

Technical Note 06/2006 – Sample disclosure of accounting policies

<p>1. GENERAL INFORMATION</p> <p>ABC Company Limited (the “Company”) is a limited liability company incorporated in [Hong Kong]. The registered office [The principal place of business]* of the Company is [address].</p> <p>The Company [and its subsidiaries (collectively the “Group”)] is [are] principally engaged in [the manufacturing and distribution of a broad range of food products, the provision of information solutions, construction of piling and foundation and investment holding].</p>	<p>HKAS 1.126(a) * if RO & PPB are not the same</p> <p>HKAS 1.126(b)</p>																
<p>2. BASIS OF PREPARATION [SIGNIFICANT ACCOUNTING POLICIES]*</p> <p>(a) Compliance with Hong Kong Financial Reporting Standards</p> <p>The [consolidated] financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as “Hong Kong Financial Reporting Standards”).</p>	<p>* May be combined with Note 3.</p> <p>HKAS 1.14</p>																
<p>(b) Initial application of Hong Kong Financial Reporting Standards</p> <p>In the current year, the Company [the Group] initially applied the following Hong Kong Financial Reporting Standards:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 30%;">HKAS 19 (Amendment)</td> <td>Actuarial Gains and Losses, Group Plans and Disclosures</td> </tr> <tr> <td>HKAS 21(Amendment)</td> <td>Net Investment in a Foreign Operation</td> </tr> <tr> <td>HKAS 39 (Amendment)</td> <td>Cash Flow Hedge Accounting of Forecast Intragroup Transactions</td> </tr> <tr> <td>HKAS 39 (Amendment)</td> <td>The Fair Value Option</td> </tr> <tr> <td>HKAS 39 & HKAS 4 (Amendment)</td> <td>Financial Guarantee Contracts</td> </tr> <tr> <td>HKFRS 6</td> <td>Exploration for and Evaluation of Mineral Resources</td> </tr> <tr> <td>HKFRS–Int 4</td> <td>Determining whether an Arrangement Contains a Lease</td> </tr> <tr> <td>HKFRS–Int 5</td> <td>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</td> </tr> </table> <p>The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Company’s [the Group’s] accounting policies or retrospective adjustments of the comparatives presented.</p> <p>[The initial application of these Hong Kong Financial Reporting Standards necessitates certain material changes in the Company’s [the Group’s] accounting policies and retrospective adjustments of the comparatives presented. These changes and adjustments are summarised as follows:</p>	HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures	HKAS 21(Amendment)	Net Investment in a Foreign Operation	HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions	HKAS 39 (Amendment)	The Fair Value Option	HKAS 39 & HKAS 4 (Amendment)	Financial Guarantee Contracts	HKFRS 6	Exploration for and Evaluation of Mineral Resources	HKFRS–Int 4	Determining whether an Arrangement Contains a Lease	HKFRS–Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	<p>HKAS 8.28</p>
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<p>(i) HKAS 21(Amendment) Net Investment in a Foreign Operation</p> <p>In prior years, exchange differences arising on translating monetary items whose settlement was neither planned nor likely to occur in the foreseeable future between the Company and its foreign operations in a currency other than the functional currency of either the Company or the foreign operation, or amongst the Company's subsidiaries and foreign operations in any currencies, were included in the consolidated profit or loss.</p> <p>Upon the application of HKAS 21 (Amendment) Net Investment in a Foreign Operation with effect from 1 January 2006, these exchange differences should be initially recognised as a component of equity and recognised in profit or loss on disposal of the net investment in the foreign operations.</p> <p>As a result of this change in accounting policy, the accumulated profits as at 1 January 2006 and 2005 have been increased/(decreased) by HK\$xxx and (HK\$xxx) respectively and the exchange reserves as at 1 January 2006 and 2005 have been (decreased)/increased by (HK\$xxx) and HK\$xxx respectively. The profit for the year ended 31 December and 2006 and 2005 has been decreased by HK\$xxx and HK\$xxx respectively.</p> <p>(ii) HKAS 39 & HKAS 4 (Amendment) Financial Guarantee Contracts</p> <p>In prior years, financial guarantee contracts are disclosed as contingent liabilities.</p> <p>Upon the application of HKAS 39 & HKAS 4 (Amendment) Financial Guarantee Contracts with effect from 1 January 2006, financial guarantee contracts are measured initially at fair value and subsequently at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised.</p> <p>The initial application of HKAS 39 & HKAS 4 (Amendment) Financial Guarantee Contracts does not necessitate retrospective adjustments of the comparatives presented.]</p>															
<p>(c) Hong Kong Financial Reporting Standards in issue but not yet effective</p> <p>The following Hong Kong Financial Reporting Standards in issue at 31 December 2006 have not been applied in the preparation of the Company's [the Group's consolidated] financial statements for the year ended 31 December 2006 since they were not yet effective for the annual period beginning on 1 January 2006:</p> <table border="0" data-bbox="331 1563 1337 1792"> <tr> <td>HKAS 1 (Amendment)</td> <td>Capital Disclosures</td> </tr> <tr> <td>HKFRS 7</td> <td>Financial Instruments: Disclosures</td> </tr> <tr> <td>HK(IFRIC)-Int 7</td> <td>Applying the Restatement Approach under HKAS 29</td> </tr> <tr> <td></td> <td>Financial Reporting in Hyperinflationary Economies</td> </tr> <tr> <td>HK(IFRIC)-Int 8</td> <td>Scope of HKFRS 2</td> </tr> <tr> <td>HK(IFRIC)-Int 9</td> <td>Reassessment of Embedded Derivatives</td> </tr> <tr> <td>HK(IFRIC)-Int 10</td> <td>Interim Financial Reporting and Impairment</td> </tr> </table> <p>The Company [the Group] is required to initially apply these standards in its annual [consolidated] financial statements beginning on 1 January 2007.</p>	HKAS 1 (Amendment)	Capital Disclosures	HKFRS 7	Financial Instruments: Disclosures	HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29		Financial Reporting in Hyperinflationary Economies	HK(IFRIC)-Int 8	Scope of HKFRS 2	HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	<p>HKAS 8.30</p>
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<p>[(d) Adoption of the going concern assumption</p> <p>When preparing the financial statements, the Company's [the Group's] ability to</p>	<p>HKAS 1.23</p> <p>* Refer to</p>														

<p>continue as a going concern has been assessed. These financial statements have been prepared on a going concern basis notwithstanding that the Company [the Group] incurred a net loss of HK\$[?] for the year ended 31st December, 2006 and as at that date, the Company's [the Group's] current liabilities exceeded its total assets by HK\$[?] as the Company's [the Group's] ultimate holding company has undertaken to provide continuing financial support to the Company [the Group].*</p>	<p>HKSA 570 of the implications of this disclosure of material uncertainty on the auditor's report.</p>
<p>3. SIGNIFICANT ACCOUNTING POLICIES*</p> <p>(a) Measurement basis</p> <p>The [consolidated] financial statements are prepared under the historical cost basis [as modified by revaluation of certain properties and financial assets as explained in the accounting policies set out below].</p>	<p>* May be combined with Note 2.</p> <p>HKAS 1.108(a)</p>
<p>[(b) Basis of consolidation</p> <p>The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.</p> <p>Minority interests represent the results and net assets of the subsidiaries attributable to equity interests not owned, directly or indirectly, by the Company.]</p>	<p>HKAS 27.4 Def.</p>
<p>(c) Revenue recognition</p> <p>Revenue from the sales of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.</p> <p>Revenue from provision of system development services is recognised at the time when the services are provided.</p> <p>Revenue from provision of system integration services is recognised by reference to the stage of completion determined [by the percentage of services performed to date bear to the total services to be performed] [by reference to the percentage of costs incurred to date bear to the estimated total costs of the transaction] [by surveys of work performed].</p> <p>Revenue from construction contracts is recognised by reference to the stage of completion determined [by the percentage of services performed to date bear to the total services to be performed] [by reference to the percentage of costs incurred to date bear to the estimated total costs of the transaction] [by surveys of work performed].</p> <p>Interest income is recognised as it accrued using the effective interest method.</p> <p>Dividend income is recognised when the right to receive payment is established.</p> <p>Rental income is recognised on a straight-line basis over the term of the respective operating leases.</p> <p>Turnover represents revenue from sales of goods, provision of system development services, construction contracts and rental income. <i>{This statement alone should be sufficient for compliance with the requirements of the Companies Ordinance regarding "turnover" in most cases, i.e. need not presenting "Turnover" on the face of the Income Statement or in the Notes.}</i></p>	<p>HKAS 18.35(a)</p> <p>HKAS 18.35(a)</p> <p>HKAS 18.35(a)</p> <p>HKAS 11.39(b)&(c)</p> <p>HKAS 18.35(a)</p> <p>10th Schedule of Companies Ordinance</p>

<p>(d) Leasehold land [Prepaid land lease expenses]</p> <p>Up-front payments to acquire leasehold land are amortised over the term of the leases on a straight-line basis.</p>	<p>* May be included in the note for lease</p>								
<p>(e) Property, plant and equipment</p> <p>Property, plant and equipment are stated at cost [or valuation] less accumulated depreciation and impairment losses.</p> <p>The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.</p> <p>Repair and maintenance costs are charged to the income statement in the period in which it is incurred.</p> <p>[A revaluation surplus is credited directly to equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the [consolidated] income statement. A revaluation decrease recognised in the [consolidated] income statement, except to the extent that it reverses any credit balance in the revaluation surplus of the same asset.]</p> <p>Depreciation is calculated to write off the costs [or valuation] of property, plant and equipment to their estimated residual values over their estimated useful lives on a straight line basis at the following annual rates:-</p> <table border="0" data-bbox="427 1055 948 1182"> <tr> <td style="padding-left: 40px;">Buildings</td> <td style="padding-left: 40px;">2% - 5%</td> </tr> <tr> <td style="padding-left: 40px;">Leasehold improvements</td> <td style="padding-left: 40px;">20% - 25%</td> </tr> <tr> <td style="padding-left: 40px;">Computer equipment</td> <td style="padding-left: 40px;">20% - 50%</td> </tr> <tr> <td style="padding-left: 40px;">Furniture and fixtures</td> <td style="padding-left: 40px;">10% - 25%</td> </tr> </table> <p>No depreciation is provided in respect of freehold land.</p> <p>The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.</p> <p>[The gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying value of the asset and is recognised in the income statement.]</p>	Buildings	2% - 5%	Leasehold improvements	20% - 25%	Computer equipment	20% - 50%	Furniture and fixtures	10% - 25%	<p>HKAS 16.73(a)</p> <p>HKAS 16.73(b)</p> <p>HKAS 16.73(c)</p> <p>* Include this note if the gain or loss is material.</p>
Buildings	2% - 5%								
Leasehold improvements	20% - 25%								
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<p>(f) Investment properties</p> <p>Investment properties are [land and] buildings held for long-term rental yields or for capital appreciation or both. [Investment properties comprise land held under operating leases and buildings held under finance leases.]</p> <p>Investment properties are stated at cost less accumulated depreciation and impairment losses.</p> <p>Depreciation is calculated to write off investment properties to their estimated residual values over their estimated useful lives on a straight line basis at the annual rates of 2% to 3%.</p> <p>[Investment properties are stated at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the [consolidated] income statement for the year in which they arise.]</p>	<p>HKAS 40.75(a)</p> <p>HKAS 40.79(a),(b)</p> <p>HKAS 40.75(a)</p>								

<p>[The gain or loss arising from the disposal of an investment property is determined as the difference between the net disposal proceeds and the carrying value of the investment property and is recognised in the [consolidated] income statement.]*</p>	<p>* Include this note if the gain or loss is material.</p>						
<p>[(g) Goodwill</p> <p>Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition.</p> <p>Goodwill is carried at cost less accumulated impairment losses.</p> <p>On disposal of a subsidiary, any attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal recognised in the [consolidated] income statement.]</p>							
<p>(h) Intangible assets</p> <p>Intangible assets are stated at cost less accumulated amortisation and impairment losses.</p> <p>Development costs are capitalised only when it can be demonstrated that completing the development is technically and financially feasible, the product under development will generate probable future economic benefits through sale or use, and the development expenditure can be measured reliably. Development costs which do not meet these criteria are expensed when incurred.</p> <p>Amortisation is calculated to write off the costs of intangible assets [to their estimated residual values] over their estimated useful lives on a straight line basis at the following annual rates:-</p> <table border="0" data-bbox="427 1216 948 1312"> <tr> <td style="padding-left: 40px;">Product development cost</td> <td style="padding-left: 20px;">15% - 20%</td> </tr> <tr> <td style="padding-left: 40px;">Trade mark acquired</td> <td style="padding-left: 20px;">5%</td> </tr> <tr> <td style="padding-left: 40px;">Software acquired</td> <td style="padding-left: 20px;">25%</td> </tr> </table>	Product development cost	15% - 20%	Trade mark acquired	5%	Software acquired	25%	<p>HKAS 38.118(b)</p> <p>HKAS 38.118(b)</p> <p>HKAS 38.118(a)</p>
Product development cost	15% - 20%						
Trade mark acquired	5%						
Software acquired	25%						
<p>(i) Investment in subsidiaries</p> <p>A subsidiary is an entity that is controlled by the Company.</p> <p>Investments in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment loss. Income from subsidiaries is recognised in the Company's financial statements on the basis of dividends declared by the subsidiaries.</p>							
<p>(j) Jointly controlled entities</p> <p>A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties having unilateral control. Jointly controlled entities are joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest.</p> <p>The results and assets and liabilities of a jointly controlled entity are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated income statement includes the Group's share of the post-acquisition results of the jointly controlled entity and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled</p>	<p>HKAS 31.57</p>						

<p>balance sheet includes the Group's share of the net assets of the jointly controlled entity, as reduced by any identified impairment losses.</p> <p>[The results and assets and liabilities of a jointly controlled entity are incorporated in the consolidated financial statements using the method of proportionate consolidation. Under the method of proportionate consolidation, the consolidated financial statement includes the Group's share of the assets, liabilities, income and expenses of the jointly controlled entities [on a line by line basis] [as separate line items].</p> <p>[Interests in jointly controlled entities are stated in the Company's balance sheet at cost less any identified impairment loss. Income from jointly controlled entities is recognised in the Company's financial statements on the basis of dividends declared by the jointly controlled entities.]</p>	<p>HKAS 31.57</p> <p>HKAS 31.57</p>
<p>(k) Investments in associates</p> <p>An associate is an entity, not being a subsidiary or a joint venture, in which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.</p> <p>The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated income statement includes the Group's share of the post-acquisition results of the associate and the consolidated balance sheet includes the Group's share of the net assets of the associate, as reduced by any identified impairment losses.</p> <p>[Interests in associates are stated in the Company's balance sheet at cost less any identified impairment loss. Income from associates is recognised in the Company's financial statements on the basis of dividends declared by the associates.]</p>	
<p>(l) Financial assets</p> <p>A financial asset is recognised when the Company [the Group] becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised using [trade date accounting] [settlement date accounting].</p> <p>Financial assets held for trading are financial assets acquired principally for the purpose of selling in the short term. Derivatives are classified as financial assets held for trading unless they are designated as hedges. Financial assets held for trading are carried at fair value. Gains and losses arising from changes in the fair value of financial assets held for trading are included in the income statement in the period in which they arise.</p> <p>[Financial assets at fair value through profit or loss are financial assets acquired principally for the purpose of selling in the short term {or designated in this category}*. Derivatives are classified as financial assets at fair value through profit or loss unless they are designated as hedges. Financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.]</p> <p>Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. [Loans and receivables include trade receivables.]</p>	<p>HKAS 32.60(b) HKAS 32.61</p> <p>HKAS 32.60(b)</p> <p>HKAS 32.60(b) *(Principal difference from financial asset held for trading)</p> <p>HKAS 32.60(b)</p>

<p>Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company [the Group] intends to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method, less any identified impairment losses.</p> <p>Available-for-sale financial assets are non-derivatives financial assets that are designated in this category or are not classified in any of the other categories. Available-for-sale financial assets are carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When the available-for-sale financial assets are disposed of or impaired, the accumulated gains or losses in equity are recognised in the income statement.</p> <p>[When the fair value of financial assets cannot be reliably measured, the financial assets are stated at cost less any identified impairment losses.]</p> <p>The fair values of financial assets that are actively traded are determined by reference to market prices at the close of business on the balance sheet date. For financial assets where there is no active market, fair value is determined by using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis, and option pricing models.</p> <p>Financial assets are classified as non-current unless they are held for trading or expected to be realised within twelve months after the balance sheet date.</p> <p>If there is objective evidence that a financial asset is impaired, impairment loss is recognised in the income statement.</p> <p>The amount of impairment loss for loans and receivables [and held-to maturity investments] is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate of the financial asset computed at initial recognition. Impairment losses are reversed in subsequent periods when the decrease of impairment loss can be related objectively to an event occurring after the impairment was recognised.</p> <p>[For available-for-sale financial assets, the amount of impairment loss removed from the equity is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement.]</p> <p>[For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.]</p>	<p>HKAS 32.60(b)</p> <p>HKAS 32.60(b)</p>
<p>(m) Inventories</p> <p>Inventories are stated at the lower of cost and net realisable value. Cost is determined on a [first-in, first-out basis] / [weighted average method].</p>	<p>HKAS 2.36(a)</p>

<p>(n) Provisions and contingent liabilities</p> <p>Provisions are recognised for liabilities of uncertain timing or amount when the Company [the Group] has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.</p> <p>Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.</p>	
<p>(o) Borrowings and payables</p> <p>Borrowings and payables are stated at amortised cost using the effective interest method.</p> <p>[Financial liabilities other than borrowings and payables, including derivative liabilities, are stated at fair value.]</p>	<p>HKAS 32.60(b)</p> <p>HKAS 32.60(b)</p>
<p>(p) Employee benefits</p> <p>Salaries, annual bonuses and annual leave entitlements are accrued in the year in which the associated services are rendered by employees of the Company [the Group].</p> <p>Obligations for contributions to defined contribution retirement plans are recognised as an expense in the [consolidated] income statement as incurred.</p> <p>The fair value of share options granted to employees measured at the grant date and adjusted for the estimated number of shares that will eventually be vested is recognised as an employee cost on a straight-line basis over the vesting period, with a corresponding increase in a capital reserve.</p> <p>[For the purpose of diluted earnings per share, the exercise price of the options is adjusted for the cost of employee services to render in the remaining vesting period.]</p>	
<p>(q) Impairment of assets</p> <p>At each balance sheet date, the Company [the Group] determines whether there is any indication of impairment of assets. If there is any indication of impairment, the recoverable amount of the relevant asset or group of assets is estimated and compared with the carrying amount. [Goodwill [and intangible assets under development] is [are] subject to annual impairment review].</p> <p>If the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset or group of assets is reduced to the recoverable amount. Impairment losses are recognised as an expense in the income statement.</p>	

<p>(r) Borrowing costs</p> <p>Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds and are expensed as incurred.</p> <p>[Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.</p> <p>All other borrowing costs are charged to the income statement in the year in which they are incurred.]</p>	<p>HKAS 23.29(a)</p> <p>HKAS 23.29(a)</p>
<p>(s) Income tax</p> <p>Income tax expense represents the sum of the tax currently payable and deferred tax.</p> <p>The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the [consolidated] income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.</p> <p>Deferred tax is the tax expected to be payable or recoverable when the Company [the Group] recovers or settles the carrying amounts of assets or liabilities recognised in the financial statements.</p> <p>Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realised.</p> <p>Deferred tax is charged or credited to the [consolidated] income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.</p>	
<p>(t) Cash equivalents</p> <p>Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.</p>	
<p>(u) Leases</p> <p>Rentals payable under operating leases are charged to the [consolidated] income statement on a straight-line basis over the terms of the relevant leases.</p> <p>Finance charge implicit in the finance lease payments are charged to the [consolidated] income statement over the periods of the finance leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.</p>	
<p>(v) Related parties</p> <p>An individual is related to the Company [the Group] if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Company [the Group], or (ii) is member of the key management personnel of the Company [the Group], or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).</p>	

<p>An entity is related to the Company [the Group] if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Company [the Group], or (ii) is controlled by or under common control with the Company [the Group], or (iii) is an associate or jointly controlled entity of the Company [the Group], or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Company [the Group].</p> <p>[A post-employment benefit plan for the benefit of the employees of the Company [the Group] or employees of an entity related to the Company [the Group] is also a related party.]</p>	
<p>(w) Foreign currency translation</p> <p>The [consolidated] financial statements are presented in Hong Kong dollar, which is also the Company's functional currency. The functional currency of the Company [or its subsidiaries] is the currency of the primary economic environment in which the Company [or its subsidiaries] operates.</p> <p>Foreign currency transactions of the Company [or its subsidiaries] are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date and the exchange differences arising are recognised in the income statement. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in the income statement, except for the exchange component of a gain or loss that is recognised directly in equity.</p> <p>[For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised as a separate component of equity. Such translation differences are recognised in the consolidated income statement for the year in which the foreign operation is disposed of.]</p>	<p>HKAS 21.53</p>
<p>(x) Significant judgement</p> <p>In the process of applying the Company's [the Group's] accounting policies, judgements that can significantly affect the amounts recognised in the financial statements are made in determining:</p> <ul style="list-style-type: none"> (i) whether the significant risks and rewards of ownership of goods have been transferred to the buyer; (ii) whether there is an indication of impairment of assets; (iii) the expected manner of recovery of the carrying amount of assets; (iv) [the discount rates used to calculate the recoverable amount of goodwill and other assets for the purpose of impairment review]; and (v) [the valuation method used to calculate the fair value of share options at the measurement date.] 	<p>HKAS 1.113</p>