of its interest in Subone Limited, reducing its continuing interest to 90%. The proceeds on disposal of HK$213,000 were received in cash. An amount of HK$179,000 (being the proportionate share of the carrying amount of the net assets of Subone Limited) has been transferred to non-controlling interests. The difference of HK$34,000 between the increase in the non-controlling interests and the consideration received has been credited to retained earnings.

59.4 Significant restriction

HKFRS 12.13

[When there are significant restrictions on the Company's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group, the Group should disclose the nature and extent of significant restrictions. Please see HKFRS 12.13 for details.]

59.5 Financial support

HKFRS 12.14-17

[When the Group gives financial support to a consolidated structured entity, the nature and risks (including the type and amount of support provided) should be disclosed in the financial statements. Please see HKFRS 12.14 – 17 for details.]

App 16.28
Sch 10

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

Note: *Entities incorporated outside Hong Kong (for example, Bermuda and Cayman Islands) are not required to comply with s 123 and s 124(1) of the* Companies Ordinance (Cap. 32)*, which set out the general provisions as to the contents and form of accounts and the obligation to lay group accounts before the company in a general meeting respectively. Nevertheless, such entities, if they are listed on the Hong Kong Stock Exchange, are required to comply with the Listing Rules.*

Appendix 16.28 to the Listing Rules states that a listed entity (whether or not it is incorporated in Hong Kong) should include disclosures required under the Tenth Schedule*, amongst other sections, of the* Companies Ordinance (Cap. 32) *in its financial statements. The* Tenth Schedule *requires, amongst others, the following disclosures to be made in the entity's financial statements:*

- *investments in subsidiaries, distinguished between listed and unlisted investments;*
- *amounts due to/from subsidiaries;*
- *movements in the entity's reserves;*
- *lease terms of land situated in Hong Kong and outside Hong Kong;*
- *auditors remuneration, including expenses; and*
- *a description of and the amount of shares and debentures of the company held by its subsidiaries or their nominees.*

Listed entities incorporated outside Hong Kong may present the above disclosures either:

- *as a separate primary financial statement, or*
- *as a note to their consolidated financial statements.*

The disclosures below illustrate the second approach above.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

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

	31/12/13 HK$'000	31/12/12 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	133,030	133,030
Amounts due from subsidiaries	1,954	4,000
Others (please specify)	-	-
	134,984	137,030
Current assets		
Bank balances and cash	6,610	4,714
Others (please specify)	-	-
	6,610	4,714
Current liabilities		
Trade and other payables	2,872	2,190
Amounts due to subsidiaries	2,000	-
Others (please specify)	-	-
	4,872	2,190
Net current assets	1,738	2,524
Total assets less current liabilities	136,722	139,554
Capital and reserves		
Share capital (see note 44)	17,819	23,005
Reserves	118,903	116,549
Total equity	136,722	139,554
Non-current liabilities		
Others (please specify)	-	-
	-	-

60.1 Composition of reserves (Note 1)

	31/12/13 HK$'000	31/12/12 HK$'000
Share premium	15,427	26,474
Share options reserve	179	246
Convertible notes equity reserve	626	-
Retained earnings	102,671	89,829
Others (please specify)	-	-
	118,903	116,549

Note 1: Please refer to note 45 for the movements of the respective reserves, except for retained earnings which is disclosed below.

Source	Hong Kong GAAP Limited

Notes to the consolidated financial statements for the year ended 31 December 2013 – continued

Movement in retained earnings

	Year ended 31/12/13 HK$'000	Year ended 31/12/12 HK$'000
Balance at beginning of year	89,829	72,272
Profit for the year	19,793	23,944
Payment of dividends	(6,396)	(6,387)
Repurchase of ordinary shares	(555)	-
Others (please specify)	-	-
Balance at end of year	102,671	89,829

61. Events after the reporting period

HKAS 10.21

On 18 January 2014, the premises of Subfive Limited were seriously damaged by fire. Insurance claims are in process, but the cost of refurbishment is currently expected to exceed the amount that will be reimbursed by HK$8.3 million.

Source	Hong Kong GAAP Limited

App 16.19
GR 18.33

Financial summary

	For the year ended 31 December				
	2009	2010	2011	2012	2013
	HK$000	HK$000	HK$000	HK$000	HK$000
Results					
Revenue	146,904	118,675	125,849	152,075	140,934
Costs of sales	(90,505)	(73,634)	(75,706)	(91,645)	(87,688)
Gross profit	56,399	45,041	50,143	60,430	53,246
Investment and other income	692	784	1,626	2,396	3,633
Other gains and losses	896	1,620	1,431	(173)	(1,128)
Distribution and selling expenses	(4,891)	(3,214)	(4,216)	(10,075)	(11,524)
Administrative expenses	(13,246)	(12,160)	(14,032)	(13,567)	(9,395)
Finance costs	(4,321)	(3,610)	(2,480)	(6,313)	(4,178)
Other expenses	(1,230)	(896)	(1,645)	(1,711)	(1,280)
Share of profits of joint ventures	-	-	-	242	337
Share of profits of associates	-	-	-	1,209	866
Gain recognised on disposal of an associate	-	-	-	-	581
Profit before tax	34,299	27,565	30,827	32,438	31,158
Income tax expense	(12,432)	(10,121)	(11,201)	(11,864)	(11,653)
Profit for the year from continuing operations	21,867	17,444	19,626	20,574	19,505
Profit for the year from discontinued operations	-	-	-	9,995	8,310
	21,867	17,444	19,626	30,569	27,815
Attributable to:					
Owners of the Company	21,841	17,390	19,529	27,342	23,423
Non-controlling interests	26	54	97	3,227	4,392
	21,867	17,444	19,626	30,569	27,815
Earnings per share					
Basic (HK cents)	112.8	109.6	120.3	118.9	104.1
Diluted (HK cents)	110.7	101.4	118.2	118.1	98.6

Note: The format outlined above aggregates expenses according to their function.

	As at 31 December				
	2009	2010	2011	2012	2013
	HK$000	HK$000	HK$000	HK$000	HK$000
Assets and liabilities					
Total Assets	216,847	202,839	271,427	262,996	265,628
Total Liabilities	(91,001)	(75,865)	(127,448)	(94,365)	(91,752)
	125,846	126,974	143,979	168,631	173,876
Equity attributable to owners of the Company	115,321	117,303	123,953	145,378	145,920
Non-controlling interests	10,525	9,671	20,026	23,253	27,956
	125,846	126,974	143,979	168,631	173,876

Source	Hong Kong GAAP Limited
App 16.23 GR 18.23	**Particulars of major investment properties at 31 December 2013**

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

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Hong Kong Financial Reporting Standards - Illustrative Annual Financial Statements 2013 aims to provide useful guidance to preparers of financial statements reporting under Hong Kong Financial Reporting Standards (HKFRSs). Specifically, this publication contains a set of illustrative annual financial statements for the year ended 31 December 2013 of an hypothetical entity with its shares listed on The Stock Exchange of Hong Kong Limited that are prepared in accordance with HKFRSs and the relevant disclosure requirements set out in the Hong Kong Companies Ordinance and the Listing Rules.

The illustrative annual financial statements reflect the impact of the application of some key new and revised HKFRSs that are mandatorily effective for 2013 (e.g. the package of 5 standards on consolidation, joint arrangements, associates and disclosures , HKFRS 13, and various other amendments).

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