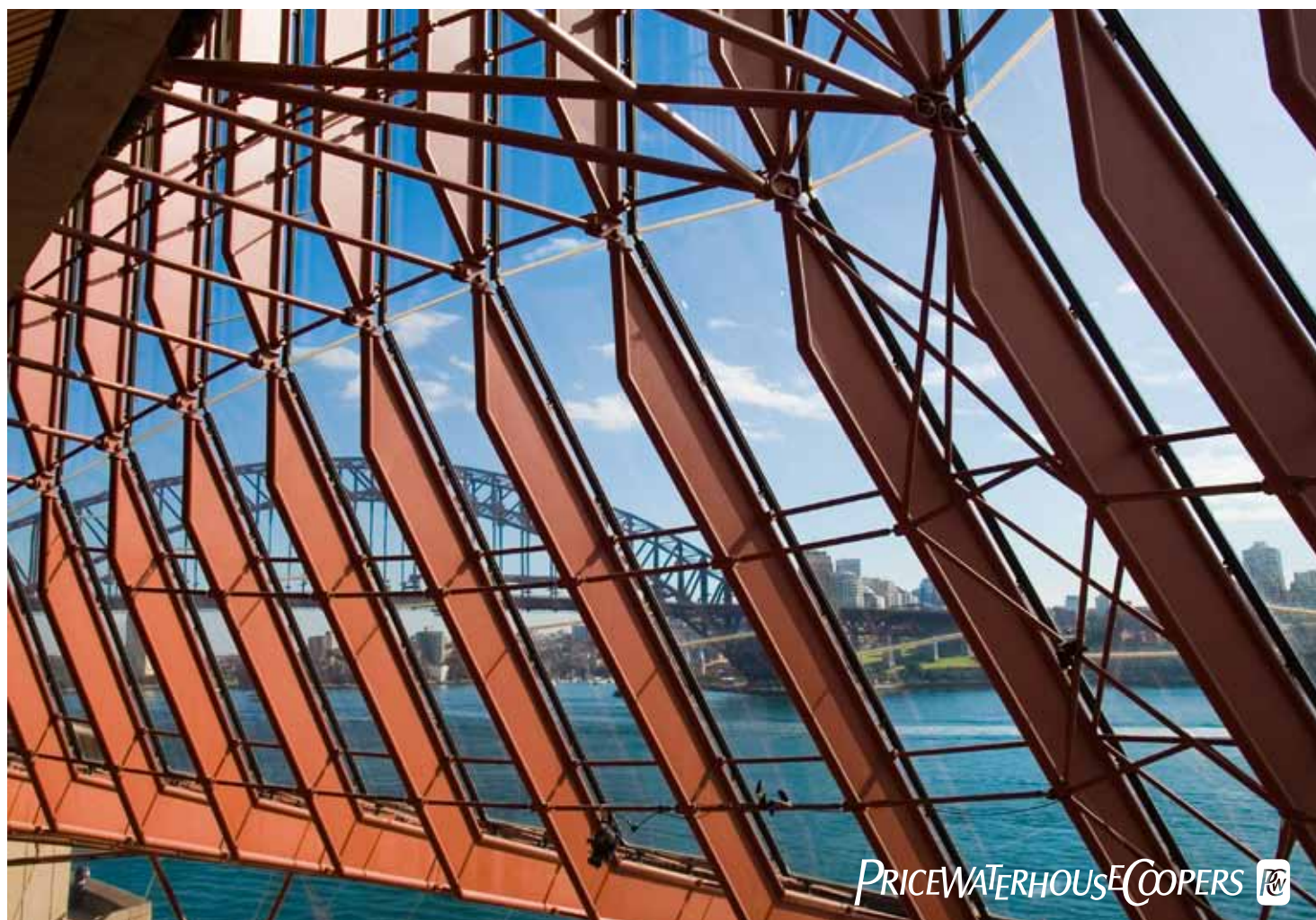
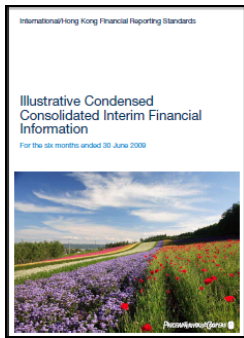


Illustrative Corporate Consolidated Financial Statements

31 December 2009





Illustrative condensed consolidated interim financial information for existing preparers

Illustrative information, prepared in accordance with IAS/HKAS 34, for a fictional existing IFRS/HKFRS preparer. Includes IAS/HKAS 34 application guidance. Reflects standards issued up to 31 May 2009.

Language: English



HKFRS News

Monthly newsletter highlighting the latest update in the Hong Kong Financial Reporting Standards.

Language: English



A practical guide to new IFRSs for 2009

40-page guide providing high-level outline of the key requirements of new IFRSs effective in 2009, in question and answer format.

Language: English with Simplified Chinese



IFRS 3R: Impact on earnings – the crucial Q&A for decision-makers

Guide aimed at finance directors, financial controllers and deal-makers, providing background to the standard, impact on the financial statements and controls, and summary differences with US GAAP.

Language: English or Simplified Chinese



China Accounting Standards (CAS) - Summary, Changes and Comparison

Summary of Accounting Standards for Business Enterprises (CAS 2006), changes from the original accounting regulations and comparison with the International Financial Reporting Standards.

Language: Simplified Chinese with English



IFRS News

Monthly newsletter highlighting the latest update in the International Financial Reporting Standards.

Language: Simplified Chinese

Introduction

This publication provides an illustrative set of consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS)/ Hong Kong Financial Reporting Standards (HKFRS), for a fictional manufacturing, wholesale and retail group (Specimen Holdings Limited).

Specimen Holdings Limited is an existing preparer of IFRS/HKFRS consolidated financial statements; IFRS/HKFRS 1, First-time adoption of International/Hong Kong Financial Reporting Standards, is not applicable. For an illustrative set of financial statements for first-time adopters of IFRS/HKFRS, refer to the PricewaterhouseCoopers' publication 'Adopting IFRS: IFRS 1 – First time adoption of International Financial Reporting Standards'.

This publication is based on the requirements of IFRS/HKFRS standards and interpretations published up to October 2009 for financial years beginning on or after 1 January 2009.

This publication also includes some common disclosures required by the [Hong Kong Companies Ordinance](#) and the [Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited](#) (the "Listing Rules") published up to and including October 2009. Their related disclosures are marked in [Bordeaux](#) and [Bordeaux bright](#) respectively. This publication has not included all the disclosures required by the [Listing Rules](#). For example, the disclosure of corporate governance report has not been included as it is expected to vary significantly from one company to another company and should be tailored to suit the particular circumstances of the company. Please refer to Appendix 23 of Main Board Listing Rules / Appendix 16 of GEM Listing Rules for detailed disclosure requirements of corporate governance report.

PricewaterhouseCoopers' commentary has been provided to explain the detail behind the presentation of a number of challenging areas. These commentary boxes relate to the presentation in: the consolidated balance sheet; the balance sheet; the consolidated income statement and consolidated statement of comprehensive income; the consolidated statement of changes in equity; the consolidated statement of cash flows; the summary of significant accounting policies; and financial risk management.

Areas in which presentation has changed significantly since 2008 have been highlighted in grey.

We have attempted to create a realistic set of financial statements for a corporate entity. Certain types of transaction have been excluded, as they are not relevant to the group's operations. The example disclosures for some of these additional items have been included in Appendices V to VI. The new and amended standards and interpretations, which are effective for financial year ended 31 December 2009, are summarised in the below section. The forthcoming IFRS/HKFRS requirements are outlined in a table in Appendix VIII.

The example disclosures should not be considered the only acceptable form of presentation. The form and content of each reporting entity's financial statements are the responsibility of the entity's management. Alternative presentations to those proposed in this publication may be equally acceptable if they comply with the specific disclosure requirements prescribed in IFRS/HKFRS.

These illustrative financial statements are not a substitute for reading the standards and interpretations, the Hong Kong Companies Ordinance and the Listing Rules themselves, or for professional judgement as to the fairness of presentation. They do not cover all possible disclosures that IFRS/HKFRS, the Hong Kong Companies Ordinance and the Listing Rules require. Further specific information may be required in order to ensure fair presentation under IFRS/HKFRS depending on the circumstances. Additional disclosures may be required in order to comply with local laws and/or stock exchange regulations if the subject company is incorporated overseas and/or listed in an overseas stock exchange.

For specialised industries, we recommended that readers also refer to our "Illustrative" series, including:

- Illustrative financial statements : Investment funds
- Illustrative financial statements : Investment property
- Illustrative financial statements : Private equity
- Illustrative financial statements : Insurance
- Illustrative financial statements for authorized institutions in Hong Kong

We have also produced a set of illustrative financial statements prepared under IFRS for small and medium entities: "IFRS for SMEs – Illustrative consolidated financial statements 2010".

New and amended standards and interpretations that have been issued and are effective for periods commencing on or after 1 January 2009

Part 1 – Accounting standards and interpretations

Standard / Interpretation	Key requirements	Early adoption and transition provision, if any
(I) Changes effective for annual periods beginning on or after 1 July 2008		
Amendment to IFRIC/HK(IFRIC)-Int 9 and IAS/HKAS 39 Reassessment of embedded derivatives	<ul style="list-style-type: none"> An entity should assess whether an embedded derivative is to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The assessment is made on the basis of the circumstances that existed at the later of (a) the date when the entity first became a party to the contract; and (b) the date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract. 	-
IFRIC/HK(IFRIC)-Int 13 “Customer loyalty programmes”	<ul style="list-style-type: none"> IFRIC/HK(IFRIC)-Int 13 addresses accounting by entities that grant loyalty award credits (such as ‘points’ or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services (‘awards’) to customers who redeem award credits. 	Early adoption is permitted.
(II) Changes effective for annual periods beginning on or after 1 October 2008		
IFRIC/HK(IFRIC)-Int 16 Hedges of a net investment in a foreign operation	<p>This interpretation clarifies the following issues:</p> <ul style="list-style-type: none"> Hedge accounting may be applied only to the foreign exchange differences arising between the functional currency of the foreign operation and the parent entity's functional currency (including an intermediate parent). The hedge risk cannot relate to the group's presentation currency. The hedging instrument(s) may be held by any entity or entities within the group (except the foreign operation that itself is being hedged), as long as the requirements of IAS/HKAS 39 para. 88 that relate to a net investment hedge are satisfied. Reclassification adjustment is required on the disposal of a foreign operation. 	<p>If an entity had designated a hedging instrument as a hedge of a net investment but the hedge does not meet the conditions under this interpretation, the entity shall apply IAS/HKAS 39 to discontinue the hedge accounting prospectively.</p> <p>Early adoption is permitted.</p>
(III) Changes effective for annual periods beginning on or after 1 January 2009		
IAS/HKAS 1 (Revised) - “Presentation of financial statements”	<ul style="list-style-type: none"> All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). If there are retrospective restatements or reclassification of comparative amounts, it is required to present a statement of financial position as at the beginning of the earliest comparative period. 	Early adoption is permitted.

Standard / Interpretation	Key requirements	Early adoption and transition provision, if any
IAS/HKAS 23 (Revised) - "Borrowing costs"	<ul style="list-style-type: none"> It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. 	<p>Apply to qualifying assets where the commencement date for capitalisation is on or after the effective date.</p> <p>However, transitional provision allows an entity to designate any date before the effective date and apply the standard to borrowing costs relating to all qualifying assets for which the commencement date is on or after that date.</p> <p>Early adoption is permitted.</p>
IAS/HKAS 32 and IAS/HKAS 1 (Amendment) Puttable financial instruments and obligations arising on liquidation	<ul style="list-style-type: none"> It requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. 	<p>Early adoption is permitted.</p>
IFRS/HKFRS 1 and IAS/HKAS 27 (Amendment) Cost of an investment in a subsidiary, jointly controlled entity or associate	<ul style="list-style-type: none"> When a parent reorganises the structure of its group by establishing a new entity as its parent, provided such reorganisation satisfies several criteria, the new parent shall measure cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of reorganisation. 	<p>Prospective application.</p> <p>However, an entity may elect to apply the amendment retrospectively to past reorganisations within the scope. If the entity restates any reorganisation, it shall restate all later reorganisations within the scope.</p> <p>Early adoption is permitted.</p>
	<ul style="list-style-type: none"> The amendment also removes the distinction between pre- and post-acquisition dividends. Dividends are recognised as income. When dividends are recognised, impairment testing for the investment cost is required if: <ol style="list-style-type: none"> dividends exceeding the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared; or the carrying amount of the investment in the separate financial statements exceeding the carrying amount in the consolidated financial statements of the investee's net assets, including goodwill. 	<p>Prospective application.</p> <p>Early adoption is permitted.</p> <p>If an entity applies the changes for an earlier period, it shall apply the related amendments to IAS/HKAS 18, IAS/HKAS 21 and IAS/HKAS 36 at the same time.</p>

Standard / Interpretation	Key requirements	Early adoption and transition provision, if any
<p>IFRS/HKFRS 2 (Amendment) "Share-based payment" - Vesting conditions and cancellations</p>	<ul style="list-style-type: none"> • IFRS/HKFRS 2 (Amendment) clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. • Vesting conditions are either service conditions (which require a counterparty to complete a specified period of service) or performance conditions (which require a counterparty to complete a specified period of service and specified performance targets to be met). • All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. • All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. 	<p>Early adoption is permitted</p>
<p>IFRS/HKFRS 8 "Operating segments"</p>	<ul style="list-style-type: none"> • IFRS/HKFRS 8 replaces IAS/HKAS 14, under which segments were identified and reported on risk and return analysis. Items were reported on the accounting policies used for external reporting. • Under IFRS/HKFRS 8, segments are components of an entity, whose operating results are regularly reviewed by the entity's chief operating decision-maker (CODM) and for which discrete financial information is available. The CODM is the person/function who/which allocates resources and assesses the performance for the entity. • Operating segments are separately reported if they meet the definition of a reportable segment. A reportable segment is an operating segment or group of operating segments that exceed the quantitative thresholds set out in the standard. An entity may, however, disclose any additional operating segment if it chooses to do so. • All reportable segments are required to provide a measure of profit or loss and total assets/liabilities for each reportable segment if such an amount is regularly provided to the CODM (Note), as well as entity-wide disclosures of the revenue from external customers for each group of similar products and services, revenues from external customers attributable to and certain non-current assets located in the entity's country of domicile or all foreign countries and extent of reliance on major customers. Other detailed disclosures of performance and resources are required if the CODM reviews these amounts. A reconciliation of the totals of revenue, profit and loss, assets/liabilities and other material items reviewed by the CODM to the primary financial statements is required. <p><u>Note</u> Amendment to IFRS/HKFRS 8 under the IASB/HKICPA Annual Improvements Project published in April 2009/May 2009 is incorporated above. The amendment allows that total segment asset is to be disclosed only when such information is regularly provided to CODM, like segment liabilities under current IFRS/HKFRS 8.</p>	<p>Retrospective application.</p> <p>Segment information for prior years that is reported as comparative information for the initial year of application shall be restated to conform to the requirements of this IFRS/HKFRS 8, unless the necessary information is not available and the cost to develop it would be excessive.</p> <p>Early adoption is permitted.</p> <p>The amendment is to be effective for the annual periods beginning on or after 1 January 2010.</p> <p>Prospective application.</p> <p>Early adoption is permitted.</p>

Standard / Interpretation	Key requirements	Early adoption and transition provision, if any
IFRIC/HK(IFRIC)-Int 15 "Agreements for the construction of real estate"	<ul style="list-style-type: none"> • The interpretation clarifies which standard (IAS/HKAS 18 or IAS/HKAS 11) should be applied to particular transactions. • Entities that have previously recognised revenue from residential real estate sales under IAS/HKAS 11 will be the most significantly affected and will probably be required to apply IAS/HKAS 18. An agreement is for the sale of goods when the buyer has only limited ability to influence the major structural elements of design, either before or during construction. • The new guidance may also have a wider impact and affect the accounting in other industries because the IFRIC has stated that the interpretation may also be used by analogy in other circumstances to determine whether a transaction is accounted for as a sale of a good (IAS/HKAS 18) or a construction contract (IAS/HKAS 11). 	Early adoption is permitted
IFRS/HKFRS 7 (Amendment) Improving disclosures about financial instruments – Fair value measurements and liquidity risk of financial instruments.	<ul style="list-style-type: none"> • This amendment enhances disclosures about fair value measurement and liquidity risk of financial instruments. • The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. • It also requires entities to provide additional disclosures about the relative reliability for fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. • In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. • Financial guarantees are required to be included in the maturity analysis at their maximum amount. A maturity analysis for financial assets is required when this is necessary for users to evaluate the nature and extent of the entity's liquidity risk. 	In the first year of application, an entity needs not provide comparative information for the disclosures required by the amendments. Early adoption is permitted.

Standard / Interpretation	Key requirements	Early adoption and transition provision, if any
(IV) Effective for transfer of assets from customers received on or after 1 July 2009		
IFRIC/HK(IFRIC)-Int 18 "Transfer of assets from customers"	<ul style="list-style-type: none"> • IFRIC / HK(IFRIC)-Int 18 addresses the diversity in practice that arises when entities account for assets received from a customer (e.g. property, plant and equipment and cash) in return for connection to a network or ongoing access to goods or services. The interpretation requires that: <ul style="list-style-type: none"> • An item transferred from a customer is recognised when it meets the definition of an asset in the Framework. All relevant facts are considered to determine whether the item is controlled and whether it is probable there will be future economic benefits. The asset is recognised initially at fair value. • The corresponding credit in revenue that is recognised in accordance with IAS/HKAS 18. The related income will be recognised immediately or if there is a future service obligation, over the relevant service period. • The entity receiving the asset determines whether the asset has been received in exchange for one or more separately identifiable services – for example, connection to a network, ongoing access to that network or a supply of goods or services through the network. Two features that indicate that a connection is a separately identifiable service are: <ul style="list-style-type: none"> - A service is delivered to the customer and represents stand-alone value for that customer. - The fair value of the service can be measured reliably. • The interpretation also provides new guidance for the separation and recognition of the different components of a transaction and may be applied by more than just those entities that receive assets from their customers. It might be relevant to any entity that has more than one delivery obligation. 	Prospective application. Early adoption is permitted provided the valuations and other information needed to apply the interpretation to past transfers were obtained at the time those transfer occurred.

Part 2 – First annual improvements project published in May 2008 by the IASB and October 2008 by the HKICPA

Standards	Amendments	Effective date
Assets		
IAS/HKAS 16 "Property, plant and equipment" (and consequential amendment to IAS/HKAS 7 "Statement of cash flows")	<p>Sales of assets held for rental as its ordinary activity</p> <ul style="list-style-type: none"> • Entities whose ordinary activities comprise renting and subsequently selling assets, present proceeds from the sale of those assets as revenue. • The carrying amount of the asset is transferred to inventories when the asset becomes held for sale. • IFRS/HKFRS 5 does not apply. • A consequential amendment to IAS/HKAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. <p>Recoverable amount</p> <ul style="list-style-type: none"> • Wording of definition of recoverable amount has been aligned with IAS/HKAS 36 "Impairment of assets" 	<p>Periods beginning on or after 1 January 2009.</p> <p>Early adoption is permitted, but management should apply related amendments to IAS/HKAS 7.</p>
IAS/HKAS 23 "Borrowing costs"	<p>Components of borrowing costs</p> <ul style="list-style-type: none"> • The definition of borrowing costs has been amended. Interest expense is calculated using the effective interest method defined in IAS/HKAS 39. 	<p>Periods beginning on or after 1 January 2009.</p> <p>Early adoption is permitted</p>
IAS/HKAS 27 "Consolidated and separate financial statements"	<p>Measurement of subsidiary held for sale in separate financial statements</p> <ul style="list-style-type: none"> • Where an investment in a subsidiary that is accounted for under IAS/HKAS 39 is classified as held for sale under IFRS/HKFRS 5, IAS/HKAS 39 (as opposed to IFRS/HKFRS 5) would continue to be applied. 	<p>Periods beginning on or after 1 January 2009 with prospective application from the date IFRS/HKFRS 5 was first applied.</p> <p>Early adoption is permitted</p>
IAS/HKAS 28 "Investments in associates" (and consequential amendments to IAS/HKAS 32 "Financial instruments: Presentation" and IFRS/HKFRS 7 "Financial instruments: Disclosures")	<p>Required disclosures when investments in associates are accounted for at fair value through profit or loss</p> <ul style="list-style-type: none"> • Where an investment in associate is accounted for in accordance with IAS/HKAS 39 only certain (rather than all) disclosure requirements in IAS/HKAS 28 need to be made in addition to disclosures required by IAS/HKAS 32 and IFRS/HKFRS 7. <p>Impairment of investment in associates</p> <ul style="list-style-type: none"> • An investment in associate is treated as a single asset for the purposes of impairment testing. • Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. • Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. 	<p>Periods beginning on or after 1 January 2009.</p> <p>Early adoption is permitted, but management should also apply its related amendments in IFRS/HKFRS 7 and IAS/HKAS 32.</p>

Standards	Amendments	Effective date
IAS/HKAS 29 “Financial reporting in hyperinflationary economies”	Description of measurement <ul style="list-style-type: none"> Amended guidance to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. 	Periods beginning on or after 1 January 2009.
IAS/HKAS 31 “Interests in joint ventures” (and consequential amendments to IAS/HKAS 32 and IFRS/HKFRS 7)	Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss <ul style="list-style-type: none"> Where an investment in joint venture is accounted for in accordance with IAS/HKAS 39, only certain (rather than all) disclosure requirements in IAS/HKAS 31 need to be made in addition to disclosures required by IAS/HKAS 32 and IFRS/HKFRS 7. 	Periods beginning on or after 1 January 2009. Early adoption is permitted, but management should also apply its related amendments in IFRS/HKFRS 7, IAS/HKAS 28 and IAS/HKAS 32.
IAS/HKAS 36 “Impairment of assets”	Disclosure of estimates used to determine recoverable amount <ul style="list-style-type: none"> Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. 	Periods beginning on or after 1 January 2009. Early adoption is permitted.
IAS/HKAS 38 “Intangible assets”	Advertising and promotional expenses <ul style="list-style-type: none"> An asset may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Advertising and promotional activities includes mail order catalogues. Unit of production method of amortisation <ul style="list-style-type: none"> Deletion of wording that states that there is ‘rarely, if ever’ support for use of a method that results in a lower rate of amortisation than the straight line method. 	Periods beginning on or after 1 January 2009. Early adoption is permitted.
IAS/HKAS 40 “Investment property” (and consequential amendments to IAS/HKAS 16)	Property under construction or development for future use as investment property <ul style="list-style-type: none"> Property that is under construction or development for future use as investment property is within the scope of IAS/HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. 	Prospective application for periods beginning on or after 1 January 2009. Early adoption is only permitted if the relevant fair value information was determined at the earlier application date.

Standards	Amendments	Effective date
IAS/HKAS 41 "Agriculture"	Discount rate for fair value calculations <ul style="list-style-type: none"> • Use of a market-based discount rate where fair value calculations are based on discounted cash flows. Additional biological transformation <ul style="list-style-type: none"> • Removal of the prohibition on taking into account biological transformation when calculating fair value. 	Prospective application for periods beginning on or after 1 January 2009. Early adoption is permitted.
Liabilities		
IAS/HKAS 19 "Employee benefits"	Curtailments and negative past service cost <ul style="list-style-type: none"> • A plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment. • An amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. Plan administration costs <ul style="list-style-type: none"> • Definition of return on plan assets amended to state that plan administration costs be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. Replacement of term 'fall due' <ul style="list-style-type: none"> • The distinction between short term and long term employee benefits is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered. Guidance on contingent liabilities <ul style="list-style-type: none"> • Deletion of guidance that states IAS/HKAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be recognised. 	Periods beginning on or after 1 January 2009 with the exception of amendments to the guidance on curtailments and negative past service costs, which should be applied prospectively to any benefit changes occurring on or after 1 January 2009. Early adoption is permitted.
IAS/HKAS 20 "Accounting for government grants and disclosure of government assistance"	Government loans with a below-market rate of interest <ul style="list-style-type: none"> • The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS/HKAS 39 and the proceeds received. • The benefit is accounted for in accordance with IAS/HKAS 20. 	Prospective application to government loans received on or after 1 January 2009. Early adoption is permitted.

Standards	Amendments	Effective date
Financial Assets and Liabilities		
IAS/HKAS 39 “Financial instruments: Recognition and measurement”	<p>Reclassification of derivatives into or out of the classification of at fair value through profit or loss</p> <ul style="list-style-type: none"> Clarification that it is possible for there to be movements into and out of the fair value through profit or loss category where: <ul style="list-style-type: none"> A derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. Financial assets are reclassified following a change in policy by an insurance company in accordance with IFRS/HKFRS 4. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. <p>Hedges at the segment level</p> <ul style="list-style-type: none"> Removal of a segment as an example of what may be considered a party external to the reporting entity. Hence, entities should no longer use hedge accounting for transactions between segments in their separate financial statements. <p>Applicable effective interest rate on cessation of fair value hedge accounting</p> <ul style="list-style-type: none"> When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. 	<p>Periods beginning on or after 1 January 2009.</p> <p>Specifically, amendments to the guidance on fair value through profit or loss classification should be applied in the same manner as the 2005 fair value option amendment to IAS/HKAS 39 was applied.</p> <p>Early adoption is permitted.</p>
Financial Statement presentation		
IAS/HKAS 1 “Presentation of financial statements”	<p>Current/non-current classification of derivatives</p> <ul style="list-style-type: none"> Clarification that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS/HKAS 39 are examples of current assets and liabilities respectively. Financial assets and liabilities that are classified as held for trading are classified as current or non-current in accordance with IAS/HKAS 1. 	<p>Periods beginning on or after 1 January 2009.</p> <p>Early adoption is permitted.</p>
Terminology or editorial changes		
<p>The terminology or editorial amendments to the following standards are not addressed above:</p> <ul style="list-style-type: none"> IFRS/HKFRS 7 “Financial instruments: Disclosures” IAS/HKAS 8 “Accounting policies, changes in accounting estimates and errors” IAS/HKAS 10 “Events after the reporting period” IAS/HKAS 18 “Revenue” IAS/HKAS 20 “Accounting for government grants and disclosure of government assistance” IAS/HKAS 29 “Financial reporting in hyperinflationary economics” IAS/HKAS 40 “Investment property” IAS/HKAS 41 “Agriculture” 		

Contents	Page
Specimen Holdings Limited Illustrative IFRS/HKFRS Corporate Consolidated Financial Statements	1 – 107
Appendices	
Appendix I	108 – 120
Appendix II	121
Appendix III	122 – 123
Appendix IV	124 – 128
Appendix V	129 – 157
Report of the directors Other information in the annual report (for listed companies only) Operating and financial review Alternative presentation of primary statements <ol style="list-style-type: none"> 1. Consolidated income statement – by nature of expense 2. Consolidated statement of comprehensive income – single statement, by function of expense and income tax effect presented on an aggregate basis 3. Consolidated statement of cash flows – direct method 	
Policies and disclosures for areas not relevant to Specimen Holdings Limited <ol style="list-style-type: none"> 1. Post-employment benefits using the ‘corridor approach’ to recognise actuarial gains and losses 2. Investment property 3. Construction contracts 4. Leases: accounting for finance lease by lessor 5. Investments: held-to-maturity financial assets 6. Government grants 7. Joint ventures 8. Oil and gas exploration assets 9. Revenue recognition: multiple-element arrangements 10. Defaults and breaches of loans payable 11. Financial guarantee contracts 12. Financial assets-reclassification 	
Appendix VI	158
Critical accounting estimates and judgements not relevant to Specimen Holdings Limited <ul style="list-style-type: none"> - Critical accounting estimates <ul style="list-style-type: none"> Useful lives of technology division’s plant and equipment Warranty claims - Critical accounting judgements <ul style="list-style-type: none"> Held-to-maturity investments 	
Appendix VII	159 – 162
Appendix VIII	163 – 170
Appendix IX	171

Abbreviations

The references in the left-hand margin of the financial statements represent the paragraph of the International/Hong Kong Financial Reporting Standards, Companies Ordinance or the Listing Rules in which the disclosure appears. The designation 'DV' (disclosure voluntary) indicates that disclosure is encouraged but not required and, therefore, represents best practice.

List of abbreviations used

	<u>Abbreviations</u>
Paragraph 1 of International/Hong Kong Accounting Standard No. 1	1p1
Footnote of paragraph 81 of International/Hong Kong Accounting Standard No. 1	1p81*
Paragraph 5 of the Guidance on implementing of International/Hong Kong Accounting Standard No. 1	1IG5
Basis for Conclusions paragraph 21 of International/Hong Kong Accounting Standard No. 1(Revised)	1R BC 21
Paragraph 6 of International/Hong Kong Financial Reporting Standard No. 2	IFRS2p6
Paragraph B1 of Appendix of International/Hong Kong Financial Reporting Standard No. 7	IFRS7AppxB1
Paragraph 4 of SIC/HK(SIC) Interpretation No. 13	SIC13p4
Paragraph 4 of IFRIC/HK(IFRIC) Interpretation No. 6	IFRIC6p4
Section 129D(1) of the Companies Ordinance	S129D(1)
Paragraph 17(5) of the Tenth Schedule to the Companies Ordinance	10Sch17(5)

For listed companies only

References to Listing Rules relating to Main Board:

Paragraph 5(3) of the Practice Note No. 5 to the Listing Rules	PN5.5(3)
Paragraph 4(1)(a) of Appendix 16 to the Listing Rules	A4(1)(a)
Paragraph 8 of Chapter 14 to the Listing Rules	MB14.08
Paragraph 1 of Appendix 23 to the Listing Rules	MB Appendix 23(1)
Paragraph C.1.2 of Appendix 14 to the Listing Rules	MB Code C.1.2

Reference to Listing Rules relating to Growth Enterprise Market:

Paragraph 15 of Chapter 18 to the Listing Rules	GEM18.15
Paragraph 1 of Appendix 16 to the Listing Rules	GEM Appendix 16(1)
Paragraph C.1.2 of Appendix 15 to the Listing Rules	GEM Code C.1.2

Index to the illustrative IFRS/HKFRS corporate consolidated financial statements

Note	Page	Note	Page	
Consolidated balance sheet	2-5	5	Segment information	52-56
Balance sheet	6-7	6	Leasehold land and land use rights - Group	57
Consolidated income statement – by function of expense	8-9	6a	Property, plant and equipment - Group	58-59
Consolidated statement of comprehensive income	10-15	7	Intangible assets – Group	60-62
Consolidated statement of changes in equity	16-18	8a	Investments in and loans to subsidiaries - Company	62-64
Consolidated statement of cash flows	19-21	8b	Investments in associates - Group	64
Notes to the consolidated financial statements		9a	Financial instruments by category – Group and Company	65-67
1 General information	22	9b	Credit quality of financial assets – Group and Company	67-68
2 Summary of significant accounting policies:		10	Available-for-sale financial assets – Group	68-69
2.1 Basis of preparation	22-25	11	Derivative financial instruments – Group	70
2.2 Consolidation	25-26	12	Trade and other receivables – Group	71-73
2.3 Segment reporting	26	13	Inventories – Group	73
2.4 Foreign currency translation	26-27	14	Financial assets at fair value through profit or loss – Group	73-74
2.5 Property, plant and equipment	27-28	15	Cash and cash equivalents – Group and Company	74
2.6 Intangible assets	28	16	Assets of disposal group classified as held for sale and discontinued operations – Group	74-75
2.7 Impairment of investments in subsidiaries, associates and non-financial assets	29	17	Share capital and premium– Group and Company	76
2.8 Non-current assets (or disposal groups) held-for-sale	29	18	Share-based payment – Group and Company	76-77
2.9 Financial assets	29-30	19	Retained earnings – Group and Company	77
2.10 Offsetting financial instruments	30	20	Other reserves – Group and Company	78-79
2.11 Impairment of financial assets	30-31	21	Trade and other payables – Group	80
2.12 Derivative financial instruments and hedging activities	31-32	22	Borrowings – Group and Company	80-83
2.13 Inventories	32	23	Deferred income tax – Group and Company	84-85
2.14 Trade and other receivables	32	24	Retirement benefit obligations – Group	86-90
2.15 Cash and cash equivalents	32	25	Provisions for other liabilities and charges – Group	91-92
2.16 Share capital	33	26	Other (losses)/gains – net	92
2.17 Trade payables	33	27	Other income	93
2.18 Borrowings	33	28	Loss on expropriated land	93
2.19 Compound financial instruments	33	29	Expenses by nature	93
2.20 Current and deferred Income tax	34	30	Employee benefit expense	94-95
2.21 Employee benefits	34-35	31	Finance income and costs	96
2.22 Share-based payments	35	32	Income tax expense	96-98
2.23 Provisions	36	33	Net foreign exchange gains/(losses)	98
2.24 Revenue recognition	36-37	34	Profit attributable to equity holders of the Company	98
2.25 Leases	37	34a	Earnings per share	98-99
2.26 Dividend distribution	37	35	Dividends	99
3 Financial risk management	40-49	36	Cash generated from operations	100
3.1 Financial risk factors		37	Contingencies	101
3.2 Capital risk management		38	Commitments	101
3.3 Fair value estimation		39	Business combinations	102-103
4 Critical accounting estimates and judgements	50-51	40	Related-party transactions	103-105
4.1 Critical accounting estimates and assumptions		41	Events after the reporting period	106-107
4.2 Critical judgements in applying the entity's policies				

Consolidated balance sheet

	Note	As at 31 December	
		2009 HK\$'000	2008 HK\$'000
1Rp54, 1Rp113, 1Rp38, A2(1)&(5), GEM18.07(1)&(5) 10Sch4, S124			
Assets			
1Rp60			
Non-current assets			
Leasehold land and land use rights	6	69,600	23,600
1Rp54(a), A4(2)(a) GEM18.50B(2)(a)	6a	85,741	76,633
Property, plant and equipment			
1Rp54(c)	7	26,272	20,700
Intangible assets			
1Rp54(e)	8b	13,373	13,244
Investments in associates			
1Rp54(n), 1Rp56	23	3,520	3,321
Deferred income tax assets			
1Rp54(d), IFRS7p8(d), 10Sch8,	10	17,420	14,910
Available-for-sale financial assets			
1Rp54(d), IFRS7p8(a)	11	395	245
Derivative financial instruments			
1Rp54(h), IFRS7p8(c)	12	2,322	1,352
Trade and other receivables			
		218,643	154,005
1Rp60, 1Rp66, A4(2)(b) GEM18.50B(2)(b)			
Current assets			
1Rp54(g), A4(2)(b)(i), GEM18.50B(2)(b)(i)	13	24,700	18,182
Inventories			
1Rp54(h), IFRS7p8(c), A4(2)(b)(ii), GEM18.50B(2)(b)(ii)	12	19,765	18,330
Trade and other receivables			
1Rp54(d), IFRS7p8(d)	10	1,950	–
Available-for-sale financial assets			
1Rp54(d), IFRS7p8(a)	11	1,069	951
Derivative financial instruments			
1Rp54(d), IFRS7p8(a)	14	11,820	7,972
Financial assets at fair value through profit or loss			
1Rp54(i), IFRS7p8, A4(2)(b)(iii), GEM18.50B(2)(b)(iii)	15	17,928	34,062
Cash and cash equivalents			
		77,232	79,497
IFRS5p38	16	3,333	–
Assets of disposal group classified as held-for-sale			
		80,565	79,497
Total assets		299,208	233,502
EQUITY			
1Rp54(r), A4(2)(g) GEM18.50B(2)(g)			
Equity attributable to owners of the parent			
1Rp78(e), 10Sch2	17	25,300	21,000
Ordinary shares			
1Rp78(e)	17	17,144	10,494
Share premium			
1Rp78(e)	20	15,549	7,005
Other reserves			
1Rp78(e)	19		
Retained earnings			
10Sch(9)(1)(e)	35	12,945	10,102
- Proposed final dividend			
- Others		53,647	38,579
		124,585	87,180
1Rp54(q), A4(2)(h), GEM18.50B(2)(h)			
Minority interest		7,188	1,766
Total equity		131,773	88,946

		As at 31 December		
		Note	2009 HK\$'000	2008 HK\$'000
1Rp60	Liabilities			
A4(2)(f), GEM18.50B(2)(f)	Non-current liabilities			
1Rp54(m), IFRS7p8(f), A4(2)(f)(i) GEM18.50B(2)(f)(i)	Borrowings	22	115,121	96,346
1Rp54(m), IFRS7p8(e)	Derivative financial instruments	11	135	129
1Rp54(o), 1Rp56 10Sch8	Deferred income tax liabilities	23	12,370	9,053
1Rp54(l), 1Rp78(d)	Retirement benefit obligations	24	4,635	2,233
1Rp54(l), 1Rp78(d)	Provisions for other liabilities and charges	25	1,320	274
			133,581	108,035
1Rp60, 1Rp69, A4(2)(c) GEM18.50B(2)(c)	Current liabilities			
1Rp54(k), IFRS7p8(f)	Trade and other payables	21	16,670	12,478
1Rp54(n)	Current income tax liabilities		2,566	2,771
1Rp54(m), IFRS7p8(f), A4(2)(c)(i) GEM18.50B(2)(c)(i)	Borrowings	22	11,716	18,258
1Rp54(m), IFRS7p8(e)	Derivative financial instruments	11	460	618
1Rp54(l)	Provisions for other liabilities and charges	25	2,222	2,396
			33,634	36,521
IFRS5p38	Liabilities of disposal group classified as held-for-sale	16	220	–
			33,854	36,521
Total liabilities			167,435	144,556
Total equity and liabilities			299,208	233,502
A4(2)(d) GEM18.50B(2)(d)	Net current assets		46,711	42,976
A4(2)(e) GEM18.50B(2)(e)	Total assets less current liabilities		265,354	196,981
10p17	The notes on pages x to x are an integral part of these financial statements.			
S129B(1)	The financial statements on pages x to x were approved by the Board of Directors on [DATE] and were signed on its behalf. ¹			
	_____ Director		_____ Director	

¹ Every balance sheet of a company shall be approved by the board by directors of the company and signed on behalf of the board by two of the directors or, in the case of private company having only one director, by the sole director.

Commentary – balance sheet

The commentary that follows explains some of the key requirements in IAS/HKAS 1 (revised), 'Presentation of financial statements', which impact the balance sheet/statement of financial position.

- 1Rp10
1R BC21
1. IAS/HKAS 1 (revised), refers to the balance sheet as the 'statement of financial position'. However, as this new title is not mandatory, Specimen Holdings Limited has elected to retain the better-known title of 'balance sheet'.
If an entity decides to use 'statement of financial position', instead of referring to the 'balance sheet date', the entity may use the phrase 'end of the reporting period'.
- 1Rp54.55
2. Paragraph 54 of IAS/HKAS 1 (revised) sets out the line items that are, as a minimum, required to be presented in the balance sheet. Additional line items, headings and subtotals are presented in the balance sheet when such presentation is relevant to an understanding of the entity's financial position.
- 1Rp77.78
3. An entity discloses, either in the balance sheet or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations. The detail provided in sub-classifications depends on the requirements of IFRSs/HKFRSs and on the size, nature and function of the amounts involved.

Current/non-current distinction

- 1Rp60
4. An entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities are presented broadly in order of liquidity.
- 1Rp61
5. Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than 12 months after the reporting period, and (b) more than 12 months after the reporting period, an entity discloses the amount expected to be recovered or settled after more than 12 months.
- 1Rp66-70
6. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting period. Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than 12 months after the reporting period.
- 1Rp68
7. The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in the form of cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.
- 1Rp118
8. IAS/HKAS 19 does not specifically require an entity to distinguish the current and non-current portions, because the IASB/HKICPA believes that such a distinction may sometimes be arbitrary and far from straightforward to prepare. [IAS/HKAS 19 paras 118, BC81]. An entity should present the portion of any pension asset or liability expected to be settled within the next year as a current item, if the portion can be reasonably determined. When a reliable distinction is available, for example, because the actuary provides the information, or there is an agreed refund receivable within the next 12 months, separate presentation would be appropriate. When the split into current and non-current is not available, the entire pension asset or liability is presented as a non-current item.

Consistency

- 1Rp45
9. The presentation and classification of items in the financial statements is retained from one period to the next unless:
- (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate according to the criteria for selecting and applying accounting policies in IAS/HKAS 8, 'Accounting policies, changes in accounting estimates and errors'; or
- (b) an IFRS/HKFRS requires a change in presentation.

Materiality and aggregation

- 1Rp29
10. Each material class of similar items is presented separately in the financial statements. Items of a similar nature or function are presented separately unless they are immaterial.

Current and deferred tax assets and liabilities

- 1Rp54.56
11. Current and deferred tax assets and liabilities are presented separately from each other and from other assets and liabilities. When a distinction is made between current and non-current assets and liabilities in the balance sheet, deferred tax assets and liabilities are presented as non-current.

Offsetting

- 1Rp32 12. An entity does not offset assets and liabilities unless required or permitted to by an IFRS/HKFRS. Measuring assets net of valuation allowances – for example, obsolescence allowances on inventories and doubtful debt allowances on receivables – is not offsetting.

Three balance sheets required in certain circumstances

- 1Rp39 13. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements, it should provide a third balance sheet as at the beginning of the earliest comparative period presented. Neither prior year adjustments nor restatements are illustrated in these financial statements. However, if a third balance sheet is presented, the balance sheet dates should be 1 January 2008, 31 December 2008 and 31 December 2009 respectively.

Entities may make reclassifications or restatements that do not impact on the balance sheet, for example, a company reclassified certain costs as 'cost of sales' that were previously classified as 'marketing and distribution'. An initial reading of IAS/HKAS 1 (Revised) p39 would suggest that a balance sheet as at the beginning of the earliest comparative period should be presented in addition to the balance sheets as at the end of the current period and as at the end of the previous period, even if none of the balance sheets are impacted by the reclassification. However, entities are not required to provide a specific disclosure required by an IFRS/HKFRS if the information is not material. The materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statements. In our view, the omission of the balance sheet as at the beginning of the earliest comparative period, where the restatement or reclassification does not affect any balance sheet and that fact is stated, is not material and is therefore permitted.

A similar argument can be made in respect of the notes to the additional comparative balance sheet. It is sufficient for an entity to present only the notes to that additional statement that have been impacted by the restatement or reclassification, provided that the entity states in its financial statements that the other notes have not been impacted by the restatement or reclassification.

Balance sheet

		As at 31 December	
		2009	2008
		HK\$'000	HK\$'000
1Rp54, 1Rp113, 1Rp38, A2(1)&(5), GEM18.07(1)&(5) 10Sch4, S124	ASSETS		
	Non-current assets		
1Rp60	Investments in subsidiaries	8a 67,000	66,310
IFRS7p8(c)	Loans to subsidiaries	8a 90,000	25,000
		157,000	91,310
	Current assets		
1Rp60, 1Rp66, A4(2)(b) GEM18.50B(2)(b) 1Rp54(i), IFRS7p8 A4(2)(b)(iii) GEM18.50B(2)(b)(iii)	Cash and cash equivalents	15 5,039	7,230
	Total assets	162,039	98,540
	EQUITY		
	Equity attributable to owners of the parent		
1Rp54(r), A4(2)(g) GEM18.50B(2)(g)	Ordinary shares	17 25,300	21,000
1Rp78(e), 10Sch2	Share premium	17 17,144	10,494
1Rp78(e)	Other reserves	20 5,433	-
1Rp78(e)	Retained earnings	19	-
10Sch9(1)(e)	- Proposed final dividend	35 12,945	10,102
	- Others	26,260	26,944
	Total equity	87,082	68,540
	LIABILITIES		
	Non-current liabilities		
1Rp60, A4(2)(f) GEM18.50B(2)(f)	Borrowings	22 72,822	30,000
1Rp54 (m), IFRS7p8(f) A4(2)(f)(i) GEM18.50B(2)(f)(i) 1Rp54(o), 1Rp56, 10Sch8	Deferred income tax liabilities	23 2,135	-
	Total liabilities	74,957	30,000
	Total equity and liabilities	162,039	98,540
A4(2)(d), GEM18.50B(2)(d)	Net current assets	5,039	7,230
A4(2)(e), GEM18.50B(2)(e)	Total assets less current liabilities	162,039	98,540

10p17

The notes on pages x to x are an integral part of these financial statements.

The financial statements on pages x to x were approved by the Board of Directors on [DATE] and were signed on its behalf.

S129B(1)¹

Director

Director

¹ Every balance sheet of a company shall be approved by the board by directors of the company and signed on behalf of the board by two of the directors or, in the case of a private company having only one director, by the sole director.

Commentary – balance sheet (cont'd)

27p38A
36p12(h)

An investor is required to recognise dividends received from a subsidiary, jointly controlled entity or associate in its separate financial statements as income. The receipt of a dividend from a subsidiary, jointly controlled entity or associate may be an internal indicator that the related investment could be impaired. The investor is, therefore, required to test the related investment for impairment where a dividend is received and:

- there is evidence available that the carrying amount of the investment exceeds the carrying amount in the consolidated financial statements of the investee's net assets including associated goodwill; or
- the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period that the dividend is declared.

Consolidated income statement – by function of expense

	Note	Year ended 31 December	
		2009 HK\$'000	2008 HK\$'000
1Rp81(b), 84 1Rp10(b), 12 A4(1)(n), A2(2)&(5) GEM18.50B(1)(o) GEM18.07(2)&(5) S124, 10Sch17(6) 1Rp113,1Rp38			
Continuing operations			
1Rp82(a), A4(1)(a), GEM18.50B(1)(a)	5	211,034	112,360
1Rp99,103, A4(1)(i) GEM18.50B(1)(d)		(77,366)	(46,682)
Gross profit		133,668	65,678
1Rp99103		(52,140)	(21,213)
1Rp99,103		(28,778)	(10,426)
1Rp99, 103, A4(1)(h) GEM18.50B(1)(b)	27	1,900	1,259
1Rp85	26	(90)	63
1Rp85	28	(1,117)	–
1Rp85		53,443	35,361
Operating profit¹			
1Rp85	31	1,730	1,609
1Rp82(b)	31	(8,173)	(12,197)
1Rp85	31	(6,443)	(10,588)
1Rp82(c) A4(1)(m) GEM18.50B(1)(n)	8	(174)	145
1Rp85 A4(1)(b) GEM18.50B(1)(g)		46,826	24,918
1Rp82(d), 12p77, A4(1)(c) GEM18.50B(1)(h)	32	(14,611)	(8,670)
1Rp85		32,215	16,248
Discontinued operations			
IFRS5p33(a)	16	100	120
1Rp82(f)		32,315	16,368
Profit attributable to:			
1Rp83(a)(ii), A4(1)(e), GEM18.50B(1)(j)		29,767	15,512
1Rp83(a)(i), A4(1)(d), GEM18.50B(1)(i)		2,548	856
		32,315	16,368

¹ The disclosure of operating profit on the face of the income statement is not prescribed by IAS/HKAS 1. There is, however, no prohibition from disclosing this or a similar line item.

Earnings per share from continuing and discontinued operations attributable to equity holders of the company during the year (expressed in HK\$ per share)

		Basic earnings per share		
33p66, A4(1)(g), GEM18.50B(1)(m)	From continuing operations	34	1.26	0.75
33p68	From discontinued operations ¹		0.01	0.01
			1.27	0.76
		Diluted earnings per share		
33p66	From continuing operations	34	1.15	0.71
33p68	From discontinued operations ¹		0.01	0.01
			1.16	0.72

The notes on pages x to x are an integral part of these financial statements.

		2009	2008
		HK\$'000	HK\$'000
10Sch13(1)(j)	Dividends²	35	10,102

¹ EPS for discontinued operations may be given in the notes to the accounts instead of the face of the income statement.

² HKAS 1 (Revised) p107 requires an entity to present the amount of dividends recognised as distributions to owners during the period either in the statement of changes in equity or in the notes, because dividends are distributions to owners in their capacity as owners and the statement of changes in equity presents all owner changes in equity. In the basis of conclusion of HKAS 1(Revised), the Board concluded that an entity should not present dividends in the statement of comprehensive income because that statement presents non-owner changes in equity. However, HKCO Tenth Sch. para 13(1)(j)) requires the disclosure of the aggregate amount of the dividends paid and proposed in the profit and loss account. The disclosure above only illustrated the disclosure requirements of the Companies Ordinance for reference purpose.

Consolidated statement of comprehensive income

		Note	Year ended 31 December	
			2009	2008
			HK\$'000	HK\$'000
	Profit for the year		32,315	16,368
	Other comprehensive income:			
16p77(f)	Gains on revaluation of land and buildings	20	–	759
IFRS7p20(a)(ii)	Available-for-sale financial assets	20	362	62
	Share of other comprehensive income of associates	20	(86)	91
19p93A	Actuarial loss on post employment benefit obligations	24	–	(494)
12p80(d)	Impact of change in [country name] tax rate on deferred tax	23	(10)	–
h1Rp106(b), IFRS7p23(c)	Cash flow hedges	20	64	(3)
1Rp106(b)	Net investment hedge	20	(45)	40
1Rp106(b)	Currency translation differences	20	2,318	(261)
IFRS3p59	Increase in fair values of proportionate holdings of ABC Group relating to previously held interests	20, 39	850	–
	Other comprehensive income for the year, net of tax¹		3,453	194
	Total comprehensive income for the year		35,768	16,562
	Attributable to:			
1Rp83(b)(ii)	– Equity holders of the company		32,968	15,746
1Rp83(b)(i)	– Minority interest		2,800	816
	Total comprehensive income for the year		35,768	16,562

The notes on pages x to x are an integral part of these financial statements.

¹ Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 32.

Commentary – income statement and statement of comprehensive income

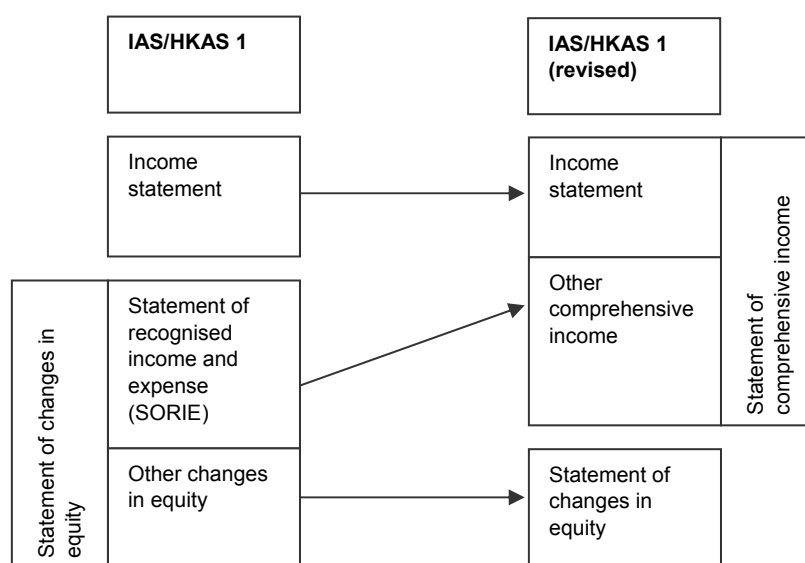
The commentary that follows explains some of the key requirements in IAS/HKAS1 (revised), 'Presentation of financial statements', and other requirements that impact the income statement/statement of comprehensive income.

1Rp81

1. Entities have a choice of presenting all items of income and expense recognised in a period either:
 - (a) in a single statement of comprehensive income (refer to Appendix IV for alternative presentation); or
 - (b) in two statements (as adopted by Specimen Holdings Limited) comprising:
 - (i) a separate income statement, which displays components of profit or loss; and
 - (ii) a statement of comprehensive income, which begins with profit or loss and displays components of other comprehensive income.

The main difference between these two options is that in option (a), profit for the year is shown as a sub-total rather than the 'bottom line', and the statement continues down to total comprehensive income for the year.

2. The relationship between the formats in IAS/HKAS 1 and IAS/HKAS 1 (revised) is illustrated below:



1Rp82

3. A single statement of comprehensive income includes, as a minimum, the following line items :
 - (a) Revenue.
 - (b) Finance costs.
 - (c) Share of the profit or loss of associates and joint ventures accounted for using the equity method.
 - (d) Tax expense.
 - (e) A single amount comprising the total of:
 - (i) the post-tax profit or loss of discontinued operations, and
 - (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
 - (f) Profit or loss.
 - (g) Each component of other comprehensive income classified by nature.
 - (h) Share of the other comprehensive income of associates and joint ventures accounted for using the equity method.
 - (i) Total comprehensive income.

1Rp83

4. The following items are disclosed as allocations for the period:
 - (a) Profit or loss attributable to:
 - (i) minority interest, and
 - (ii) equity holders of the company
 - (b) Total comprehensive income for the period attributable to:
 - (i) minority interest, and
 - (ii) equity holders of the company

IFRS5p33(d)

- (c) For annual periods beginning on or after 1 July 2009, the amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income.

1Rp84	5.	If the entity prepares a separate income statement, this includes: (a) Items (a)-(f) in paragraph 3 above. (b) Item (a) in paragraph 4 above
1Rp12	6.	If the two-statement presentation is used, the statement of comprehensive income follows immediately after the income statement.
1Rp85	7.	Additional line items, headings and subtotals are presented in the statement of comprehensive income and the income statement (where presented) when such presentation is relevant to an understanding of the entity's financial performance. For example, a sub-total of gross profit (revenue less cost of sales) may be included where expenses have been classified by function.
Frameworkp31 CESR/05 - 178b	8.	However, additional sub-headings should be used with care. the 'Framework for the preparation and presentation of financial statements' states that, to be useful, information must be reliable; that is, free from material error and bias. The apparent flexibility in IAS/HKAS 1 (revised) can, therefore, only be used to enhance users' understanding of the GAAP-compliant numbers. It cannot be used to detract from the GAAP numbers. The Committee of European Securities Regulators (CESR) has issued a recommendation on disclosure of alternative performance measures, which provides useful guidance on the use of sub-totals and alternative performance measures: (a) GAAP numbers should be given at least equal prominence to non-GAAP numbers. (b) Additional line items, sub-totals and columns may be used, but only if they do not detract from the GAAP numbers by introducing bias or by overcrowding the income statement. (c) Each additional line item or column should contain all the revenue or expenses that relates to the particular line item or column inserted. (d) Each additional line item or column should contain only revenue or expense that is revenue or expense of the entity itself. (e) Items may be segregated (for example, by use of columns or sub-totals), but only where they are different in nature or function from other items in the income statement. (f) An entity should not mix natural and functional classifications of expenses where the natural and functional categories of expenses overlap. (g) Terms used for additional line items and sub-totals should be defined if they are not terms recognised in IFRS/HKFRS. (h) Additional line items, columns and sub-totals should only be presented when they are used internally to manage the business. (i) Various presentations will be acceptable individually, but consideration should be given to the aggregate effect of these presentations, so that the overall message of the income statement is not distorted or confused. (j) The presentation method should generally be consistent from year to year.
	9.	EBIT (earnings before interest and tax) may be an appropriate sub-heading to show on the face of the income statement. This line item usually distinguishes between the pre-tax profits arising from operating activities and those arising from financing activities.
	10.	In contrast, a sub-total for EBITDA (earnings before interest, tax, depreciation and amortisation) can only be included as a sub-total where the entity presents its expenses by nature and provided the sub-total does not detract from the GAAP numbers either by implying that EBITDA is the 'real' profit or by overcrowding the income statement so that the reader cannot determine easily the entity's GAAP performance. Where an entity presents its expenses by function, it will not be possible to show depreciation and amortisation as separate line items in arriving at operating profit, because depreciation and amortisation are types of expenses, not functions of the business. In this case, EBITDA can only be disclosed by way of footnote, in the notes or in the review of operation.
		Material items of income and expense
1Rp97	11.	When items of income and expense are material, their nature and amount is disclosed separately either on the face of the income statement or in the notes. In the case of Specimen Holdings Limited these disclosures are made on the face of the income statement and in note 29.
1Rp85,97	12.	IAS 1 (revised) does not provide a specific name for the types of items that should be separately disclosed. Where an entity discloses a separate category of 'exceptional', 'significant' or 'unusual' items either on the face of their income statement or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items should be applied consistently from year to year. However, it is not appropriate to show an operating profit line which excludes these items.
	13.	Where an entity classifies its expenses by nature, it must take care to ensure that each class of expense includes all items related to that class. Material restructuring cost may, for example, include redundancy payments (employee benefit cost), inventory write-downs (changes in inventory) and impairments in property, plant and equipment. It would not be acceptable to show restructuring costs as a separate line item in an analysis of expenses by nature where there is an overlap with other line items.
	14.	Entities that classify their expenses by function will have to include the material items within the function to which they relate. In this case, material items can be disclosed as footnotes or in the notes to the financial statements.

Operating profit

- 1R(BC56) 15. An entity may elect to include a sub-total for its result from operating activities. This is permitted, but as noted above, care should be taken that the amount disclosed is representative of activities that would normally be considered to be 'operating'. Items that are clearly of an operating nature (for example, inventory write-downs, restructuring and relocation expenses) are not excluded simply because they occur infrequently or are unusual in amount. Nor can expenses be excluded on the grounds that they do not involve cash flows (for example, depreciation or amortisation). As a general rule, operating profit is the subtotal after 'other expenses' – that is, excluding finance costs and the share of profits of equity-accounted investments.

Re-ordering of line items

- 1Rp86 16. Entities should re-order the line items and descriptions of those items where this is necessary to explain the elements of performance. However, entities are again governed by the requirement for a 'fair presentation' and should not make any changes unless there is a good reason to do so.
17. For example, the share of profit of associates is normally shown after finance cost. However, where the group conducts a significant amount of its business through associates (or joint ventures), it may be more appropriate to show finance costs after the share of profit of associates. Management may even insert a sub-total 'profit before finance costs if the business conducted through associates is a strategically significant component of the group's business activity'. An inclusion of the share of profit of associates in operating profit, however, would only be appropriate if the associates (or joint ventures) are regarded as a primary vehicle for the conduct of the group's operations.
18. Finance revenue is not be netted against finance costs; it is included in 'other revenue/other income' or shown separately on the face of the income statement. Where finance income is just an incidental benefit, it is acceptable to present finance revenue immediately before finance costs and include a sub-total of 'net finance costs' in the income statement. However, where earning interest income is one of the entity's main line of business, it is presented as 'revenue'.

Discontinued operations

- 1Rp82(e)
IFRS 5p33(a),(b) 19. As stated in paragraph 3(e) above, entities disclose a single amount in the statement of comprehensive income (or separate income statement), comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. Paragraph 33 of IFRS/HKFRS 5, 'Non-current assets held for sale and discontinued operations', also requires an analysis of this single amount. This analysis may be presented in the notes or in the statement of comprehensive income (separate income statement). Specimen Holdings Limited presents this in note 16. If it is presented in the income statement, it should be presented in a section identified as relating to discontinued operations – that is, separate from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see IFRS/HKFRS5 para 11).

Earnings per share

- 33p66 20. IAS/HKAS 33, 'Earnings per share', requires an entity to present in the statement of comprehensive income basic and diluted earnings per share (EPS) for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for total profit or loss attributable to the ordinary equity holders of the parent entity for each class of ordinary shares. Basic and diluted EPS is disclosed with equal prominence for all periods presented.
- 33p67A 21. If an entity presents a separate income statement, basic and diluted earnings per share are presented at the end of that statement.
- 33p67 22. If diluted EPS is reported for at least one period, it should be reported for all periods presented, even if it equals basic EPS. If basic and diluted EPS are equal, dual presentation can be accomplished in one line in the statement of comprehensive income.
- 33p68 23. An entity that reports a discontinued operation discloses the basic and diluted amounts per share for the discontinued operation either in the statement of comprehensive income or in the notes to the financial statements.
- 33p69,41,43 24. Basic and diluted EPS is disclosed even if the amounts are negative (that is, a loss per share). However, potential ordinary shares are only dilutive if their conversion would increase the loss per share. If the loss decreases, the shares are anti-dilutive.
- 33p4 25. When an entity presents both consolidated financial statements and separate financial statements prepared in accordance with IAS/HKAS 27, 'Consolidated and separate financial statements', the disclosures required by IAS/HKAS 33 are presented only on the basis of the consolidated information. An entity that chooses to disclose EPS based on its separate financial statements presents such EPS information only in its separate statement of comprehensive income.

Components of other comprehensive income

1Rp7 26. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRS/HKFRSs. They include: changes in the revaluation surplus relating to property, plant and equipment or intangible assets; actuarial gains and losses on defined benefit plans; gains and losses arising from translating the financial statements of a foreign operation; gains and losses on re-measuring available-for-sale financial assets; and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

1Rp91
1Rp90 27. Entities may present components of other comprehensive income either net of related tax effect or before related tax effects. Specimen Holdings Limited has chosen to present the items net of tax. In this case the amount of income tax relating to each component of OCI, including reclassification adjustments, is disclosed in the notes.

Reclassification adjustments

1Rp92,94 28. An entity discloses separately any reclassification adjustments relating to components of other comprehensive income either in the statement of comprehensive income or in the notes. Specimen Holdings Limited provides this information in note 20, 'Other reserves'.

1Rp7,95 29. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation, on derecognition of an available-for-sale financial asset and when a hedged forecast transaction affects profit or loss.

1Rp107 30. The amount of dividends recognised as distributions to owners during the period, and the related amount per share are presented either in the statement of changes in equity or in the notes. Following the revisions made to IAS/HKAS 1 (revised), dividends cannot be displayed in the statement of comprehensive income or income statement.

However, HKCO Tenth Sch. para 13(1)(j) requires the disclosure of the aggregate amount of the dividends paid and proposed in the profit and loss account.

Consistency

1Rp45 31. The presentation and classification of items in the financial statements is retained from one period to the next unless:
 (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS/HKAS 8, 'Accounting policies, changes in accounting estimates and errors'; or
 (b) an IFRS/HKFRS requires a change in presentation.

Materiality and aggregation

1Rp29 32. Each material class of similar items is presented separately in the financial statements. Items of a similar nature or function are presented separately unless they are immaterial.

Offsetting

1Rp32 33. Assets and liabilities, and income and expenses, are not offset unless required or permitted by an IFRS/HKFRS. Examples of income and expenses that are required or permitted to be offset are as follows:

1Rp34(a) (a) Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses.

1Rp34(b) (b) Expenditure related to a provision that is recognised in accordance with IAS/HKAS 37, 'Provisions, contingent liabilities and contingent assets' and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.

1Rp35 (c) Gains and losses arising from a group of similar transactions are reported on a net basis (for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading). Such gains and losses are, however, reported separately if they are material.

Summary

34. The requirements surrounding components of OCI can be summarised as follows:

Item	Reference	Requirement in standard	Presentation in Specimen Holdings Limited
Each component of OCI recognised during the period, classified by nature	IAS/HKAS 1 (revised) p82(g)	Statement of OCI	Statement of OCI
Reclassification adjustments during the period relating to components of OCI	IAS/HKAS 1 (revised) p92	Statement of OCI or notes	Note 20
Tax relating to each component of OCI, including reclassification adjustments	IAS/HKAS 1 (revised) p90	Statement of OCI or notes	Note 32
Reconciliation for each component of equity, showing separately <ul style="list-style-type: none"> • Profit/loss • Each item of OCI • Transactions with owners 	IAS/HKAS 1 (revised) p106(d)	Statement of changes in equity and notes (reconciliation showing separately each item of OCI)	Statement of changes in equity and note 20

Consolidated statement of changes in equity

		Attributable to equity holders of the company							
		Note	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
1Rp106,108,109 A2(4)&(5) GEM18.07(4)&(5)	Balance at 1 January 2008		20,000	10,424	6,364	48,470	85,258	1,500	86,758
Comprehensive income									
1Rp106(d)	Profit or loss		-	-	-	15,512	15,512	856	16,368
Other comprehensive income									
16p77(f) 1Rp82(g)	Gain on the revaluation of land and buildings	20	-	-	759	-	759	-	759
16p41	Depreciation transfer on land and buildings, net of tax	19	-	-	(87)	87	-	-	-
1Rp82(g), IFRS7p20(a)(ii)	Available-for-sale financial assets	20	-	-	62	-	62	-	62
1Rp82(h)	Share of other comprehensive income/(loss) of associates		-	-	91	-	91	-	91
19p93(b)	Actuarial loss on post employment benefit obligations		-	-	-	(494)	(494)	-	(494)
1Rp82(g), IFRS 7p23(c)	Cash flow hedges, net of tax	20	-	-	(3)	-	(3)	-	(3)
1Rp82(g), 39p102(a)	Net investment hedge	20	-	-	40	-	40	-	40
1Rp82(g), 21p52(b)	Currency translation differences	20	-	-	(221)	-	(221)	(40)	(261)
	Total other comprehensive income		-	-	641	(407)	234	(40)	194
1Rp106(a)	Total comprehensive income		-	-	641	15,105	15,746	816	16,562
Transactions with owners									
Employees share option scheme:									
IFRS2p50	- Value of employee services	19	-	-	-	822	822	-	822
IFRS2p50	- Proceeds from shares issued	17	1,000	70	-	-	1,070	-	1,070
	- Tax credit relating to share option scheme	19	-	-	-	20	20	-	20
	Dividends relating to 2007	35	-	-	-	(15,736)	(15,736)	(550)	(16,286)
1Rp106(c)	Total transactions with owners		1,000	70	-	(14,894)	(13,824)	(550)	(14,374)
	Balance at 31 December 2008		21,000	10,494	7,005	48,681	87,180	1,766	88,946

		Attributable to equity holders of the company						Minority interest HK\$'000	Total equity HK\$'000
		Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000			
1Rp106,108,109 A2(4)&(5) GEM18.07(4)&(5)									
	Balance at 1 January 2009	21,000	10,494	7,005	48,681	87,180	1,766	88,946	
1R106(d)	Comprehensive income								
1R106(d)	Profit or loss	-	-	-	29,767	29,767	2,548	32,315	
	Other comprehensive income								
1Rp82(g)	Gain on the revaluation of land and buildings								
16p41	Depreciation transfer on land and buildings, net of tax	19	-	(100)	100	-	-	-	
1Rp82(g), IFRS7p20(a) (ii)	Available-for-sale financial assets	20	-	362	-	362	-	362	
	Share of other comprehensive loss of associates		-	(86)	-	(86)	-	(86)	
1Rp82(g), IFRS7p23(c)	Cash flow hedges, net of tax	20	-	64	-	64	-	64	
1Rp82(g),39p102(a)	Net investment hedge	20	-	(45)	-	(45)	-	(45)	
1Rp82(g),21p52(b)	Currency translation differences	20	-	2,066	-	2,066	252	2,318	
IFRS3p59	Increase in fair values of proportionate holding of ABC Group relating to previously held interest	20	-	850	-	850	-	850	
12p80(d)	Impact of the change in the tax rate on deferred tax	23	-	-	(10)	(10)	-	(10)	
	Total other comprehensive income		-	3,111	90	3,201	252	3,453	
1R106(a)	Total comprehensive income		-	3,111	29,857	32,968	2800	35,768	
	Transactions with owners								
	Employees share option scheme:								
IFRS2p50	- Value of employee services	19	-	-	690	690	-	690	
IFRS2p50	- Proceeds from shares issued	17	750	200	-	950	-	950	
	- Tax credit relating to share option scheme	19	-	-	30	30	-	30	
1Rp106(d)	Issue of ordinary shares related to business combination	17	3,550	6,450	-	10,000	-	10,000	
1Rp106(d)	Purchase of treasury shares	19	-	-	(2,564)	(2,564)	-	(2,564)	
1Rp106(d)	Convertible bond – equity component, net of tax	20	-	5,433	-	5,433	-	5,433	
	Dividends relating to 2008	35	-	-	(10,102)	(10,102)	(1,920)	(12,022)	
1Rp106(d)	Total contributions by and distributions to owners		4,300	6,650	(11,946)	4,437	(1,920)	2,517	
1Rp106(d)	Minority interest arising on business combination	39	-	-	-	-	4,542	4,542	
1Rp106(c)	Total transactions with owners		4,300	6,650	(11,946)	4,437	2,622	7,059	
	Balance at 31 December 2009		25,300	17,144	15,549	66,592	7,188	131,773	

The notes on pages x to x are an integral part of these financial statements.

Commentary – statement of changes in equity

The commentary that follows explains some of the key requirements in IAS/HKAS 1 (revised), 'Presentation of financial statements', and other aspects that impact the statement of changes in equity.

- 1Rp106
1. Information to be included in the statement of changes in equity for companies not adopting IAS/HKAS 27 (revised) includes:
- (a) Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to minority interest.
 - (b) For each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS/HKAS 8
- 1Rp106(d)
- (c) The amounts of transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners.
 - (d) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change.
- 1Rp106
2. Information to be included in the statement of changes in equity for companies adopting IAS/HKAS 27 (revised) includes:
- (a) Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interest.
 - (b) For each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS/HKAS 8
 - (c) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
 - (i) profit or loss;
 - (ii) each item of other comprehensive income; and
 - (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in loss of control.
- 1Rp139A
3. IAS/HKAS 27 (as amended in 2008) amended paragraph 106. An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS/HKAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period. The amendment shall be applied retrospectively.
- IASB Update August 2009
4. The above information is presented in the statement of changes in equity and can no longer be provided in the notes, as was previously the case. The IASB/HKICPA published an exposure draft of proposed amendments to 11 IFRS/HKFRSs under its annual improvements project in August 2009. The exposure draft proposes to amend IAS/HKAS 1 to state explicitly that an entity presents the components of changes in equity either in the statement of changes in equity or in the notes to the financial statements. Unless otherwise specified, the proposed effective date for the amendments is for annual periods beginning on or after 1 January 2011, although entities would be permitted to adopt them earlier.
- Specimen Holdings Limited has included the items in the statement of changes in equity.
- 1Rp107
5. The amount of dividends recognised as distributions to owners during the period and the related amount per share are now disclosed either in the statement of changes in equity or in the notes and can no longer be presented in the income statement.
- However, HKCO Tenth Sch. para 13(1)(j) requires the disclosure of the aggregate amount of the dividends paid and proposed in the profit and loss account.

Consolidated statement of cash flows

7p10, 18(b), 1Rp38, A2(3)&(5), GEM18.07(3)&(5) 1Rp113	Note	Year ended 31 December	
		2009 HK\$'000	2008 HK\$'000
Cash flows from operating activities			
	36	56,234	41,776
7p31		(7,835)	(14,773)
7p35		(14,317)	(10,526)
		34,082	16,477
Cash flows from investing activities			
7p39	39	(3,950)	–
7p16(a)	6	(9,755)	(6,042)
7p16(b)	36	6,354	2,979
7p16(a)	7	(3,050)	(700)
7p16(c)	10	(2,781)	(1,126)
7p16(e)	40	(1,000)	(50)
7p16(f)	40	14	64
7p31		1,254	1,193
7p31		1,180	1,120
		(11,734)	(2,562)
Cash flows from financing activities			
7p17(a)	17	950	1,070
7p17(b)	19	(2,564)	–
7p17(c)	22(b)	50,000	–
7p17(c)	22(c)	–	30,000
7p17(c)		8,500	18,000
7p17(d)		(78,117)	(34,674)
7p31	35	(10,102)	(15,736)
7p31		(1,950)	(1,950)
7p31		(1,920)	(550)
		(35,203)	(3,840)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(12,855)	10,075
	15	27,598	17,587
		535	(64)
Cash, cash equivalents and bank overdrafts at end of year		15,278	27,598

The notes on pages x to x are an integral part of these financial statements.

Commentary – Statement of cash flows

The commentary that follows explains some of the key requirements in IAS/HKAS 7, 'Statements of cash flows'.

Reporting cash flows

Cash flows from operating activities

- 7p18(a) 1. Cash flows from operating activities are reported using either:
- (a) The direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
 - (b) The indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.
- 7p19 2. Specimen Holdings Limited continues to use the indirect method. For an illustration of a statement of cash flows presented using the direct method, refer to Appendix IV.

Cash flows from investing and financing activities

- 7p21 4. Major classes of gross cash receipts and gross cash payments arising from investing and financing activities are reported separately, except to the extent that cash flows described in paragraphs 22 and 24 of IAS/HKAS 7 are reported on a net basis.

Sale of property, plant and equipment held for rental to others

- 7p14 5. Cash flows from the sale of property, plant and equipment are normally presented as cash flows from investing activities. However, cash payments to manufacture or acquire assets that will be held for rental to others and subsequently for sale are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also therefore cash flows from operating activities.

Changes in ownership interest in a subsidiary without loss of control

- 7p42A,42B 6. Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control are classified as cash flows from financing activities.

Expenditure on unrecognised assets to be classified as operating cash flows – from 1 January 2010

- 7(R)p16
Annual
improvements
May 2008 7. Following changes made to IAS/HKAS 7 in May 2009, expenditure can in future only be classified as arising from investing activities if it results in the recognition of an asset in the balance sheet. Expenditure on exploration or evaluation activities can therefore only be classified as investing cash flows if the entity has a policy of capitalising such expenditure, as permitted under IFRS/HKFRS 6, 'Exploration for and evaluation of mineral resources'. Expenditure on advertising or promotional activities, staff training and research and development would normally be presented as operating cash flows. The amendments apply to annual reporting periods beginning on or after 1 January 2010.

Reporting on a net basis

- 7p22,23 8. Cash flows arising from the following operating, investing or financing activities may be reported on a net basis:
- (a) Cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity (for example, rents collected on behalf of, and paid over to, the owners of properties), and
 - (b) Cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short (for example, advances made for, and repayment of, principal amounts relating to credit card customers).
- 7p24 9. Cash flows arising from each of the following activities of a financial institution may be reported on a net basis:
- (a) Cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date.
 - (b) The placement of deposits with, and withdrawal of deposits from, other financial institutions.
 - (c) Cash advances and loans made to customers and the repayment of those advances and loans.

Interest and dividends

- 7p31 10. Cash flows from interest and dividends received and paid are each disclosed separately. Each is classified in a consistent manner from period to period as operating, investing or financing activities.
- 7p33 11. Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of net profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.
- 7p34 12. Dividends paid may be classified as 'financing cash flows' because they are a cost of obtaining financial resources. Alternatively, they may be classified as operating cash flows to assist users to determine the ability of an entity to pay dividends out of operating cash flows.

Income taxes

- 7p35 13. Cash flows arising from income taxes are separately disclosed and classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

Effects of exchange rate changes

- 7p28 14. Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities. It also includes the differences, if any, had those cash flows been reported at period-end exchange rates.

Additional recommended disclosures

- 7p50 15. Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged and may include:
- 7p50(a) (a) The amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.
- 7p50(c) (b) The aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity.
- 7p50(d) (c) The amount of the cash flows arising from the operating, investing and financing activities of each reportable segment (refer to IFRS/HKFRS 8, 'Operating segments', as applicable).

Notes to the consolidated financial statements

1 General information

- 1Rp138(b), (c)
1Rp51(a)(b) Specimen Holdings Limited ('the company') and its subsidiaries (together 'the group') manufacture, distribute and sell shoes through a network of independent retailers. The group has manufacturing plants around the world and sells mainly in countries within Hong Kong, the US and Europe. During the year, the group acquired control of 'ABC group', a shoe and leather goods retailer operating in the US and most western European countries.
- 1Rp138(a) The company is a limited liability company incorporated in Hong Kong. The address of its registered office is 21/F Nice Building, Cityplaza Three, 14 Taikoo Wan Road, Taikoo Shing, Island East, Hong Kong
- The company has its primary listing on The Stock Exchange of Hong Kong Limited.
- 10p17, S129B These financial statements are presented in HK dollars, unless otherwise stated. **These financial statements have been approved for issue by the Board of Directors on [specify date].**

2 Summary of significant accounting policies

- 1Rp112(a)
1Rp117(b)
1Rp119
A2(6), A2.2
GEM18.07(6)
GEM18.04 The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

- 1Rp116
1Rp117(a)
A2.1, A5
GEM18.19
GEM18.20
GEM18.04 The consolidated financial statements of Specimen Holdings Limited have been prepared in accordance with International/Hong Kong Financial Reporting Standards (IFRS/HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS/HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The group has adopted the following new and amended IFRS/HKFRSs as of 1 January 2009:

- 8p28
- IFRS/HKFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- 8p28
- IAS/HKAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IFRS/HKFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group and company has adopted IFRS/HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the group's or company's financial statements.

You are recommended to refer to "A practical guide to share-based payments" for more guidance. <http://www.pwc.com/en_GX/gx/ifrs-reporting/pdf/practical_guide_sbp08.pdf>

- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of IAS/HKAS 23 *Borrowing costs* (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share. The group has capitalised borrowing costs with respect to intangible asset arising from internally generated software costs (see note 7).

You are recommended to refer to "A practical guide to capitalisation of borrowing costs" for more guidance. <http://www.pwc.com/en_GX/gx/ifrs-reporting/pdf/guide_capitalisation_brwg_costs.pdf>

- IFRS/HKFRS 8, 'Operating segments' (effective 1 January 2009). IFRS/HKFRS 8 replaces IAS/HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated by management to groups of cash-generating units on a segment level, the change in reportable segments has required a reallocation of goodwill of HK\$146,000 and HK\$4.75 million from the 'other countries' operating segment to the newly identified operating segments, China and Russia respectively. The reallocation has not resulted in any additional impairment of goodwill for 2008. Comparatives for 2008 in note 7 have been restated¹. However, such restatement in note disclosure does not have any impact on the balance sheets.

You are recommended to refer to "A practical guide to segment reporting" for more guidance. <http://www.pwc.com/en_GX/gx/ifrs-reporting/pdf/segment-reporting.pdf>

¹ IAS/HKAS 36 requires goodwill acquired in a business combination to be allocated to each of the acquirer's cash-generating units or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or groups of CGUs to which the goodwill is allocated should not be larger than an operating segment determined in accordance with IFRS/HKFRS 8. Hence, management should consider whether the goodwill is in line with this standard, otherwise, the goodwill is required to be reallocated and goodwill impairment is required to be reassessed in accordance with IAS/HKAS 8.

The existing IAS/HKAS 36 was unclear as to whether it referred to single or aggregated operating segments. The IASB/HKICPA Annual Improvement Project published in April 2009/May 2009 clarified that the operating segment refers to a single operating segment rather than aggregated operating segments. The amendment is effective prospectively from 1 Jan 2010. Since both are acceptable under the existing IAS/HKAS 36, it is recommended that goodwill should be allocated not larger than an operating segment before aggregation in 2009, otherwise, sufficient disclosure for the impact of the application of the amended IAS/HKAS 36 prospectively in 2010 should be made.

8p30

- (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group¹

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them:

- IFRIC/HK(IFRIC) 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009²). The interpretation is part of the IASB's/HKICPA's annual improvements project published in April/May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS/HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The group and company will apply IFRIC/HK(IFRIC) 17 from 1 January 2010. It is not expected to have a material impact on the group's or company's financial statements.
- IAS/HKAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009²). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS/HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.
- IFRS/HKFRS 3 (revised), 'Business combinations' (effective from 1 July 2009²). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS/HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- IAS/HKAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009²). The amendment is part of the IASB's/HKICPA's annual improvements project published in April/May 2009 and the group and company will apply IAS/HKAS 38 (amendment) from the date IFRS/HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group's or company's financial statements.
- IFRS/HKFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment is part of the IASB's/HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that IFRS/HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS/HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS/HKAS 1. The group and company will apply IFRS/HKFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the group's or company's financial statements.

¹ A detailed list of standards and interpretations in issue at 31 December 2009 that are effective for annual reporting periods beginning after 1 January 2009 is provided in Appendix VIII.

² The standards and amendments to existing standards are effective for annual period beginning on or after 1 July 2009 and are applicable for year ending 30 June 2010 or after.

- IAS/HKAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's/HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group and company will apply IAS/HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the group's or company's financial statements.
- IFRS/HKFRS 2 (amendments), 'group cash-settled share-based payment transactions' (effective from 1 January 2010). In addition to incorporating IFRIC/HK(IFRIC)-Int 8, 'Scope of IFRS/HKFRS 2', and IFRIC/HK(IFRIC)-Int 11, 'IFRS/HKFRS 2 – group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the group's financial statements.

1Rp119

2.2 Consolidation

27p12

(a) Subsidiaries

27p14
27p30

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

IFRS3p14
IFRS3p24
IFRS3p28
IFRS3p36, 37
IFRS3p51

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (note 2.6).

IFRS3p56

27p24

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

27p28

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

27p42(c)

In the company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The group applies a policy of treating transactions with minority interest as transactions with parties external to the group. Disposals to minority interest result in gains and losses for the group and are recorded in the income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary¹.

¹ These consolidated financial statements are prepared on the basis of 'parent company model'. See appendix VII note (b) on P160 for accounting policy if 'economic entity model' is adopted.

1Rp119	<i>(c) Associates</i>
28p13 28p11	Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.7 for the impairment of non-financial assets including goodwill.
28p29 28p30	The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.
28p22 28p26	Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.
	Dilution gains and losses arising in investments in associates are recognised in the income statement.
27p42(c)	In the company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 2.7). The results of associated companies are accounted for by the company on the basis of dividend received and receivable.
1Rp119	2.3 Segment reporting
IFRS8p5(b)	Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.
1Rp119	2.4 Foreign currency translation
1Rp119	<i>(a) Functional and presentation currency</i>
21p17 21p9, 18 1Rp51(d)	Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HK dollars (HK\$), which is the company's functional and the group's presentation currency.
1Rp119	<i>(b) Transactions and balances</i>
21p21, 28 21p32 39p95(a) 39p102(a)	Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.
	Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.
39AG83	Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.
21p30	Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in equity.

1Rp119	<i>(c) Group companies</i>								
21p39	The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:								
21p39(a)	(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;								
21p39(b) 21p39	(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and								
1Rp79(b)	(iii) all resulting exchange differences are recognised as a separate component of equity.								
1Rp79(b) 21p39(c) 1Rp79(b) 39p102	On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.								
21p47	Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.								
1Rp119	2.5 Property, plant and equipment								
16p73(a) 16p35(b) 16p15 16p17	Buildings comprise mainly factories, retail outlets and offices. Buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment ¹ .								
16p12 39p98(b)	Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.								
16p39, 1Rp79(b) 1Rp79(b) 16p40 16p41	Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.								
16p73(b), 50 16p73(c)	Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows: <table border="0" style="margin-left: 20px;"> <tr> <td>– Buildings</td> <td>25-40 years</td> </tr> <tr> <td>– Machinery</td> <td>10-15 years</td> </tr> <tr> <td>– Vehicles</td> <td>3-5 years</td> </tr> <tr> <td>– Furniture, fittings and equipment</td> <td>3-8 years</td> </tr> </table>	– Buildings	25-40 years	– Machinery	10-15 years	– Vehicles	3-5 years	– Furniture, fittings and equipment	3-8 years
– Buildings	25-40 years								
– Machinery	10-15 years								
– Vehicles	3-5 years								
– Furniture, fittings and equipment	3-8 years								
16p51	The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.								
36p59	An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).								

¹ Management may choose to keep these gains/(losses) in equity until the acquired asset affects profit or loss. At this time, management should reclassify the gains/(losses) into profit or loss.

16p68, 71	Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.
16p41, 1p76(b)	When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.
1Rp119	2.6 Intangible assets
1Rp119	<i>(a) Goodwill</i>
IFRS3p51 38p118(a) IFRS3p54 36p124	Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
36p80	Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.
1Rp119	<i>(b) Trademarks and licences</i>
38p74 38p97 38p118(a)(b)	Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years.
38p4 38p118(a)(b)	Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.
	<i>(c) Contractual customer relationships</i>
	Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.
1Rp119	<i>(d) Computer software</i>
38p57	Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met: <ul style="list-style-type: none"> • It is technically feasible to complete the software product so that it will be available for use; • Management intends to complete the software product and use or sell it; • There is an ability to use or sell the software product; • It can be demonstrated how the software product will generate probable future economic benefits; • Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and • The expenditure attributable to the software product during its development can be reliably measured.
38p66	Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.
38p68,71	Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.
38p97 38p118(a)(b)	Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

1Rp119	<p>2.7 Impairment of investments in subsidiaries, associates and non-financial assets</p>
36p9 36p10	<p>Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.</p>
36p12(h)	<p>Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.</p>
1Rp119	<p>2.8 Non-current assets (or disposal groups) held for sale</p>
IFRS5p6, 15	<p>Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.</p>
1Rp119	<p>2.9 Financial assets</p>
	<p>2.9.1 Classification</p>
IFRS7p21 39p9	<p>The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.</p> <p><i>(a) Financial assets at fair value through profit or loss</i></p>
39p9	<p>Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.</p> <p><i>(b) Loans and receivables</i></p>
39p9 1Rp66, 68	<p>Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.14 and 2.15).</p> <p><i>(c) Available-for-sale financial assets</i></p>
39p9 1Rp66, 68 IFRS7 AppxB5(b)	<p>Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.</p>
	<p>2.9.2 Recognition and measurement</p>
39p38 IFRS7 AppxBp5 39p43	<p>Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.</p>
39p16 39p46	

39p55(a)
IFRS7AppxBp5(e) Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

39p55(b)
IFRS7AppxBp5(e)
39AG83
1Rp79(b) Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

39p67 Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

2.10 Offsetting financial instruments

32p42 Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

39p58 (a) *Assets carried at amortised cost*

39p59 The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

IFRS/HKFRS7
AppxB5(f) The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

39p64 The group first assesses whether objective evidence of impairment exists.

IFRS7p16
39p63
39AG84 The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

IFRS7 AppxB5(d) 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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

39p65 The group assesses at the end of each reporting period whether there is objective evidence that a
39p67 financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria
39p68 refer to (a) above. In the case of equity investments classified as available for sale, a significant or
39p70 prolonged decline in the fair value of the security below its cost is also evidence that the assets are
impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss –
39p69 measured as the difference between the acquisition cost and the current fair value, less any impairment
loss on that financial asset previously recognised in profit or loss – is removed from equity and
recognised in the separate consolidated income statement. Impairment losses recognised in the separate
consolidated income statement on equity instruments are not reversed through the separate consolidated
income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for
sale increases and the increase can be objectively related to an event occurring after the impairment loss
was recognised in profit or loss, the impairment loss is reversed through the separate consolidated
income statement.

1Rp119 **2.12 Derivative financial instruments¹ and hedging activities**

IFRS7p21 Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are
IFRS7p22 subsequently re-measured at their fair value. The method of recognising the resulting gain or loss
depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the
item being hedged. The group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) hedges of a net investment in a foreign operation (net investment hedge).

39p88 The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

IFRS7p23, 24 The fair values of various derivative instruments used for hedging purposes are disclosed in note 11. Movements on the hedging reserve in shareholders' equity are shown in note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

39p89 *(a) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

39p92 If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

¹ Certain derivative instruments accounted for at fair value through profit or loss do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement.

39p95	<i>(b) Cash flow hedge</i>
1Rp79(b)	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. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.
39p99, 100	Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.
39p98(b)	
39p101	When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.
39p102(a)(b)	<i>(c) Net investment hedge</i>
	Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.
1Rp79(b)	Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.
	Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.
1Rp119	2.13 Inventories
2p36(a), 9 2p10, 25 23p6, 7 2p28, 30 39p98(b) 10Sch12(13)	Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials ¹ .
1Rp119 IFRS7p21	2.14 Trade and other receivables
	Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.
39p43 39p46(a) 39p59 IFRS7 Appx Bp5(f) IFRS7 Appx Bp5(d)	Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.
1Rp119	2.15 Cash and cash equivalents
IFRS7p21, 7p45	Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

¹ Management may choose to keep these gains in equity until the acquired asset affects profit or loss. At this time, management should re-classify the gains to profit or loss.

1Rp119

2.16 Share capital

IFRS7p21
32p18(a)

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 2.18).

32p37

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

32p33

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

1Rp119

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

IFRS7p21
39p43, 39p47

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1Rp119

2.18 Borrowings

IFRS7p2139p43
39p47

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

32p18(a)
32p33

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

2.19 Compound financial instruments

32p28

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

32AG31

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

32p35

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

1Rp60,61

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

1Rp119	2.20 Current and deferred income tax
12p58 12p61A	The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.
12p12 12p46	The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
12p24 12p15 12p47	Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
12p24, 34	Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
12p39, 44	Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.
12p74	Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.
1Rp119	2.21 Employee benefits
1Rp119	<i>(a) Pension obligations</i>
19p27 19p25 19p7 19p120A(b), A26(1), (2)&(4), GEM18.34(1), (2) &(4)	Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.
19p79, 19p80, 19p64	The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
19p93-93D 19p120A(a)	Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.
19p96	Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

19p44 For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1Rp119 *(b) Other post-employment obligations*

19p120A(a)
 19p120A(b) Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

1Rp119 *(c) Termination benefits*

19p133
 19p134
 19p139 Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

1Rp119 *(d) Profit-sharing and bonus plans*

19p17 The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1Rp119 **2.22 Share-based payments**

IFRS2p15(b)
 IFRS2p19 The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period);and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.¹

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

¹ Whether the difference between the credit in any share-based payment or other reserve relating to the exercised options and the cash subscribed for the shares issued on exercise of those options may be credited to share premium is a matter of law applicable in the jurisdiction in which the company is incorporated. To the extent that this difference is not permitted to be credited to share premium it should be credited to another reserve.

1Rp119

2.23 Provisions

37p14
37p72
37p63

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

37p24

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

37p45

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1Rp119

2.24 Revenue recognition

18p35(a)

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

18p14

(a) Sales of goods – wholesale

The group manufactures and sells a range of footwear products in the wholesale market. Sales of goods are recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The footwear products are often sold with volume discounts; customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with the market practice.

18p14

(b) Sales of goods – retail

The group operates a chain of retail outlets for selling shoes and other leather products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

It is the group's policy to sell its products to the retail customer with a right to return within 28 days. Accumulated experience is used to estimate and provide for such returns at the time of sale. The group does not operate any loyalty programmes.

18p20

(c) Sales of services

The group sells design services and transportation services to other shoe manufacturers. These services are provided on a time and material basis or as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

Revenue from time and material contracts, typically from delivering design services, is recognised under the percentage-of-completion method. Revenue is generally recognised at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered. For material contracts, the stage of completion is measured on the basis of direct expenses incurred as a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts for delivering design services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Revenue from fixed-price contracts for delivering transportation services is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

18p30(a) (d) *Interest income*

39p93 Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

18p30(b) (e) *Royalty income*

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

18p30(c) (f) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

1Rp119 **2.25 Leases**

17p33
SIC-15p5 Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1Rp119 The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

17p20
17p27 Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

1Rp119 **2.26 Dividend distribution**

10p12 Dividend distribution to the company's shareholders is recognised as a liability in the group's and company's financial statements in the period in which the dividends are approved by the company's shareholders.

Commentary – Summary of significant accounting policies

Statement of compliance with IFRS/HKFRS

- 1Rp16
1. An entity whose financial statements and notes comply with IFRS/HKFRS makes an explicit and unreserved statement of such compliance in the notes. The financial statements and notes are not described as complying with IFRS/HKFRS unless they comply with all the requirements of IFRS/HKFRS.
 2. Where an entity can make the explicit and unreserved statement of compliance in respect of only:
 - (a) the parent financial statements and notes, or
 - (b) the consolidated financial statements and notes,it clearly identifies to which financial statements and notes the statement of compliance relates.

Summary of accounting policies

3. A summary of significant accounting policies includes:

1Rp117(a) (a) The measurement basis (or bases) used in preparing the financial statements; and

1Rp117(b) (b) The other accounting policies used that are relevant to an understanding of the financial statements.
4. The summary may be presented as a separate component of the financial statements.

1Rp116
5. 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. Some IFRS/HKFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, IAS/HKAS 16, 'Property, plant and equipment', requires disclosure of the measurement bases used for classes of property, plant and equipment.

1Rp119

Changes in accounting policies

Initial application of IFRS/HKFRS

- 8p28
6. When initial application of an IFRS/HKFRS:
 - (a) has an effect on the current period or any prior period,
 - (b) would have such an effect except that it is impracticable to determine the amount of the adjustment, or
 - (c) might have an effect on future periods, an entity discloses:
 - i. the title of the IFRS/HKFRS;
 - ii. when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
 - iii. the nature of the change in accounting policy;
 - iv. when applicable, a description of the transitional provisions;
 - v. when applicable, the transitional provisions that might have an effect on future periods;
 - vi. for the current period and each prior period presented, to the extent practicable, the amount of the adjustment, for each financial statement line item affected;
 - vii. if IAS/HKAS 33, 'Earnings per share', applies to the entity, for basic and diluted earnings per share, the amount of the adjustment relating to periods before those presented, to the extent practicable; and
 - viii. if retrospective application required by paragraph 19(a) or (b) of IAS/HKAS 8, 'Accounting policies, changes in accounting estimates and errors', is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Voluntary change in accounting policy

8p29

7. When a voluntary change in accounting policy:
- (a) has an effect on the current period or any prior period,
 - (b) would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or
 - (c) might have an effect on future periods,
- an entity discloses:
- (i) the nature of the change in accounting policy;
 - (ii) the reasons why applying the new accounting policy provides reliable and more relevant information;
 - (iii) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
 - for each financial statement line item affected, and
 - if IAS/HKAS 33 applies to the entity, for basic and diluted earnings per share;
 - (iv) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
 - (v) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Change during interim periods

1Rp112(c)

8. There is no longer an explicit requirement to disclose the financial effect of a change in accounting policy that was made during the final interim period on prior interim financial reports of the current annual reporting period. However, where the impact on prior interim reporting periods is significant, an entity should consider explaining this fact and the financial effect.

IFRS/HKFRSs issued but not yet effective

8p30

9. When an entity has not applied a new IFRS/HKFRS that has been issued but is not yet effective, it discloses:
- (a) this fact, and
 - (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS/HKFRS will have on the entity's financial statements in the period of initial application.

8p31

10. An entity considers disclosing:
- (a) the title of the new IFRS/HKFRS;
 - (b) the nature of the impending change or changes in accounting policy;
 - (c) the date by which application of the IFRS/HKFRS is required;
 - (d) the date as at which it plans to apply it initially; and
 - (e) either:
 - (i) a discussion of the impact that initial application of the IFRS/HKFRS is expected to have on the entity's financial statements, or
 - (ii) if that impact is not known or reasonably estimable, a statement to that effect.
11. The above disclosures are made even if the impact on the entity is not expected to be material. However, there is no need to mention a standard or interpretation if it is clearly not applicable to the entity. For example, if the entity is not operating in the real estate industry, it does not need to refer to IFRIC/HK(IFRIC) 15, 'Agreements for the construction of real estates'. Where a pronouncement introduces a new accounting option that was not previously available, management explains whether and/or how it expects to use the option in future.

Disclosures for the following standards are not illustrated in the financial statements of Specimen Holdings Limited

For disclosures relating to IAS/HKAS 29, 'Financial reporting in hyperinflationary economies', IAS/HKAS 41, 'Agriculture', and IFRS/HKFRS 6, 'Exploration for and evaluation of mineral resources', please refer to PricewaterhouseCoopers 'IFRS disclosure checklist 2009'.

3. Financial risk management

3.1 Financial risk factors

- IFRS7p31 The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.
- Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (a) *Market risk*
- (i) Foreign exchange risk
- IFRS7p33(a) The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- IFRS7p33(b), 22(c) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group use forward contracts, transacted with group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- IFRS7p22(c) The group treasury's risk management policy is to hedge between 75% and 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency for the subsequent 12 months. Approximately 90% (2008: 95%) of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.
- IFRS7p33(a)(b)
IFRS7p22(c) The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- IFRS7p40
IFRS7 IG36 At 31 December 2009, if the Hong Kong dollar had weakened/strengthened by [x]¹% against the US dollar with all other variables held constant, post-tax profit for the year would have been HK\$362,000 (2008: HK\$51,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available for sale and foreign exchange losses/gains on translation of US dollar-denominated borrowings. Profit is more sensitive to movement in HK dollar/US dollar exchange rates in 2009 than 2008 because of the increased amount of US dollar-denominated borrowings.
- At 31 December 2009, if the Hong Kong dollar had weakened/strengthened by [x]¹% against the UK pound with all other variables held constant, post-tax profit for the year would have been HK\$135,000 (2008: HK\$172,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of UK pound-denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available for sale and foreign exchange losses/gains on translation of UK pound-denominated borrowings.

¹ IFRS/HKFRS 7.40 requires a sensitivity analysis to be disclosed, showing how profit or loss and equity would have been affected by "reasonably possible changes" in the relevant risk variable (e.g. foreign exchange risk). Please refer to IFRS/HKFRS 7.B19 for guidance on how to estimate the reasonably possible change in the risk variable.

(ii) Price risk

IFRS7p33(a)(b) The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The group's investments in equity of other entities that are publicly traded are included in one of the following three equity indexes: DAX equity index, Dow Jones equity index and FTSE 100 UK equity index.

IFRS7p40
IFRS7IG36

The table below summarises the impact of increases/decreases of the FTSE 100 on the group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by [x] % with all other variables held constant and all the group's equity instruments moved according to the historical correlation with the index:

Index	Impact on post-tax profit in HK\$'000		Impact on other components of equity in HK\$'000	
	2009	2008	2009	2008
DAX	200	120	290	290
Dow Jones	150	120	200	70
FTSE 100 UK	60	30	160	150

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

(iii) Cash flow and fair value interest rate risk

IFRS7p33(a)(b),
IFRS7p22(c)

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2009 and 2008, the group's borrowings at variable rate were denominated in the Hong Kong dollar and the UK pound.

IFRS7p33(a)(b),
IFRS7p22(c)

The Company's long-term borrowings and loans to subsidiaries were issued at fixed rates and interest free respectively, and expose the company to fair value interest rate risk.

IFRS7p22(b)(c)

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post tax profit of a [x]¹% shift would be a maximum increase of HK\$41,000 (2008: HK\$37,000) or decrease of HK\$34,000 (2008: HK\$29,000), respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

IFRS7p22(b)(c)

Based on the various scenarios, the group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

¹ IFRS/HKFRS 7.40 requires a sensitivity analysis to be disclosed, showing how profit or loss and equity would have been affected by "reasonably possible changes" in the relevant risk variable (e.g. foreign exchange risk). Please refer to IFRS/HKFRS 7.B19 for guidance on how to estimate the reasonably possible change in the risk variable.

IFRS7p22(b)(c) Occasionally the group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the 60% target.

IFRS7p40
IFRS7IG36 At 31 December 2009, if interest rates on Hong Kong dollar-denominated borrowings had been [x]¹ % higher/lower with all other variables held constant, post-tax profit for the year would have been HK\$22,000 (2008: HK\$21,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been HK\$5,000 (2008: HK\$3,000) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale. At 31 December 2009, if interest rates on UK pound-denominated borrowings at that date had been [x]¹ % higher/lower with all other variables held constant, post-tax profit for the year would have been HK\$57,000 (2008: HK\$38,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been HK\$6,000 (2008: HK\$4,000) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale.

(b) Credit risk

IFRS7p33(a)(b)
IFRS7p34(a) Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. See note 9b for further disclosure on credit risk.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

IFRS7p34(a) Cash flow forecasting is performed in the operating entities of the group in and aggregated by group Finance. Group Finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 22) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

IFRS7p33, 39(c)
IFRS7 B11E Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the group held money market funds of HK\$6,312,000 (2008: HK\$934,000) and other liquid assets of HK\$321,000 (2008: HK\$1,400,000) that are expected to readily generate cash inflows for managing liquidity risk.

IFRS7p39(a)(b) The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows².

IFRS7p44G Comparative information has been restated as permitted by the amendments to IFRS/HKFRS 7 for the liquidity risk disclosures.

¹ IFRS/HKFRS 7.40 requires a sensitivity analysis to be disclosed, showing how profit or loss and equity would have been affected by "reasonably possible changes" in the relevant risk variable (e.g. foreign exchange risk). Please refer to IFRS/HKFRS 7.B19 for guidance on how to estimate the reasonably possible change in the risk variable.

² IFRS7 p39(a)(b) The amounts included in the table are the contractual undiscounted cash flows, except for trading derivatives, which are included at their fair value (see below). As a result, these amounts will not reconcile to the amounts disclosed on the balance sheet except for short-term payables where discounting is not applied. Entities can choose to add a reconciling column and a final total that ties into the balance sheet, if they wish.

Group		Less than 1 year ¹ HK\$'000	Between 1 and 2 years ¹ HK\$'000	Between 2 and 5 years ¹ HK\$'000	Over 5 years ¹ HK\$'000
At 31 December 2009					
	Borrowings (ex finance lease liabilities)	20,496	22,002	67,457	38,050
	Finance lease liabilities	2,749	1,573	4,719	2,063
	Trading and net settled derivative financial instruments (interest rate swaps)	280	10	116	41
	Trade and other payables	15,668 ²	-	-	-
At 31 December 2008					
	Borrowings (ex finance lease liability)	16,258	11,575	58,679	38,103
	Finance lease liabilities	3,203	1,790	5,370	2,891
	Trading and net settled derivative financial instruments (interest rate swaps)	317	15	81	50
	Trade and other payables	11,518 ²	-	-	-
Company					
At 31 December 2009					
	Borrowings	-	-	58,620	31,600
At 31 December 2008					
	Borrowings	-	-	-	35,240
IFRS7 B10A(a)	Of the HK\$67,457,000 disclosed in the 2009 borrowings time band 'Between 2 and 5 years' the group intends to repay HK\$40,000,000 in the first quarter of 2010 (2008: nil).				
IFRS7p39(b)	The group's trading portfolio derivative instruments with a negative fair value have been included at their fair value of HK\$268,000 (2008: 298,000) within the less than 1 year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date. Net settled derivatives comprise interest rate swaps used by the group to manage the group's interest rate profile.				
IFRS7p39(b)	All of the non-trading group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of HK\$78,756,000 (2008: HK\$83,077,000) and undiscounted contractual cash outflows of HK\$78,241,000 (2008: HK\$83,366,000).				

1Rp134,135, IG10 **3.2 Capital risk management**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. During 2009, the group's strategy, which was unchanged from 2008, was to maintain the gearing ratio within 45% to 50% and a BB credit rating. The BB credit rating has been maintained throughout the period. The gearing ratios at 31 December 2009 and 2008 were as follows:

¹ The specific time-buckets presented are not mandated by the standard but are based on a choice by management based on how the business is managed. Sufficient time buckets should be provided to give sufficient granularity to provide the reader with an understanding of the entity's liquidity.

² The maturity analysis applies to financial instruments only and therefore statutory liabilities are not included.

	2009 HK\$'000	2008 HK\$'000
Total borrowings (note 22)	126,837	114,604
Less: cash and cash equivalents (note 15)	(17,928)	(34,062)
Net debt	108,909	80,542
Total equity	131,773	88,946
Total capital	240,682	169,488
Gearing ratio	45%	48%

The decrease in the gearing ratio during 2009 resulted primarily from the issue of share capital as part of the consideration for the acquisition of a subsidiary (notes 17 and 39).

3.3 Fair value estimation

Effective 1 January 2009, the group adopted the amendment to IFRS/HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

IFRS7p27B(a)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives	-	250	111	361
– Trading securities	11,820	-	-	11,820
Derivatives used for hedging	-	1,103	-	1,103
Available-for-sale financial assets				
– Equity securities	18,735	-	-	18,735
– Debt investments	288	347	-	635
Total assets	30,843	1,700	111	32,654
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives	-	268	-	268
Derivatives used for hedging	-	327	-	327
Total liabilities	-	595	-	595

IFRS7p27

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all the resulting fair value estimates are included in level 2 except for certain forward foreign exchange contracts as explained below.

IFRS7p27B(c)

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

	Trading derivatives at fair value through profit or loss	Total
Opening balance	-	-
Transfers into level 3	115	115
Gains and losses recognised in profit or loss	(4)	(4)
Closing balance	111	111
Total gains or losses for the period including in profit or loss for assets held at the end of the reporting period	(4)	(4)

In 2009, the group transferred a held-for-trading forward foreign exchange contract from level 2 into level 3. This is because the counterpart for the derivative encountered significant financial difficulties, which resulted in a significant increase to the discount rate due to increased counterpart credit risk, which is not based on observable inputs.

Commentary – financial risk management

Accounting standard for presentation and disclosure of financial instruments

- IFRS7p3
- IFRS/HKFRS 7, 'Financial instruments: Disclosures', applies to all reporting entities and to all types of financial instruments except:
 - Those interests in subsidiaries, associates and joint ventures that are accounted for under IAS/HKAS 27, 'Consolidated and separate financial statements', IAS/HKAS 28, 'Investments in associates', or IAS/HKAS 31, 'Interests in joint ventures'. However, entities should apply IFRS/HKFRS 7 to an interest in a subsidiary, associate, or joint venture that according to IAS/HKAS 27, IAS/HKAS 28 or IAS/HKAS 31 is accounted for under IAS/HKAS 39, 'Financial instruments: Recognition and measurement'. In these cases, entities should apply certain disclosure requirements in IAS/HKAS 27, IAS/HKAS 28 and IAS/HKAS 31 in addition to those in IFRS/HKFRS 7. Entities should also apply IFRS/HKFRS 7 to all derivatives on interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in IAS/HKAS 32.
 - Employers' rights and obligations under employee benefit plans, to which IAS/HKAS 19, 'Employee benefits', applies.
 - Contracts for contingent consideration in a business combination (refer to IFRS/HKFRS 3, 'Business combinations'). This exemption applies only to the acquirer and will be removed effective 1 July 2009 when the revised IFRS/HKFRS 3 becomes operative.
 - Insurance contracts as defined in IFRS/HKFRS 4, 'Insurance contracts'. However, IFRS/HKFRS 7 applies to derivatives that are embedded in insurance contracts if IAS/HKAS 39 requires the entity to account for them separately. It also applies to financial guarantee contracts if the issuer applies IAS/HKAS 39 in recognising and measuring the contracts.
 - Financial instruments, contracts and obligations under share-based payment transactions to which IFRS/HKFRS 2, '*Share-based payment*', applies, except for contracts within the scope of paragraphs 5-7 of IAS/HKAS 39, which must be disclosed under IFRS/HKFRS 7.
 - From 1 January 2009 puttable financial instruments that are required to be classified as equity instruments in accordance with paragraphs 16A and 16B or 16C and 16D of IAS/HKAS 32 (revised).

Parent entity disclosures

- IFRS7
- Where applicable, all disclosure requirements outlined in IFRS/HKFRS 7 should be made for both the parent and consolidated entity. The relief from making parent entity disclosures, which was previously available under IAS/HKAS 30, 'Disclosures in the financial statements of banks and similar financial institutions', and IAS/HKAS 32, has not been retained in IFRS/HKFRS 7.

Classes of financial instruments

- IFRS7p6, B1-B3
- Where IFRS/HKFRS 7 requires disclosures by class of financial instrument, the entity groups its financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The entity should provide sufficient information to permit reconciliation to the line items presented in the balance sheet. Guidance on classes of financial instruments and the level of required disclosures is provided in Appendix B of IFRS/HKFRS 7.

Level of detail and selection of assumptions – information through the eyes of management

- IFRS7p34(a)
- The disclosures in relation to an entity's financial risk management should reflect the information provided internally to key management personnel. As such, the disclosures that will be provided by an entity, their level of detail and the underlying assumptions used will vary greatly from entity to entity. The disclosures in this illustrative financial statement are only one example of the kind of information that may be disclosed; the entity should consider carefully what may be appropriate in its individual circumstances.

Nature and extent of risks arising from financial instruments

- IFRS 7p31, 32
- The financial statement should include qualitative and quantitative disclosures that enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

Qualitative disclosures

- IFRS 7p33
- An entity should disclose for each type of risk:
 - The exposures to the risk and how they arise;
 - The entity's objectives, policies and processes for managing the risk and the methods used to measure the risk; and
 - Any changes in (a) or (b) from the previous period.

Quantitative disclosures

- IFRS7
p34(a), (c) 7. An entity should provide for each type of risk, summary quantitative data on risk exposure at the end of the reporting period, based on information provided internally to key management personnel and any concentrations of risk. This information can be presented in narrative form as is done on pages 47 to 51 of this publication. Alternatively, entities could provide the data in a table that sets out the impact of each major risk on each type of financial instruments. This table could also be a useful tool for compiling the information that should be disclosed under paragraph 34 of IFRS/HKFRS 7.
- IFRS7p34(b) 8. If not already provided as part of the summary quantitative data, the entity should also provide the information in paragraphs 9-15 below, unless the risk is not material.

Credit risk

- IFRS7p36, 37 9. For each class of financial instrument, the entity should disclose:
- (a) the maximum exposure to credit risk and any related collateral held.
 - (b) information about the credit quality of financial assets that are neither past due nor impaired.
 - (c) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.
 - (d) an analysis of the age of financial assets that are past due but not impaired.
 - (e) an analysis of financial assets that are individually determined to be impaired including the factors in determining that they are impaired.

Liquidity risk

- IFRS7
p34(a), 39 10. Information about liquidity risk shall be provided by way of:
- (a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities;
 - (b) a maturity analysis for derivative financial liabilities (see paragraph 12 below for details); and
 - (c) a description of how the entity manages the liquidity risk inherent in (a) and (b).
- IFRS7B11F 11. In describing how liquidity risk is being managed, an entity should consider discussing whether it:
- (a) has committed borrowing facilities or other lines of credit that it can access to meet liquidity needs.
 - (b) holds deposits at central banks to meet liquidity needs.
 - (c) has very diverse funding sources.
 - (d) has significant concentrations of liquidity risk in either its assets or its funding sources.
 - (e) has internal control processes and contingency plans for managing liquidity risk.
 - (f) has instruments that include accelerated repayment terms (for example, on the downgrade of the entity's credit rating).
 - (g) has instruments that could require the posting of collateral (for example, margin calls for derivatives).
 - (h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares.
 - (i) has instruments that are subject to master netting agreements.

Maturity analysis

- IFRS7 B11B 12. The maturity analysis for derivative financial liabilities should disclose the remaining contractual maturities if these maturities are essential for an understanding of the timing of the cash flows. For example, this will be the case for interest rate swaps in a cash flow hedge of a variable rate financial asset or liability and for all loan commitments. Where the remaining contractual maturities are not essential for an understanding of the timing of the cash flows, the expected maturities may be disclosed instead.
- IFRS7p3, B11D 13. For derivative financial instruments where gross cash flows are exchanged and contractual maturities are essential to understanding, the maturity analysis should disclose the contractual amounts that are to be exchanged on a gross basis. The amount disclosed should be the amount expected to be paid in future periods, determined by reference to the conditions existing at the end of the reporting period. However, IFRS/HKFRS 7 does not specify whether current or forward rates should be used. We therefore recommend that entities explain which approach has been chosen. This approach should be applied consistently.
- IFRS7 B11 14. The specific time buckets presented are not mandated by the standard but are based on what is reported internally to the key management personnel. The entity uses judgement to determine the appropriate number of time bands.
- IFRS7 B11D 15. If the amounts included in the maturity tables are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings, derivative financial instruments and trade and other payables. Entities can choose to add a column with the carrying amounts that ties into the balance sheet and a reconciling column if they so wish, but this is not mandatory.
- IFRS 7 B10A 16. If an outflow of cash could occur either significantly earlier than indicated or be for significantly different amounts from those indicated in the entity's disclosures about its exposure to liquidity risk, the entity should state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk. This disclosure is not necessary if that information is included in the contractual maturity analysis.

Financing arrangements

- 7p50(a),
IFRS7p39(c) 17. Committed borrowing facilities are a major element of liquidity management. Entities should therefore consider providing information about their undrawn facilities. IAS/HKAS 7, 'Statements of cash flows', also recommends disclosure of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.

Market risk

- IFRS7p40(a),
(b) 18. Entities should disclose a sensitivity analysis for each type of market risk (currency, interest rate and other price risk) to which an entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by 'reasonably possible' changes in the relevant risk variable, as well as the methods and assumptions used in preparing such an analysis.

- IFRS7p40(c) 19. If there have been any changes in methods and assumptions from the previous period, this should be disclosed together with the reasons for the change.

IFRS7p40(c) *Foreign currency risk*

- IFRS7 B23 20. Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks. Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the group's presentation currency. However, foreign currency denominated inter-company receivables and payables that do not form part of a net investment in a foreign operation are included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under IAS/HKAS 21 is not fully eliminated.

Interest rate risk

21. Sensitivity to changes in interest rates is relevant to financial assets or financial liabilities bearing floating interest rates due to the risk that future cash flows will fluctuate. However, sensitivity will also be relevant to fixed rate financial assets and financial liabilities that are re-measured to fair value.

Fair value disclosures

Financial instruments carried at other than fair value

- IFRS7p25,29 22. An entity should disclose the fair value for each class of financial assets and financial liabilities (see paragraph 3 above) in a way that permits it to be compared with its carrying amount. Fair values do not need to be disclosed for the following:
- (a) when the carrying amount is a reasonable approximation of fair value.
 - (b) investments in equity instruments (and derivatives linked to such equity instruments) that do not have a quoted market price in an active market and that are measured at cost in accordance with IAS/HKAS 39 because their fair value cannot be measured reliably.
 - (c) a contract containing a discretionary participation feature (as described in IFRS/HKFRS 4, 'Insurance contracts') where the fair value of that feature cannot be measured reliably.
23. The information about the fair values can be provided either in a combined financial instruments note or in the individual notes. However, fair values should be separately disclosed for each class of financial instrument (see paragraph 3 above), which means that each line item in the table would have to be broken down into individual classes. For that reason, Specimen Holdings Limited has chosen to provide the information in the relevant notes.

Methods and assumptions in determining fair value

- IFRS7p27 24. An entity should disclose for each class of financial instruments (see paragraph 3 above) the methods and, when a valuation technique is used, the assumptions applied in determining fair values. Examples of assumptions that should be disclosed are assumptions relating to prepayment rates, rates of estimated credit losses, interest rates or discount rates. If the entity has changed a valuation technique, that fact and the reason for the change should also be disclosed.

Financial instruments measured at cost where fair value cannot be determined reliably

- IFRS 7p30 25. If the fair value of investments in unquoted equity instruments, derivatives linked to such equity instruments or a contract containing a discretionary participation feature (as described in IFRS/HKFRS 4, 'Insurance contracts') cannot be measured reliably, the entity should disclose:
- (a) the fact that fair value information has not been disclosed because it cannot be measured reliably.
 - (b) a description of the financial instruments, their carrying amount and an explanation of why fair value cannot be measured reliably.
 - (c) information about the market for the instruments.
 - (d) information about whether and how the entity intends to dispose of the financial instruments.
 - (e) if the instruments are subsequently derecognised, that fact, their carrying amount at the time of derecognition and the amount of gain or loss recognised.

Fair value measurements recognised in the balance sheet

- IFRS 7p27B 26. For fair value measurements recognised in the balance sheet, the entity should also disclose for each class of financial instruments:
- (a) the level in the fair value hierarchy into which the fair value measurements are categorised.
 - (b) any significant transfers between level 1 and level 2 of the fair value hierarchy and the reasons for those transfers.
 - (c) for fair value measurements in level 3 of the hierarchy, a reconciliation from the beginning balances to the ending balances, showing separately changes during the period attributable to the following:
 - (i) total gains or losses for the period recognised in profit or loss, together with a description of where they are presented in the statement of comprehensive income or the income statement (as applicable);
 - (ii) total gains or losses recognised in other comprehensive income;
 - (iii) purchases, sales issues and settlements (each type disclosed separately); and
 - (iv) transfers into or out of level 3 and the reasons for those transfers.
 - (d) the amount of total gains or losses for the period included in profit or loss that are attributable to gains or losses relating to assets and liabilities held at the end of the reporting period, together with a description of where the gains and losses are presented in the statement of comprehensive income or the income statement (as applicable)
 - (e) for fair value measurements in level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, that fact, the effect of those changes and how the effect was calculated.

- IFRS7p27A 27. Entities should classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy should have the following levels:
- (a) level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - (b) level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
 - (c) level 3: inputs for the asset or liability that are not based on observable market data.
- The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

Additional information where quantitative data about risk exposure is unrepresentative

- IFRS7p35, 42 28. If the quantitative data disclosed under paragraphs 7, 9, 10 and 14 above is unrepresentative of the entity's exposure to risk during the period, the entity should provide further information that is representative. If the sensitivity analyses are unrepresentative of a risk inherent in a financial instrument (for example, where the year-end exposure does not reflect the exposure during the year), the entity should disclose that fact and the reason why the sensitivity analyses are unrepresentative.

Disclosure of comparatives – amendments made to IFRS/HKFRS 7 in March 2009

- IFRS7p44G 29. The requirement to disclose fair value measurements in a three-level hierarchy was introduced by amendments made to IFRS/HKFRS 7 in March 2009. Changes were also made to the requirements surrounding the maturity analysis of financial liabilities. According to the transition provisions in the amending standard, there is no need to restate any of the comparatives. However, entities may do so voluntarily if they wish. Specimen Holdings Limited has restated the maturity analyses but has not provided comparative information in relation to the fair value measurements.
30. Knowledge of comparatives is necessary to identify reclassifications between hierarchy levels. Entities also need to be aware of any reclassifications between the levels during the year, as they need to be disclosed. For that purpose, they will still need to determine the classification of their fair value measurements as at the previous reporting date, even though disclosure of this comparative information is not necessary.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1Rp125

4.1 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 7).

1Rp129,
36p134(f)(i)-(iii)

An impairment charge of HK\$4,650,000 arose in the wholesale CGU in Step-land (included in the Russian operating segment) during the course of the 2009 year, resulting in the carrying amount of the CGU being written down to its recoverable amount. If the budgeted gross margin used in the value-in-use calculation for the wholesale CGU in Step-land had been 10% lower than management's estimates at 31 December 2009 (for example, 46% instead of 56%), the group would have recognised a further impairment of goodwill by HK\$100,000 and would need to reduce the carrying value of property, plant and equipment by HK\$300,000.

If the estimated cost of capital used in determining the pre-tax discount rate for the wholesale CGU in Step-land had been 1% higher than management's estimates (for example, 13.8% instead of 12.8%), the group would have recognised a further impairment against goodwill of HK\$300,000.

(b) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Were the actual final outcome (on the judgement areas) to differ by 10% from management's estimates, the group would need to:

- Increase the income tax liability by HK\$120,000 and the deferred tax liability by HK\$230,000, if unfavourable; or
- Decrease the income tax liability by HK\$110,000 and the deferred tax liability by HK\$215,000, if favourable.

(c) Fair value of derivatives and other financial instruments

IFRS7p27(a)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

The carrying amount of available-for-sale financial assets would be an estimated HK\$12,000 lower or HK\$15,000 higher were the discount rate used in the discount cash flow analysis to differ by 10% from management's estimates.

(d) Revenue recognition

The group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver design services. Use of the percentage-of-completion method requires the group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from management's estimates, the amount of revenue recognised in the year would be increased by HK\$175,000 if the proportion performed were increased, or would be decreased by HK\$160,000 if the proportion performed were decreased.

(e) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 24.

Were the discount rate used to differ by 10% from management's estimates, the carrying amount of pension obligations would be an estimated HK\$425,000 lower or HK\$450,000 higher.

1Rp122

4.2 Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

The group has recognised revenue amounting to HK\$950,000 for sales of goods to L&Co in the UK during 2009. The buyer has the right to return the goods if their customers are dissatisfied. The group believes that, based on past experience with similar sales, the dissatisfaction rate will not exceed 3%. The group has, therefore, recognised revenue on this transaction with a corresponding provision against revenue for estimated returns. If the estimate changes by 1%, revenue will be reduced/increased by HK\$10,000.

(b) Impairment of available-for-sale equity investments

The group follows the guidance of IAS/HKAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the group would suffer an additional loss of HK\$1,300,000 in its 2009 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the income statement.

5 Segment information

A4(3), A7
 GEM18.50B(3)
 GEM18.08

- IFRS8p22(a) Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.
- IFRS8p22(a) The committee considers the business from both a geographic and product perspective. Geographically, management considers the performance of wholesale in HK, US, China, Russia and Europe. The HK and US are further segregated into retail and wholesale, as all of the retail business is located in these two geographic areas.
- IFRS8p22(a) Although the China segment does not meet the quantitative thresholds required by IFRS/HKFRS 8, management has concluded that this segment should be reported, as it is closely monitored by the strategic steering committee as a potential growth region and is expected to materially contribute to group revenue in the future.
- IFRS8p22(b) The reportable operating segments derive their revenue primarily from the manufacture and sale of shoes on a wholesale basis, with the exception of the HK and US, which are further segregated into retail shoe and leather goods sales.
- IFRS8p16 Other services included within the European and HK segments include the sale of design services and goods transportation services to other shoe manufacturers. These are not included within the reportable operating segments, as they are not included in the reports provided to the strategic steering committee. The wholesale shoe revenue from the Central American region, mainly Mexico, is also not included, as this information is not reviewed by the strategic steering committee. The results of these operations are included in the 'all other segments' column.
- IFRS8p27(b), 28 The strategic steering committee assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group. Since the strategic steering committee reviews adjusted EBITDA, the results of discontinued operations are not included in the measure of adjusted EBITDA.

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2009 is as follows:

		HK		US		Russia	China	Europe	All other segments	Total
		Wholesale	Retail	Wholesale	Retail					
		HK\$'000	HK\$'000	HK\$'000	HK\$'000					
IFRS8p23(b)	Segment revenue	46,638	43,257	28,820	42,672	26,273	5,818	40,273	13,155	246,906
	Inter-segment revenue	(11,403)	-	(7,364)	-	(5,255)	(1,164)	(8,055)	(2,631)	(35,872)
IFRS8p23, p33(a)	Revenue from external customers	35,235	43,257	21,456	42,672	21,018	4,654	32,218	10,524	211,034
IFRS8p23	Adjusted EBITDA	17,298	9,550	9,146	9,686	12,322	2,323	16,003	3,504	79,832
IFRS8p23(e)	Depreciation and amortisation	(3,226)	(3,830)	(1,894)	(3,789)	(2,454)	(386)	(2,706)	(269)	(18,554)
IFRS8p23(i), 36p129(a)	Goodwill impairment	-	-	-	-	(4,650)	-	-	-	(4,650)
IFRS8p23(i)	Restructuring costs	-	-	-	-	(1,986)	-	-	-	(1,986)
IFRS8p23(h)	Income tax expense	(2,550)	(2,840)	(1,395)	(3,100)	(1,591)	(365)	(2,551)	(400)	(14,792)
IFRS8p23(g)	Share of profit/(loss) from associates	200	-	-	-	-	-	(389)	15	(174)

IFRS8p23	Total assets¹	45,201	24,495	41,195	13,988	15,067	24,899	33,571	61,285	259,701
	Total assets includes:									
IFRS8p24(a)	Investments in associates	7,207	-	-	-	-	-	-	6,166	13,373
IFRS8p24(b)	Additions to non-current assets (other than financial instruments and deferred tax assets)	-	35,543	-	39,817	-	11,380	-	1,500	88,204
IFRS8p23	Total liabilities²	3,207	6,700	5,900	3,500	700	1,200	1,500	2,140	24,847

The segment information for the year ended 31 December 2008 is as follows:

		HK		US		Russia	China	Europe	All other segments	Total
		Wholesale	Retail	Wholesale	Retail					
		HK\$'000	HK\$'000	HK\$'000	HK\$'000					
IFRS8p23(b)	Segment revenue	57,284	1,682	33,990	2,390	8,778	3,209	26,223	5,724	139,280
	Inter-segment revenue	(11,457)	-	(6,798)	-	(1,756)	(642)	(5,245)	(1,022)	(26,920)
IFRS8p23(a), 33(a)	Revenue from external customers	45,827	1,682	27,192	2,390	7,022	2,567	20,978	4,702	112,360
IFRS8p23	Adjusted EBITDA	17,183	800	10,369	1,298	3,471	1,506	10,755	1,682	47,064
IFRS8p23(e)	Depreciation and amortisation	(3,801)	(201)	(2,448)	(199)	(453)	(286)	(2,701)	(138)	(10,227)
IFRS8p23(h)	Income tax expense	(2,772)	(650)	(1,407)	(489)	(509)	(150)	(2,201)	(687)	(8,865)
IFRS8p23(g)	Share of profit/(loss) from associates	155	-	-	-	-	-	-	(10)	145
IFRS8p23	Total assets¹	43,320	9,580	32,967	8,550	5,067	20,899	36,450	49,270	206,103
	Total assets includes:									
IFRS8p24(a)	Investments in associates	7,050	-	-	-	-	-	-	6,194	13,244
IFRS8p24(b)	Additions to non-current assets (other than financial instruments and deferred tax assets)	-	47	-	46	-	2,971	-	3,678	6,742
IFRS8p23	Total liabilities²	4,221	55	6,054	-	250	800	2,537	3,464	17,381

During 2008, retail did not qualify as a reportable operating segment. However, with the acquisition in 2009, of ABC group (note 39), retail qualifies as a reportable operating segment and, therefore, the comparatives are consistent in this regard.

¹ IFRS/HKFRS 8 has been amended so that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision maker. The amendment is effective for periods beginning on or after 1 January 2010. Earlier adoption is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

² The measure of liabilities has been disclosed for each reportable segment as it is regularly provided to the chief operating decision-maker.

IFRS8p23(i) See note 7 for details of the impairment of goodwill of HK\$4,650,000 in the Russian operating segment in 2009 relating to the decision to reduce manufacturing output. There has been no further impact on the measurement of the company's assets and liabilities. There was no impairment charge or restructuring costs recognised in 2008.

IFRS8p27(a) Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

IFRS8p28(b) A reconciliation of adjusted EBITDA to profit before tax and discontinued operations is provided as follows:

	2009 HK\$'000	2008 HK\$'000
Adjusted EBITDA for reportable segments	76,328	45,382
Other segments EBITDA	3,504	1,682
Total segments	79,832	47,064
Depreciation	(17,754)	(9,662)
Amortisation	(800)	(565)
Restructuring costs	(1,986)	–
Legal expenses	(737)	(855)
Goodwill impairment	(4,650)	–
Unrealised financial instrument gains	102	101
Share options granted to directors and employees	(690)	(820)
Finance costs – net	(6,443)	(10,588)
Other	(48)	243
Profit before tax and discontinued operations	46,826	24,918

The amounts provided to the strategic steering committee with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investment in shares (classified as available-for-sale financial assets or financial assets at fair value through profit or loss) held by the group are not considered to be segment assets but rather are managed by the treasury function.

IFRS8p27(c) Reportable segments' assets are reconciled to total assets as follows:

	2009 HK\$'000	2008 HK\$'000
Segment assets for reportable segments	198,416	156,833
Other segments assets	61,285	49,270
Unallocated:		
Deferred tax	3,520	3,321
Available-for-sale financial assets	19,370	14,910
Financial assets at fair value through the profit and loss	11,820	7,972
Derivatives	1,464	1,196
Assets of disposal group classified as held for resale	3,333	–
Total assets per balance sheet	299,208	233,502

The amounts provided to the strategic steering committee with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

IFRS8p27(d)

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2009 HK\$'000	2008 HK\$'000
Segment liabilities for reportable segments	22,707	13,917
Other segments liabilities	2,140	3,464
Unallocated:		
Deferred tax	12,370	9,053
Current tax	2,566	2,771
Current borrowings	11,716	18,258
Non-current borrowings	115,121	96,346
Derivatives	595	747
Liabilities of disposal group classified as held for resale	220	–
Total liabilities per balance sheet	167,435	144,556

IFRS8p27(f)

Due to the European operations utilising excess capacity in certain Russian assets that are geographically close to the European region, a portion of the depreciation charge of HK\$197,000 (2008: \$50,000) relating to the Russian assets has been allocated to the European segment to take account of this.

IFRS8p32

Revenues from external customers are derived from the sales of shoes on a wholesale and retail basis. The breakdown of retail and wholesale results are provided above. The wholesale of shoes relates only to the group's own brand, Footsy Tootsy. The retail sales comprise not only the group's own brand, but other major retail shoe brands.

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category	2009 HK\$'000	2008 HK\$'000
Sales of goods	202,884	104,495
Revenue from services	8,000	7,800
Royalty income	150	65
	211,034	112,360

IFRS8p33(a)

The entity is domiciled in the Hong Kong. The result of its revenue from external customers in Hong Kong is HK\$50,697,000 (2008: HK\$48,951,000), and the total of revenue from external customers from other countries is HK\$160,337,000 (2008: HK\$63,409,000). The breakdown of the major component of the total of revenue from external customers from other countries is disclosed above.

IFRS8p33(b)

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Hong Kong is HK\$49,696,000 (2008: HK\$39,567,000), and the total of these non-current assets located in other countries is HK\$145,290,000 (2008: HK\$94,610,000).

IFRS8p34

Revenues of approximately HK\$32,023,000 (2008: HK\$28,034,000) are derived from a single external customer. These revenues are attributable to the US retail and wholesale segments.

10Sch16(2),
 A4(1)(a),
 GEM18.50B(1)(a)

Turnover consists of sales from wholesale and retail segments, which are HK\$202,884,000 and HK\$104,495,000 for the years ended 31 December 2009 and 2008 respectively.

Commentary – Segment information

The commentary that follows explains the entity-wide information requirements in IFRS/HKFRS8, 'Operating segments'.

IFRS 8p31-34

The standard requires all entities that report in accordance with IFRS/HKFRS 8 to make certain entity-wide disclosures, that is disclosures for the entity as a whole rather than by segment. This requirement also applies to those entities with only one reportable segment. The reason for requiring this additional information is that some entities' business activities are not organised on the basis of differences in products and services or differences in geographical areas of operations. For example, an entity might be organised around markets and those markets might encompass different types of products or different geographical areas. Similarly several of the entity's reportable segments might provide similar products and services (if the reportable segments are based on geographical areas) or several reportable segments might cover the same geographical areas (if the entity's reportable segments are based on different products and services). [IFRS 8p31].

The types of entity wide disclosures are mainly information on the entity's products and services and information on the entity's geographical areas of operation. These are the types of information that analysts and other users find useful for assessing trends in performance, concentrations of risk or other purposes.

Entity-wide information should be comparable from period to period. For example, where a previously material product grouping becomes immaterial, it would continue to be reported in the current period and then reassessed as to whether it is material in the next period.

The disclosures required in IFRS/HKFRS8p32-34 are not required if they are otherwise provided as part of the reportable segment information required by the standard. [IFRS 8 p31]. For example, an entity whose operating segments are based on products and services is not required to provide additional information on its products and services. The disclosures are also not required where the necessary information is not available and the cost to develop it would be excessive, but in such a situation that fact must be disclosed. [IFRS 8 p32, 33].

IFRS/HKFRS 8 does not prescribe how revenue should be allocated to geographic areas. An entity may choose to allocate revenue on the basis of either the customer's location, the location to which the product is shipped (which may differ from the location in which the customer resides) or the location in which the sale originated. An entity must disclose the basis it has selected for attributing revenue to geographic areas.

The standard does not define the term 'material' for the purpose of determining whether an individual country's revenue or non-current assets should be separately disclosed. The entity should consider materiality from both quantitative and qualitative perspectives. When considering quantitatively, as the standard uses the threshold of ten percent or more in determining whether an operating segment is a reportable segment or not, it seems reasonable to apply the same test to determine whether an individual country's revenue or assets are material for the purpose of separate disclosure.

IFRS/HKFRS8p33 requires the disclosure of revenue and non-current asset information to be analysed by (a) the entity's country of domicile and (b) all foreign countries in total. There is no further explanation as to the meaning of the entity's "country of domicile" when the disclosures are made on a consolidated basis. In our view, if a parent company is an investment holding company incorporated in an overseas jurisdiction at where the group does not have any activities, the required disclosure may be referred to the country which the group regards as its "home country", for example, where it has the majority of its operations, workforce and/ or central of management. Further disclosure should be given about how the entity has identified its "country of domicile" if the determination of the "country of domicile" is not that straightforward.

6 Leasehold land and land use rights – Group

17p35 The group's interests in leasehold land and land use rights represent prepaid operating lease payments and their new book value are analysed as follows:

	2009	2008
	HK\$'000	HK\$'000
10Sch12(9)9a) 10Sch31(b)-(d) In Hong Kong held on:		
Leases ¹ of over 50 years	11,000	11,600
Leases ¹ of between 10 to 50 years	11,000	12,000
10Sch12(9)(b) 10Sch31(b)-(d) Outside Hong Kong, held on:		
Leases ¹ of between 10 to 50 years	29,148	-
Leases ¹ of less than 10 years	18,452	-
	<hr/> 69,600	<hr/> 23,600

16p74(a)
10Sch12(4) Bank borrowings are secured on land for the carrying amount of HK\$22 million (2008: HK\$23.6 million) (Note 22).

	2009	2008
	HK\$'000	HK\$'000
Opening	23,600	23,000
Additions	5,000	1,000
Acquisition of subsidiary (Note 39)	43,500	-
Amortisation of prepaid operating lease payment	(2,500)	(400)
	<hr/> 69,600	<hr/> 23,600

¹ The above refer to remaining lease periods.

6a Property, plant and equipment – Group

	Buildings HK\$'000	Vehicles and machinery HK\$'000	Furniture, fittings and equipment HK\$'000	Total HK\$'000
1Rp78(a), 10Sch5				
16p73(d)	At 1 January 2008			
	14,664	71,072	20,025	105,761
	(333)	(17,524)	(3,690)	(21,547)
	14,331	53,548	16,335	84,214
16p73(e)	Year ended 31 December 2008			
	14,331	53,548	16,335	84,214
16p73(e)(viii)	(381)	(703)	(423)	(1,507)
16p73(e)(iv)	1,133	-	-	1,133
10Sch12(8), 16p73(e)(i)	588	2,970	1,484	5,042
10Sch12(8), 16p73(e)(ix)	-	(2,607)	(380)	(2,987)
16p73(e)(vii)	(236)	(4,186)	(4,840)	(9,262)
	15,435	49,022	12,176	76,633
16p73(d)	At 31 December 2008			
	15,435	68,125	20,026	103,586
	-	(19,103)	(7,850)	(26,953)
	15,435	49,022	12,176	76,633
	Year ended 31 December 2009			
16p73(e)	15,435	49,022	12,176	76,633
16p73(e)(viii)	1,601	1,280	342	3,223
16p73(e)(iv)	5,572	5,513	13,199	24,284
10Sch12(8), 16p73(e)(i)	2,126	427	2,202	4,755
10Sch12(8), 16p73(e)(ix)	(2,000)	(3,729)	(608)	(6,337)
16p73(e)(vii)	(1,045)	(4,768)	(9,441)	(15,254)
IFRS5p38	(341)	(1,222)	-	(1,563)
16p73(d)	21,348	46,523	17,870	85,741
16p73(d)	At 31 December 2009			
	22,393	58,268	26,927	107,588
	(1,045)	(11,745)	(9,057)	(21,847)
	21,348	46,523	17,870	85,741

DV Property, plant and equipment transferred to the disposal group classified as held for sale amounts to HK\$1,563,000 and relates to assets which are used by Shoes Limited (part of the wholesale segment). See note 16 for further details regarding the disposal group held for sale.

16p77(a-d),
1Rp79(b),
10Sch12(7), The group's buildings were last revalued on 31 December 2008 by independent valuers. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus net of applicable deferred income taxes was credited to 'other reserves in shareholders' equity (note 20).

DV 1Rp104 Depreciation expense of HK\$5,554,000 (2008: HK\$4,852,000) has been charged in 'cost of goods sold', HK\$5,568,000 (2008: HK\$2,410,000) in 'selling and marketing costs' and HK\$4,132,000 (2008: HK\$2,000,000) in 'administrative expenses'.

17p35(c) Lease rentals amounting to HK\$1,172,000 (2008: HK\$895,000) and HK\$9,432,000 (2008: HK\$7,605,000) relating to the lease of machinery and property, respectively, are included in the income statement (note 29).

16p77(e) If buildings were stated on the historical cost basis, the amounts would be as follows:

	2009 HK\$'000	2008 HK\$'000
Cost	20,979	13,684
Accumulated depreciation	(3,631)	(1,464)
Net book amount	17,348	11,887

16p74(a),
10Sch12(4), Bank borrowings are secured on buildings for the value of HK\$15,680,000 (2008: HK\$27,706,000) (note 22).

Vehicles and machinery includes the following amounts where the group is a lessee under a finance lease:

	2009 HK\$'000	2008 HK\$'000
Cost – capitalised finance leases	13,996	14,074
Accumulated depreciation	(5,150)	(3,926)
Net book amount	8,846	10,148

17p35(d) The group leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between three and 15 years, and ownership of the assets lie within the group.

The analysis of the cost or valuation at 31 December 2009 of the above assets is as follows:

	Buildings HK\$'000	Vehicles and machinery HK'000	Furniture, and fittings and equipment HK\$'000	Total HK\$'000
At cost	6,958	58,268	26,927	92,153
At valuation – 31 December 2008	15,435	-	-	15,435
10Sch12(7)	22,393	58,268	26,927	107,588

The analysis of the cost of valuation at 31 December 2008 of the above assets is as follows:

	Buildings HK\$'000	Vehicles and machinery HK'000	Furniture, and fittings and equipment K\$'000	Total HK\$'000
At cost	-	68,125	20,026	88,151
At valuation – 31 December 2008	15,435	-	-	15,435
10Sch12(7)	15,435	68,125	20,026	103,586

7 Intangible assets - Group

		Goodwill HK\$'000	Trademarks and licences HK\$'000	Contractual customer relationships HK\$'000	Internally generated software development costs HK\$'000	Total HK\$'000
38p118(c)	At 1 January 2008					
IFRS3p75(a)	Cost	12,546	8,301	–	1,455	22,302
IFRS3p75(a)	Accumulated amortisation and impairment	–	(330)	–	(510)	(840)
	Net book amount	12,546	7,971	–	945	21,462
38p118(e)	Year ended 31 December 2008					
IFRS3p74	Opening net book amount	12,546	7,971	–	945	21,462
IFRS3p75(f)	Exchange differences	(546)	(306)	–	(45)	(897)
38p118(e)(i)	Additions	–	700	–	–	700
IFRS3p75(a)	Amortisation charge (note 29)	–	(365)	–	(200)	(565)
10Sch9(1)(b)	Closing net book amount	12,000	8,000	–	700	20,700
38p118(c)	At 31 December 2008					
IFRS3p75(a)	Cost	12,000	8,710	–	1,400	22,110
IFRS3p75(a)	Accumulated amortisation and impairment	–	(710)	–	(700)	(1,410)
	Net book amount	12,000	8,000	–	700	20,700
38p118(e)	Year ended 31 December 2009					
IFRS3p74	Opening net book amount	12,000	8,000	–	700	20,700
IFRS3p75(f)	Exchange differences	341	96	–	134	571
38p118(e)(i)	Additions	–	684	–	2,366	3,050
IFRS3p75(b)	Acquisition of subsidiary (note 39)	4,501	3,000	1,000	–	8,501
IFRS3p75(e)	Impairment charge (note 29)	(4,650)	–	–	–	(4,650)
IFRS3p75(a)	Amortisation charge (note 29)	–	(402)	(278)	(120)	(800)
IFRS5p38	Transferred to disposal group classified as held for sale	–	(1,000)	–	(100)	(1,100)
10Sch9(1)(b)	Closing net book amount	12,192	10,378	722	2,980	26,272
38p118(c)	At 31 December 2009					
IFRS3p75(a)	Cost	16,842	11,480	1,000	3,800	33,122
IFRS3p75(a)	Accumulated amortisation and impairment	(4,650)	(1,102)	(278)	(820)	(6,850)
	Net book amount	12,192	10,378	722	2,980	26,272

36p126(a) The carrying amount of the segment has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been included in 'cost of goods sold' in the income statement.

38p118(d) Amortisation of HK\$40,000 (2008: HK\$100,000) is included in the 'cost of goods sold' the income statement; HK\$680,000 (2008: HK\$365,000) in 'distribution costs' ; and HK\$80,000 (2008: HK\$100,000) in 'administrative expenses'.

Additions of internally generated software development cost includes HK\$75,000 (2008: nil) of interest capitalised at an average borrowing rate of 8.0%.

DV The trademark transferred to the disposal group classified as held for sale relates to the Shoes Limited trademark (part of the wholesale segment), which was previously recognised by the group on the acquisition of the entity in 2005. A further net book amount of HK\$100,000 transferred to the disposal group relates to software that was specifically developed for Shoes Limited. See note 16 for further details regarding the disposal group held-for-sale.

Impairment tests for goodwill

36p134(d) Goodwill is allocated to the group's cash-generating units (CGUs) identified according to operating segment.

An operating segment-level summary of the goodwill allocation is presented below.

	2009			2008		
	Wholesale HK\$'000	Retail HK\$'000	Total HK\$'000	Wholesale HK\$'000	Retail HK\$'000	Total HK\$'000
HK	6,250	1,051	7,301	5,970	120	6,090
US	325	2,501	2,826	125	30	155
Europe	1,609	–	1,609	705	–	705
Russia	100	–	100	4,750	–	4,750
China	146	–	146	100	–	100
All other segments	210	–	210	200	–	200
	8,640	3,552	12,192	11,850	150	12,000

During 2008, retail did not qualify as a reportable operating segment. However, with the acquisition in 2009 of ABC group (note 39), retail qualifies as a separate reportable operating segment, and therefore the comparatives have been restated to be consistent.

36p130(e)
36p134(c)
36p134(d)(iii) The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the shoe business in which the CGU operates.

36p134(d)(i) The key assumptions used for value-in-use calculations in 2009 are as follows¹:

		Wholesale					Retail		
		HK	US	Europe	Russia	China	All Other Segments	HK	US
36p134(d)	Gross margin ²	60.0%	59.0%	60.0%	55.5%	57.0%	56.0%	58.0%	56.0%
36p134 (d)(iv)	Growth rate ³	1.8%	1.8%	1.8%	2.0%	2.0%	1.9%	1.1%	1.3%
36p134 (d)(v) 36p130(g)	Discount rate ⁴	10.5%	10.0%	10.7%	12.8%	12.0%	12.8%	11.5%	11.0%

¹ Disclosure of long-term growth rates and discount rates is required. Other key assumptions are required to be disclosed and quantified where a reasonably possible change in the key assumption would remove any remaining headroom in the impairment calculation. Otherwise the additional disclosures are encouraged but not required.

² Budgeted gross margin.

³ Weighted average growth rate used to extrapolate cash flows beyond the budget period.

⁴ Pre-tax discount rate applied to the cash flow projections.

36p134(d)(i) The key assumptions used for value-in-use calculations in 2008 are as follows¹:

		Wholesale					Retail			
		HK	US	Europe	Russia	China	All Other Segments	HK	US	
36p134(d)	Gross margin ²	62.5%	61.0%	62.0%	58.5%	59.0%	58.0%	60.0%	58.0%	
36p134 (d)(iv)	Growth rate ³	2.0%	2.0%	2.0%	2.5%	2.5%	2.3%	1.3%	1.5%	
36p134 (d)(v) 36p130(g)	Discount rate ⁴	10.0%	9.5%	10.1%	11.5%	11.0%	11.0%	11.0%	10.4%	

36p134(d)(ii) These assumptions have been used for the analysis of each CGU within the operating segment. The adoption of IFRS/HKFRS 8 has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated by management to groups of cash-generating units on a segment level, the change in reportable segments has required a reallocation of goodwill of HK\$146,000 and HK\$4.75 million from the 'other countries' operating segment to the newly identified operating segments, China and Russia respectively. The reallocation has not resulted in any additional impairment of goodwill for 2008. Comparatives for 2008 have been restated.

36p134(d)(ii) Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

36p130(a) The impairment charge arose in a wholesale CGU in Step-land (included in the Russian operating segment) following a decision in early 2009 to reduce the manufacturing output allocated to these operations (note 25). This was a result of a redefinition of the group's allocation of manufacturing volumes across all CGUs in order to benefit from advantageous market conditions. Following this decision, the group reassessed the depreciation policies of its property, plant and equipment in this country and estimated that their useful lives would not be affected. No other class of asset than goodwill was impaired. The pre-tax discount rate used in the previous years for the wholesale CGU in Step-land was 12.0%.

8a Investments in and loans to subsidiaries – Company

10Sch18 (a) Investments in subsidiaries

		Company	
		2009	2008
		HK\$'000	HK\$'000
10Sch9(1)(a) 27p42(c)	Investments, at cost:		
	Shares listed overseas	37,650	37,650
	Unlisted shares	29,350	28,660
		67,000	66,310
10Sch12(11)	Market value of listed shares	148,000	126,000

¹ Disclosure of long-term growth rates and discount rates is required. Other key assumptions are required to be disclosed and quantified where a reasonably possible change in the key assumption would remove any remaining headroom in the impairment calculation. Otherwise the additional disclosures are encouraged but not required.

² Budgeted gross margin.

³ Weighted average growth rate used to extrapolate cash flows beyond the budget period.

⁴ Pre-tax discount rate applied to the cash flow projections.

S12891)-(2)
 S128(4)-(5) A9,
 GEM18.10
 27p42

The following is a list of the principal subsidiaries at 31 December 2009:

Name	Place of incorporation and kind of legal entity ¹	Principal activities and place of operation ²	Particulars of issued share capital and debt securities ³	Interest held
Black Limited	Hong Kong, Limited liability company	Investment holding and shoes manufacturing in Hong Kong	10,000 Ordinary shares of 1 HK dollar each	*100%
Blue Limited	Hong Kong, limited liability company	Shoes manufacturing in Hong Kong and Mainland China	2,000,000 Ordinary shares of 1 HK dollar each. 2,000 Preference shares of 10 HK dollars each.	100% 100%
Red Limited	U.S.A., limited liability company	Shoes wholesale and retailing in Canada and the United States	2,000,000 Ordinary shares of 1 US dollar each Debenture of US\$500,000 repayable from 1 st January 2008 to 31 st December 2010.	60%
ABC Group	U.S.A., limited liability company	Shoes wholesale and retailing in the united Kingdom	10,000 Ordinary shares of 1 UK pound each.	70%
Pink Limited	United Kingdom, limited liability company	Shoes wholesale and retailing in the United Kingdom	10,000 Ordinary shares of 1 UK pound each.	100%
Orange Limited	Japan, limited liability company	Shoes wholesales and retailing in Mainland China, Japan and Singapore	1,000,000 ordinary shares of 10,000 Renminbi each	100%

S128(2)(c) * Shares held directly by the company

A9(1),
 GEM18.10(1)

¹ For a MB listed parent Company the kind of legal entity information is required only for its subsidiaries established in the PRC. For a GEM listed parent Company, the kind of legal entity information and nature of business is required to be shown for each subsidiary.

² Unlisted companies need not disclose the place of operation of subsidiaries.

³ Unlisted companies need not disclose the particulars of subsidiaries' debt securities and classes of issued share capital not held by them.

10Sch18(3) Other disclosures

Where the Company's shares (or debentures) are held by its subsidiaries other than as security for an ordinary business transaction, notes along the following lines should be disclosed:-

"At 31 December 2009, the Company's subsidiaries held directly or indirectly x fully paid 10% preference shares of the Company of HK\$x each".

PN600.1(17)

Where subsidiaries are not audited by the principal auditor, that fact is recommended to be disclosed by notes along the following lines, with an asterisk marked against the appropriate subsidiary:-

"Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately x% of the Group's total assets/turnover/profits."

27p40(e)

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

1Rp77, 10Sch18(2) (b) Loans to subsidiaries¹

IFRS7p27(a), IFRS7p31, 10Sch9(4) The loans to subsidiaries are unsecured, interest free, denominated in HK\$ and repayable on [date]. The fair values of loans to subsidiaries are HK\$91.2 million (2008:HK\$25.4 million), which are based on cash flows discounted using a rate based on the borrowing rate of 6% (2008:5.8%). The discounted rate equals to HIBOR plus appropriate credit rating.

8b Investments in associates - Group

	2009 HK'000	2008 HK\$'000
At 1 January	13,244	13,008
Acquisition of subsidiary (note 39)	389	–
28p38 Share of (loss)/profit ²	(174)	145
A4(1)(m), GEM18.50B(1)(n) Exchange differences (note 20)	(74)	105
Other equity movements: available-for-sale reserve (note 20)	(12)	(14)
At 31 December	13,373	13,244

IFRS3p29, 28p23 Investments in associates at 31 December 2009 include goodwill of HK\$1,020,000 (2008: HK\$1,020,000).

28p37(b) The group's share of the results of its principal associates, all of which are unlisted, and its aggregated assets (including goodwill) and liabilities, are as follows³:

S129(1), (3) to (5)		Country of incorporation	Assets	Liabilities	Revenues	Profit/(Loss)	% interest held
Name							
2008							
Alfa Limited	Cyprus	27,345	20,295	35,012	155	25	
Beta SA	Greece	9,573	3,379	10,001	(10)	30	
		36,918	23,674	45,013	145		
2009							
Alfa Limited	Cyprus	32,381	25,174	31,123	200	25	
Beta SA	Greece	12,115	5,949	9,001	15	30	
Delta Limited	UK	15,278	15,278	25,741	(389)	42	
		59,774	46,401	65,865	(174)		

28p37(g) The group has not recognised losses amounting to HK\$20,000 (2008: nil) for Delta Limited. The accumulated losses not recognised were HK\$20,000 (2008: nil).

¹ Credit risk disclosures should be included, where appropriate (IFRS/HKFRS7p36, 37)

² Share of profit/(loss) is after tax and minority interest in associates (IAS/HKAS IR.IG6)

³ An alternative method of presentation is to give the gross amounts of assets and liabilities (excluding goodwill) of associates and not of the group's share.

9a Financial instruments by category – Group and Company

(a) Group

IFRS7p6	Loans and receivables HK\$'000	Assets at fair value through the profit and loss HK\$'000	Derivatives used for hedging HK\$'000	Available- for-sale HK\$'000	Total HK\$'000
31 December 2009					
Assets as per balance sheet					
Available-for-sale financial assets	–	–	–	19,370	19,370
Derivative financial instruments	–	361	1,103	–	1,464
Trade and other receivables excluding prepayments ¹	20,787	–	–	–	20,787
Financial assets at fair value through profit or loss	–	11,820	–	–	11,820
Cash and cash equivalents	17,928	–	–	–	17,928
Total	38,715	12,181	1,103	19,370	71,369
Liabilities as per balance sheet					
Borrowings (excluding finance lease liabilities) ²	–	–	–	117,839	117,839
Finance lease liabilities ²	–	–	–	8,998	8,998
Derivative financial instruments	–	268	327	–	595
Trade and other payables excluding statutory liabilities ³	–	–	–	15,668	15,668
Total	–	268	327	142,505	143,100

¹ Prepayments are excluded from the trade and other receivables balance as this analysis is required only for financial instruments.

² The categories in this disclosure are determined by IAS/HKAS 39. Finance leases are mostly outside the scope of IAS/HKAS 39, but they remain within the scope of IFRS/HKFRS 7. Therefore finance leases have been shown separately.

³ Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments.

	Loans and receivables HK\$'000	Assets at fair value through the profit and loss HK\$'000	Derivatives used for hedging HK\$'000	Available- for-sale HK\$'000	Total HK\$'000
31 December 2008					
Assets as per balance sheet					
Available-for-sale financial assets	-	-	-	14,910	14,910
Derivative financial instruments	-	321	875	-	1,196
Trade and other receivables excluding prepayments ¹	18,536	-	-	-	18,536
Financial assets at fair value through profit or loss	-	7,972	-	-	7,972
Cash and cash equivalents	34,062	-	-	-	34,062
Total	52,598	8,293	875	14,910	76,676

	Liabilities at fair value through the profit and loss HK\$'000	Derivatives used for hedging HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities) ²	-	-	104,006	104,006
Finance lease liabilities ²	-	-	10,598	10,598
Derivative financial instruments	298	449	-	747
Trade and other payables excluding statutory liabilities ³	-	-	11,518	11,518
Total	298	449	126,122	126,869

(b) Company

	Loans and receivables	
	2009 HK\$'000	2008 HK\$'000
Assets as per balance sheet		
Loans to subsidiaries	90,000	25,000
Cash and cash equivalents	5,039	7,230
Total	95,039	32,230

¹ Prepayments are excluded from the trade and other receivables balance as this analysis is required only for financial instruments.

² The categories in this disclosure are determined by IAS/HKAS 39. Finance leases are mostly outside the scope of IAS/HKAS 39, but they remain within the scope of IFRS/HKFRS 7. Therefore finance leases have been shown separately.

³ Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments.

	Financial liabilities at amortised cost	
	2009 HK\$'000	2008 HK\$'000
Liabilities as per balance sheet		
Borrowings	72,822	30,000
	72,822	30,000

9b Credit quality of financial assets- Group and Company

IFRS7p36(c) The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group			
	2009 HK\$'000	2008 HK\$'000		
Trade receivables				
Counterparties with external credit rating (Moody's)				
A	5,895	5,757		
BB	3,200	3,980		
BBB	1,500	1,830		
	10,595	11,567		
Counterparties without external credit rating				
Group 1	750	555		
Group 2	4,950	3,668		
Group 3	1,770	1,312		
	7,470	5,535		
Total unimpaired trade receivables	18,065	17,102		
Cash at bank and short-term bank deposits¹				
	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
AAA	8,790	15,890	3,711	4,981
AA	5,300	7,840	1,026	2,004
A	6,789	11,257	-	-
	20,879	34,987	4,737	6,985

¹ The rest of the balance sheet item 'cash and cash equivalents' is cash on hand.

		Group	
		2009	2008
		HK\$'000	HK\$'000
DV	Available-for-sale debt securities		
	AA	347	264
		347	264
DV	Derivative financial assets		
	AAA	1,046	826
	AA	418	370
		1,464	1,196
	Loans to related parties		
	Group 2	2,501	1,301
	Group 3	167	87
		2,668	1,388

- Group 1 – new customers/related parties (less than 6 months).
- Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.
- Group 3 – existing customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

IFRS7p36(d) None of the financial assets that are fully performing has been renegotiated in the last year. None of the loans to related parties is past due but not impaired.

10 Available-for-sale financial assets¹ - Group

		2009	2008
		HK\$'000	HK\$'000
	At 1 January	14,910	14,096
	Exchange differences	646	(435)
	Acquisition of subsidiary (note 39)	473	-
	Additions	4,037	1,126
	Disposals	(1,256)	-
	Net gains/(losses) transfer from equity (note 20)	(130)	(152)
1Rp79(b)	Net gains/(losses) transfer to equity (note 20)	690	275
	At 31 December	19,370	14,910
1Rp66	Less: non-current portion	(17,420)	(14,910)
1Rp66	Current portion	1,950	-

IFRS7p20(a)(ii) The group removed profits of HK\$217,000 (2008: HK\$187,000) and losses HK\$87,000 (2008: HK\$35,000) from equity into the income statement. Losses in the amount of HK\$55,000 (2008: HK\$20,000) were due to impairments.

IFRS7p27(b),31, Available-for-sale financial assets include the following:

¹ It is presumed that where an investor holds less than 20% of the voting power of an entity, either directly or indirectly, it does not have significant influence over that entity. However, despite the investor's interest in an entity's voting shares, this presumption can be rebutted where an investor can demonstrate that it has significant influence, e.g. with representation on the board of directors or equivalent governing body of the investee.

34, 10Sch9(1)(a)

	2009 HK\$'000	2008 HK\$'000
Listed securities:		
10Sch9(3) – Equity securities – UK	8,335	8,300
– Equity securities – Europe	5,850	2,086
– Equity securities – US	4,550	4,260
– Debentures with fixed interest of 6.5% and maturity date of 27 August 2012	210	–
– Non-cumulative 9.0% non-redeemable preference shares	78	–
Unlisted securities:		
– Debt securities with fixed interest ranging from 6.3% to 6.5% and maturity dates between July 2011 and May 2013	347	264
	19,370	14,910

10Sch12(II)	Market value of listed securities	19,023	14,646
-------------	--	---------------	---------------

IFRS7p34(c) Available-for-sale financial assets are denominated in the following currencies:

	2009 HK\$'000	2008 HK\$'000
UK pound	7,897	8,121
Euros	5,850	2,086
US dollar	4,550	4,260
Other currencies	1,073	443
	19,370	14,910

IFRS7p27(a), (b), 1Rp79(b) The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities (2009: 6%; 2008: 5.8%).

IFRS7p36(a) The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale.

IFRS7p36(c) None of these financial assets is either past due or impaired.

10Sch19(1) Available-for-sale financial assets of aggregated carrying amount of HK\$200,000 are in shares of fellow subsidiaries.

10Sch12(4) Listed securities of aggregate carrying amount of HK\$1.2 million have been pledged to a bank to secure loan and overdraft facilities for XX Limited, a fellow subsidiary.

At 31 December 2009, the carrying amounts of interests in each of the following companies (if any) exceed 10% of total assets of the company and the group.

S129(2)	Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
	xx	xx	xx	xx	xx

11 Derivative financial instruments – Group

		2009		2008	
		Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
IFRS7p22(a)(b)	Interest rate swaps – cash flow hedges	351	110	220	121
IFRS7p22(a)(b)	Interest rate swaps – fair value hedges	57	37	49	11
IFRS7p22(a)(b)	Forward foreign exchange contracts – cash flow hedges	695	180	606	317
	Forward foreign exchange contracts – held-for-trading	361	268	321	298
	Total	1,464	595	1,196	747
1Rp66	Less non-current portion:				
	Interest rate swaps – cash flow hedges	345	100	200	120
	Interest rate swaps – fair value hedges	50	35	45	9
		395	135	245	129
1Rp66	Current portion	1,069	460	951	618

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

IFRS7p24 The ineffective portion recognised in the profit or loss that arises from fair value hedges amounts to a loss of HK\$1,000 (2008: loss of HK\$1,000) (note 26). The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to a gain of HK\$17,000 (2008: a gain of HK\$14,000) (note 26). There was no ineffectiveness to be recorded from net investment in foreign entity hedges.

(a) Forward foreign exchange contracts

IFRS7p31 The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2009 were HK\$92,370,000 (2008: HK\$89,689,000).

IFRS7p23(a)
39p100, 1Rp79(b) The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity (note 20) on forward foreign exchange contracts as of 31 December 2009 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months from the end of the reporting period unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets, in which case recognition is over the lifetime of the asset (five to ten years).

(b) Interest rate swaps

IFRS7p31 The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2009 were HK\$4,314,000 (2008: HK\$3,839,000).

IFRS7p23(a) At 31 December 2009, the fixed interest rates vary from 6.9% to 7.4% (2008: 6.7% to 7.2%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity (note 20) on interest rate swap contracts as of 31 December 2009 will be continuously released to the income statement until the repayment of the bank borrowings (note 22).

(c) Hedge of net investment in foreign entity

IFRS7p22,
1Rp79(b) A proportion of the group's US dollar-denominated borrowing amounting to HK\$321,000 (2008: HK\$321,000) is designated as a hedge of the net investment in the group's US subsidiary. The fair value of the borrowing at 31 December 2009 was HK\$370,000 (2008: HK\$279,000). The foreign exchange loss of HK\$45,000 (2008: gain of HK\$40,000) on translation of the borrowing to currency at the end of the reporting period is recognised in other reserves, in shareholders' equity (note 20).

IFRS7p36(a) The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

12 Trade and other receivables – Group

	2009 HK\$'000	2008 HK\$'000	
IFRS7p36, 1Rp77 10Sch6	Trade receivables	18,174	17,172
	Less: provision for impairment of trade receivables	(109)	(70)
1Rp78(b)	Trade receivables – net	18,065	17,102
1Rp78(b)	Prepayments	1,300	1,146
1Rp78(b), 24p17(b)	Receivables from related parties (note 40)	54	46
1Rp78(b), 24p17(b)	Loans to related parties (note 40)	2,668	1,388
		22,087	19,682
1Rp78(b), 1Rp66	Less non-current portion: loans to related parties	(2,322)	(1,352)
1Rp66	Current portion	19,765	18,330

All non-current receivables are due within five years from the end of the reporting period.

IFRS7p25 The fair values of trade and other receivables are as follows:

	2009 HK\$'000	Group 2008 HK\$'000	
	Trade receivables	18,065	17,172
	Receivables from related parties	54	46
	Loans to related parties	2,722	1,398
		20,841	18,616

IFRS7p27(a) The fair values of loans to related parties are based on cash flows discounted using a rate based on the borrowings rate of 7.5% (2008: 7.2%). The discount rate equals to LIBOR plus appropriate credit rating.

24p17(b)(i) The effective interest rates on non-current receivables were as follows:

	2009 HK\$'000	2008 HK\$'000	
	Loans to related parties	6.5-7.0%	6.5-7.0%

IFRS7p14,
10Sch12(4) Certain European subsidiaries of the group transferred receivable balances amounting to HK\$1,014,000 to a bank in exchange for cash during the year ended 31 December 2009. The transaction has been accounted for as a collateralised borrowing (note 22). In case the entities default under the loan agreement, the bank has the right to receive the cash flows from the receivables transferred. Without default, the entities will collect the receivables and allocate new receivables as collateral.

GEM18.50B
 (2)(b)(ii)
 A4(2)(b)(ii)

The majority of the group's sales are on letter of credit or documents against payment. The remaining amounts are with credit terms of 60 days and which are mostly covered by customers' standby letters of credit or bank guarantees. At 31 December 2009 and 2008, the ageing analysis¹ of the trade receivables based on invoice date were as follows:

	2009	2008
	HK\$'000	HK\$'000
Up to 3 months	17,881	16,997
3 to 6 months	297	187
Over 6 months	50	34
	<hr/>	<hr/>
	18,228	17,218
	<hr/>	<hr/>

DV As of 31 December 2009, trade receivables of HK\$17,670,000 (2008:HK\$16,595,000) were fully performing.

IFRS7 p37(a) As of 31 December 2009, trade receivables of HK\$277,000 (2008:HK\$207,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009	2009
	HK\$'000	HK\$'000
Up to 3 months	177	108
3 to 6 months	100	99
	<hr/>	<hr/>
	277	207
	<hr/>	<hr/>

IFRS7 p37(b) As of 31 December 2009, trade receivables of HK\$227,000 (2008:HK\$142,000) were impaired and provided for. The amount of the provision was HK\$109,000 as of 31 December 2009 (2008:HK\$70,000). The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2009	2008
	HK\$'000	HK\$'000
3 to 6 months	177	108
Over 6 months	50	34
	<hr/>	<hr/>
	227	142
	<hr/>	<hr/>

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2009	2008
	HK\$'000	HK\$'000
UK pound	9,846	8,669
Euros	5,987	6,365
US dollar	6,098	4,500
Other currencies	156	148
	<hr/>	<hr/>
	22,087	19,682
	<hr/>	<hr/>

¹ The disclosure requirement of the Listing Rules for ageing analysis of trade debtors should include the amounts due by related companies which are trading in nature. Moreover, it is recommended that the ageing analysis should be presented on the basis of the date of the relevant invoice and categorised into time-bands that are appropriate for the business (e.g. where the credit period is 30 days from the date of invoice, the ageing analysis could be categorised into 30 days, 60 days, 90 days, 120 days, etc.)

IFRS7p16 Movements on the group provision for impairment of trade receivables are as follows:

	2009 HK\$'000	2008 HK\$'000
At 1 January	70	38
IFRS7p20(e) Provision for receivables impairment	74	61
Receivables written off during the year as uncollectible	(28)	(23)
Unused amounts reversed	(10)	(8)
Unwind of discount	3	2
At 31 December	109	70

The creation and release of provision for impaired receivables have been included in 'other expenses' in the income statement (note 29). Unwind of discount is included in 'finance costs' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

IFRS7p16 The other classes within trade and other receivables do not contain impaired assets.

IFRS7p36(a) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

13 Inventories – Group

	2009 HK\$'000	2008 HK\$'000
2p36(b), 1Rp78(c) Raw materials	7,622	7,612
Work in progress	1,810	1,796
Finished goods ¹	15,268	8,774
	24,700	18,182

2p36(d), 38 The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK\$60,252,000 (2008: HK\$29,545,000).

2p36 (f)(g)
36p126(b)
36p130(a) The group reversed HK\$603,000 of a previous inventory write-down in July 2009. The group has sold all the goods that were written down to an independent retailer in Australia at original cost. The amount reversed has been included in 'cost of sales' in the income statement.

14 Financial assets at fair value through profit or loss - Group

	2009 HK\$'000	2008 HK\$'000
IFRS7p8(a), 27(b), 31, 34(c) 10Sch9(1)(a) 10Sch9(3) Listed securities – held-for-trading		
– Equity securities – UK	5,850	3,560
– Equity securities – Europe	4,250	3,540
– Equity securities – US	1,720	872
10Sch12(11) Market value of listed securities	11,820	7,972

¹ Separate disclosure of finished goods at fair value less cost to sell is required, where applicable.

7p15 Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows (note 36).

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other (losses)/gains – net' in the income statement (note 26).

IFRS7p27(b) The fair value of all equity securities is based on their current bid prices in an active market.

15 Cash and cash equivalents – Group and Company

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash at bank and on hand	8,398	28,648	5,039	7,230
Short-term bank deposits	9,530	5,414	–	–
	17,928	34,062	5,039	7,230

7p45 Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash and cash equivalents	17,928	34,062	5,039	7,230
7p8 Bank overdrafts (note 22)	(2,650)	(6,464)	–	–
	15,278	27,598	5,039	7,230

16 Assets of disposal group classified as held-for-sale and discontinued operations – Group

IFRS5p41
 (a)(b)(d) The assets and liabilities related to Company Shoes Limited (part of the wholesale segment) have been presented as held for sale following the approval of the group's management and shareholders on 23 September 2009 to sell Company Shoes Limited in the UK. The completion date for the transaction is expected by May 2010.

Group	2009	2008
	HK\$'000	HK\$'000
IFRS5p33(c) Operating cash flows ¹	300	190
IFRS5p33(c) Investing cash flows ¹	(103)	(20)
IFRS5p33(c) Financing cash flows ¹	(295)	(66)
Total cash flows	(98)	104

IFRS5p38 (a) Assets of disposal group classified as held for sale

¹ Under this approach, the entity presents the statement of cash flows as if no discontinued operation has occurred and makes the required IFRS/HKFRS 5 para 33 disclosures in the notes. It would also be acceptable to present the three categories separately on the face of the statement of cash flows and present the line-by-line breakdown of the categories, either in the notes or on the face of the statement of cash flows. It would not be acceptable to present all cash flows from discontinued operations in one line either as investing or operating activity.

	2009 HK\$'000	2008 HK\$'000
Property, plant and equipment	1,563	–
Intangible assets	1,100	–
Inventory	442	–
Other current assets	228	–
Total	3,333	–

IFRS5p38 (b) *Liabilities of disposal group classified as held for sale*

	2009 HK\$'000	2008 HK\$'000
Trade and other payables	104	–
Other current liabilities	20	–
Provisions	96	–
Total	220	–

IFRS5p38 (c) *Cumulative income or expense recognised directly in equity relating to disposal group classified as held for sale*

	2009 HK\$'000	2008 HK\$'000
Foreign exchange translation adjustments ¹	–	–
Total	–	–

IFRS5p33 (b) Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group, is as follows²:

	2009 HK\$'000	2008 HK\$'000
Revenue	1,200	1,150
Expenses	(960)	(950)
Profit before tax of discontinued operations	240	200
Tax	(96)	(80)
Profit after tax of discontinued operations	144	120
Pre-tax gain/(loss) recognised on the re-measurement of assets of disposal group	(73)	–
Tax	29	–
After tax gain/(loss) recognised on the re-measurement of assets of disposal group	(44)	–
Profit for the year from discontinued operations	100	120

17 Share capital and premium – Group and Company

¹ IFRS/HKFRS 5 requires the separate presentation of any cumulative income or expense recognised directly in equity relating to a non-current asset (or disposal group) classified as held for sale. There are no items recognised directly in equity relating to the disposal group classified as held-for-sale, but the line items are shown for illustrative purposes.

² These disclosures can also be given on the face of the primary financial statements.

1Rp79, 10Sch2-3,
 A2(4)&(5),
 GEM18.07(4)&(5)

	Number of shares (thousands)	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2008	20,000	20,000	10,424	30,424
Employee share option scheme:				
1Rp106,(d)(iii) – Proceeds from shares issued	1,000	1,000	70	1,070
At 31 December 2008	21,000	21,000	10,494	31,494
Employee share option scheme:				
1Rp106,(d)(iii) – Proceeds from shares issued	750	750	200	950
IFRS3p67(d)(ii) Acquisition of subsidiary (note 39)	3,550	3,550	6,450	10,000
1Rp79(a) At 31 December 2009	25,300	25,300	17,144	42,444

1Rp79(a) The total authorised number of ordinary shares is 50 million shares (2008: 50 million shares) with a par value of HK\$1 per share (2008: HK\$1 per share). All issued shares are fully paid.

1Rp79(a),
 A10(4), GEM18.14 The company acquired 875,000 of its own shares through purchases on the Hong Kong Stock Exchange on 18 April 2009. The total amount paid to acquire the shares was HK\$2,564,000 and has been deducted from retained earnings¹ within shareholders' equity (note 18). The shares are held as 'treasury shares'. The company has the right to re-issue² these shares at a later date. All shares issued by the company were fully paid.

The group issued 3,550,000 shares on 1 March 2009 (14.0% of the total ordinary share capital issued) to the shareholders of ABC group as part of the purchase consideration for 70% of its ordinary share capital. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to HK\$10.05 million (HK\$2.83 per share). The related transaction costs amounting to HK\$50,000 have been netted off with the deemed proceeds.

10p21 The company reissued 500,000 treasury shares for a total consideration of HK\$1,500,000 on 15 January 2009.

18 Share-based payment – Group and Company

IFRS2p45(a),
 10Sch12(2),
 A10(1)&(2),
 GEM18.11&18.12

Share options are granted to directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares less 15% on the date of the grant. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the group achieving its target growth in earnings per share over the period of inflation plus 4%; the options have a contractual option term of five years. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

		2009		2008	
		Average exercise price in HK\$ per share	Options (thousands)	Average exercise price in HK\$ per share	Options (thousands)
IFRS2p45 (b)(i)	At 1 January	1.73	4,744	1.29	4,150
IFRS2p45 (b)(ii)	Granted	2.95	964	2.38	1,827
IFRS2p45 (b)(iii)	Forfeited	–	–	2.00	(200)
IFRS2p45 (b)(iv)	Exercised	1.28	(750)	1.08	(1,000)
IFRS2p2 (b)(v)	Expired	2.30	(125)	0.80	(33)
IFRS2p2 (b)(vi)	At 31 December	2.03	4,833	1.73	4,744

IFRS2p45 (b)(vii),
 IFRS2p45(c) Out of the 4,833 thousand outstanding options (2008: 4,744 thousand options), 400 thousand options (2008: 600 thousand) were exercisable. Options exercised in 2009 resulted in 750 thousand shares

¹ The accounting treatment of treasury shares should be recorded in accordance with local company law and practice. Treasury shares may be disclosed separately on the balance sheet or deducted from retained earnings or a specific reserve.

² Depending on the company law, the company could have the right to resell the treasury shares.

(2008: 1,000 thousand shares) being issued at a weighted average price of HK\$1.28 each (2008: HK\$1.08 each). The related weighted average share price at the time of exercise was HK\$2.85 (2008: HK\$2.65) per share. The related transaction costs amounting to HK\$10,000 (2008: HK\$10,000) have been netted off with the proceeds received.

IFRS2p45(d) Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date – 1 July	Exercise price in HK\$ per share	Options (thousands)	
		2009	2008
2009	1.10	–	500
2010	1.20	675	900
2011	1.35	1,200	1,250
2012	2.00	217	267
2013	2.38	1,777	1,827
2014	2.95	964	–
		4,833	4,744

IFRS2p46 The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was HK\$0.86 per option (2008: HK\$0.66). The significant inputs into the model were weighted average share price of HK\$3.47 (2008: HK\$2.8) at the grant date, exercise price shown above, volatility of 30% (2008: 27%), dividend yield of 4.3% (2008: 3.5%), an expected option life of three years, and an annual risk-free interest rate of 5% (2008: 4%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 30 for the total expense recognised in the income statement for share options granted to directors and employees.

33p71(c)
10p21, 22(f) On 1 January 2010, 1,200 thousand share options were granted to directors and employees with an exercise price set at the market share prices less 15% on that date of HK\$3.2 per share (share price: HK\$3.68) (expiry date: 31 December 2014).

19 Retained earnings – Group and Company

A2(4)&(5),
GEM18.07(4)&(5)

		Group HK\$'000	Company HK\$'000
1Rp106(d)	At 1 January 2008	48,470	41,934
	Profit for the year	15,512	10,026
1Rp106(d)	Dividends paid relating to 2007	(15,736)	(15,736)
IFRS2p50	Value of employee services ¹	822	822
16p41	Depreciation transfer on land and buildings net of tax	87	–
12p68C	Tax credit relating to share option scheme	20	–
19p93A	Actuarial loss on post employment benefit obligations net of tax	(494)	–
	At 31 December 2008	48,681	37,046
1Rp106(d)	At 1 January 2009	48,681	37,046
	Profit for the year	29,767	11,571
1Rp106(d)	Dividends relating to 2008	(10,102)	(10,102)
IFRS2p50	Value of employee services ¹	690	690
16p41	Depreciation transfer on land and buildings net of tax	100	–
12p68C	Tax credit relating to share option scheme	30	–
1p97(a)	Purchase of treasury shares ²	(2,564)	–
19p93A	Actuarial loss on post employment benefit obligations net of tax	–	–
12p80(d)	Impact of change in [country name] tax rate on deferred tax ³	(10)	–
	At 31 December 2009	66,592	39,205

¹ The credit entry to equity in respect of the IFRS/HKFRS 2 charge should be recorded in accordance with local company law and practice. This may be a specific reserve, retained earnings or share capital.

² The accounting treatment of treasury shares should be recorded in accordance with local company law and practice. Treasury shares may be disclosed separately on the balance sheet or deducted from retained earnings or a specific reserve.

³ Solely for illustrative purposes, a change in tax rates has been assumed to have taken place in 2009.

20 Other reserves – Group and Company

S48B, 10Sch4(1),
 10Sch6-7,
 10Sch13(1)(e),
 A2(4)&(5),
 GEM18.07(4)&(5),
 GEM18.50B(1)(l)

	(a) Group	Convertible bond HK\$'000	Buildings revaluation ¹ HK\$'000	Hedging reserve HK\$'000	Available- for-sale Investments HK\$'000	Translation HK\$'000	Asset revaluation surplus HK\$'000	Total HK\$'000
	At 1 January 2008	-	1,152	65	1,320	3,827	-	6,364
16p39, IFRS7p20(a)(ii)	Revaluation – gross (notes 6a and 10)	-	1,133	-	275	-	-	1,408
	Revaluation transfer – gross (note 10)	-	-	-	(152)	-	-	(152)
12p61, 81(a)	Revaluation – tax (note 32)	-	(374)	-	(61)	-	-	(435)
28p39	Revaluation – associates (note 8b)	-	-	-	(14)	-	-	(14)
16p41	Depreciation transfer – gross	-	(130)	-	-	-	-	(130)
16p41	Depreciation transfer – tax	-	43	-	-	-	-	43
1Rp82(g)	Cash flow hedges:							
IFRS7p23(c)	– Fair value gains	-	-	300	-	-	-	300
12p61, 81(a)	– Tax on fair value gains (note 32)	-	-	(101)	-	-	-	(101)
IFRS7p23(d)	– Transfers to sales	-	-	(236)	-	-	-	(236)
12p61, 81(a)	– Tax on transfers to sales (note 32)	-	-	79	-	-	-	79
IFRS7p23(e)	– Transfers to inventory	-	-	(67)	-	-	-	(67)
12p61, 81(a)	– Tax on transfers to inventory (note 32)	-	-	22	-	-	-	22
39p102(a)	Net investment hedge (note 11)	-	-	-	-	40	-	40
1Rp106(d)	Currency translation differences:							
21p52(b)	– Group	-	(50)	-	-	(171)	-	(221)
28p39	– Associates	-	-	-	-	105	-	105
	At 31 December 2008	-	1,774	62	1,368	3,801	-	7,005

¹ An entity should disclose in its financial statements whether there are any restrictions on the distribution of the 'buildings' fair value reserve to the equity holders of the company (IAS/HKAS16p77(f)).

S48B, 10Sch4(1),
 10Sch6-7,
 10Sch13(1)(e),
 A2(4)&(5),
 GEM18.07(4)&(5),
 GEM18.50B(1)(l)

	Convertible bond	Buildings revaluation ¹	Hedging reserve	Available- for-sale Investments	Translation	Asset revaluation surplus	Total	
(a) Group	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	At 31 December 2008	-	1,774	62	1,368	3,801	-	7,005
16p39, IFRS7p20(a)(ii)	Revaluation – gross (note 10)	-	-	-	690	-	-	690
	Revaluation transfer – gross (note 10)	-	-	-	(130)	-	-	(130)
12p61, 81(a) 28p39	Revaluation – tax (note 32)	-	-	-	(198)	-	-	(198)
16p41	Revaluation – associates (note 8b)	-	-	-	(12)	-	-	(12)
16p41	Depreciation transfer – gross	-	(149)	-	-	-	-	(149)
16p41	Depreciation transfer – tax	-	49	-	-	-	-	49
1R82(g) IFRS7p23(c)	Cash flow hedges: – Fair value gains	-	-	368	-	-	-	368
12p61, 81(a)	– Tax on fair value gains (note 32)	-	-	(123)	-	-	-	(123)
IFRS7p23(d) 12p61, 81(a)	– Transfers to sales	-	-	(120)	-	-	-	(120)
	– Tax on transfers to sales (note 32)	-	-	40	-	-	-	40
IFRS7p23(e) 12p61, 81(a)	– Transfers to inventory	-	-	(151)	-	-	-	(151)
	– Tax on transfers to inventory (note 32)	-	-	50	-	-	-	50
39p102(a)	Net investment hedge (note 11)	-	-	-	-	(45)	-	(45)
1Rp106(d), 21p52(b) 28p39	Currency translation differences: – Group	-	15	-	-	2,051	-	2,066
	– Associates	-	-	-	-	(74)	-	(74)
12p61, 81(a)	Convertible bond – equity component (note 22b)	7,761	-	-	-	-	-	7,761
	Tax on equity component on convertible bond ² (note 32)	(2,328)	-	-	-	-	-	(2,328)
	Increase in fair values of proportionate holding of ABC Group (note 39)	-	-	-	-	-	850	850
	At 31 December 2009	5,433	1,689	126	1,718	5,733	850	15,549

(b) Company

	Convertible bonds HK\$'000
	Balance at 1 January and 31 December 2008
	Convertible bonds – equity component (Note 22)
12p81(a)	Tax on equity component (Note 32)
	Balance at 31 December 2009

21 Trade and other payables – Group

¹ An entity should disclose in its financial statements whether there are any restrictions on the distribution of the 'buildings' fair value reserve to the equity holders of the company (IAS/HKAS16p77(f)).

² It is assumed that the tax base on the convertible bond is not split between the debt and equity elements. If the tax base were split, this would impact the deferred tax position.

		Group	
		2009	2008
		HK\$'000	HK\$'000
1Rp77	Trade payables	10,983	9,495
24p17	Amounts due to related parties (note 40)	2,202	1,195
	Social security and other taxes	2,002	960
	Accrued expenses	1,483	828
		16,670	12,478

A4(2)(c)(ii),
 GEM18.50B
 (2)(c)(ii) At 31 December 2009, the ageing analysis¹ of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were are follows:

	2009	2008
	HK\$'000	HK\$'000
[insert ageing, e.g.]		
0-30 days	11,000	9,604
31-60 days	1,120	1,080
61-90 days	1,065	6
	13,185	10,690

22 Borrowings – Group and Company

	2009	Group	2009	Company
	HK\$'000	2008	HK\$'000	2008
		HK\$'000		HK\$'000
Non-current				
Bank borrowings	32,193	40,244	–	–
Convertible bond	42,822	–	42,822	–
Debentures and other loans	3,300	18,092	–	–
Redeemable preference shares	30,000	30,000	30,000	30,000
Finance lease liabilities	6,806	8,010	–	–
	115,121	96,346	72,822	30,000
Current				
Bank overdrafts (note 15)	2,650	6,464	–	–
Collateralised borrowings (note 12)	1,014	–	–	–
Bank borrowings	3,368	4,598	–	–
Debentures and other loans	2,492	4,608	–	–
Finance lease liabilities	2,192	2,588	–	–
	11,716	18,258	–	–
Total borrowings	126,837	114,604	72,822	30,000

(a) Borrowings

¹ The disclosure requirement of the Listing rule for ageing analysis of trade payables should include the amounts due to related companies which are trading in nature. Moreover, it is recommended that the ageing analysis should be presented on the basis of the date of the relevant invoice and categorised into time-bands that are appropriate for the business (e.g. where the credit period is 30 days from the date of invoice, the ageing analysis could be categorised into 30 days, 60 days, 90 days, 120 days, etc.)

IFRS7p31,
 A22(1),
 GEM18.21,
 10Sch9(1)(d)

Bank borrowings mature until 2014 and bear average coupons of 7.5% annually (2008: 7.4% annually).

IFRS7p14

Total borrowings include secured liabilities (bank and collateralised borrowings) of HK\$37,680,000 (2008: HK\$51,306,000). Bank borrowings are secured by the land and buildings of the group (notes 6 and 6a). Collateralised borrowings are secured by trade receivables (note 12).

IFRS7p31

The exposure of the group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
6 months or less	10,496	16,748	-	-
6-12 months	36,713	29,100	-	-
1-5 years	47,722	38,555	42,822	-
Over 5 years	31,906	30,201	30,000	30,000
	126,837	114,604	72,822	30,000

IFRS7p25

The carrying amounts and fair value of the non-current borrowings are as follows:

	Group				Company			
	Carrying amount		Fair Value		Carrying amount		Fair Value	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Bank borrowings	32,193	40,244	32,590	39,960	-	-	-	-
Redeemable preference shares	30,000	30,000	28,450	28,850	30,000	30,000	28,450	28,850
Debentures and other loans	3,300	18,092	3,240	17,730	-	-	-	-
Convertible bond	42,822	-	42,752	-	42,822	-	42,752	-
Finance lease liabilities	6,806	8,010	6,205	7,990	-	-	-	-
	115,121	96,346	113,237	94,530	72,822	30,000	71,202	28,850

IFRS7p29(a)

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 7.5% (2008: 7.2%).

IFRS7p25

The carrying amounts of short-term borrowings approximate their fair value.

IFRS7p31,
34(c)

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

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
HK dollar	80,100	80,200	72,822	30,000
Euros	28,353	16,142	-	-
US dollar	17,998	17,898	-	-
Other currencies	386	364	-	-
	126,837	114,608	72,822	30,000

DV7p50(a)

The group has the following undrawn borrowing facilities:

	Group	2008
	2009 HK\$'000	HK\$'000
Floating rate:		
– Expiring within one year	6,150	4,100
– Expiring beyond one year	14,000	8,400
Fixed rate:		
– Expiring within one year	18,750	12,500
	38,900	25,000

The facilities expiring within one year are annual facilities subject to review at various dates during 2009. The other facilities have been arranged to help finance the proposed expansion of the group's activities in Europe.

(b) Convertible bond

IFRS7p17,
1Rp79(b),
10Sch9(4),
A10(1)&(2),
GEM18.11&
18.12

The company issued 500,000 5.0% convertible bonds at a par value of HK\$50 million on 2 January 2009. The bonds mature five years from the issue date at their nominal value of HK\$50 million or can be converted into shares at the holder's option at the maturity date at the rate of 33 shares per HK\$500. The values of the liability component and the equity conversion component were determined at issuance of the bond.

The bonds mature five years from the issue date at their nominal value of HK\$50 million or can be converted into shares at the holder's option at the rate of 33 shares per HK\$500.

32p28, 32p31,
1Rp79(b)

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves (note 20), net of income taxes.

The convertible bond recognised in the balance sheet is calculated as follows:

12AppxBEx4

	Group and Company	
	2009 HK\$'000	2008 HK\$'000
Face value of convertible bond issued on 2 January 2009	50,000	–
Equity component (note 20)	(7,761)	–
Liability component on initial recognition at 2 January 2009	42,239	–
Interest expense (note 31)	3,083	–
Interest paid	(2,500)	–
Liability component at 31 December 2009	42,822	–

IFRS7p27(a) The fair value of the liability component of the convertible bond at 31 December 2009 amounted to HK\$42,617,000. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 7.5%.

(c) Redeemable preference shares

32p15, 32p18(a) The company issued 30 million cumulative redeemable preference shares with a par value of HK\$1 per share on 4 January 2008. The shares are mandatorily redeemable at their par value on 4 January 2013, and pay dividends at 6.5% annually.

10p21 On 1 February 2010, the group issued HK\$6,777,000 6.5% HK dollar bonds to finance its expansion programme and working capital requirements in the US. The bonds are repayable on 31 December 2014.

(d) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2009	2008
	HK\$'000	HK\$'000
17p31(b) Gross finance lease liabilities – minimum lease payments		
No later than 1 year	2,749	3,203
Later than 1 year and no later than 5 years	6,292	7,160
Later than 5 years	2,063	2,891
	11,104	13,254
Future finance charges on finance leases	(2,106)	(2,656)
Present value of finance lease liabilities	8,998	10,598
17p31(b) The present value of finance lease liabilities is as follows:		
No later than 1 year	2,192	2,588
Later than 1 year and no later than 5 years	4,900	5,287
Later than 5 years	1,906	2,723
	8,998	10,598

23 Deferred income tax – Group and Company

The analysis of deferred tax assets and deferred tax liabilities is as follows:

		Group		Company	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets:					
1Rp61	– Deferred tax asset to be recovered after more than 12 months	(2,873)	(3,257)	-	-
	– Deferred tax asset to be recovered within 12 months	(647)	(64)	-	-
		(3,520)	(3,321)	-	-
Deferred tax liabilities:					
	– Deferred tax liability to be recovered after more than 12 months	10,743	8,016	2,135	-
	– Deferred tax liability to be recovered within 12 months	1,627	1,037	-	-
		12,370	9,053	2,135	-
Deferred tax liabilities (net)		8,850	5,732	2,135	-

The gross movement on the deferred income tax account is as follows:

		Group		Company	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	At 1 January	5,732	3,047	-	-
	Exchange differences	(1,753)	(154)	-	-
	Acquisition of subsidiary (note 39)	1,953	-	-	-
	Income statement charge (note 32)	379	2,635	(193)	-
	Tax charge/(credit) relating to components of other comprehensive income (note 32)	241	224	-	-
	Tax charged/(credited) directly to equity (note 20)	2,298	(20)	2,328	-
	At 31 December	8,850	5,732	2,135	-

12p81(g)(i)
 12p81(g)(ii)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax liabilities	Group				Total HK\$'000	Company Convertible bond HK\$'000
		Accelerated tax depreciation HK\$'000	Fair value gains HK\$'000	Convertible bond HK\$'000	Other HK\$'000		
	At 1 January 2008	6,058	272	-	284	6,614	-
12p81(g)(ii)	Charged/(credited) to the income statement	1,786	-	-	799	2,585	-
	Charged/(credited) to other comprehensive income	-	435	-	-	435	-
12p81(a)	Charged directly to equity	-	-	-	-	-	-
	Exchange differences	241	100	-	-	341	-
12p81(g)(i)	At 31 December 2008	8,085	807	-	1,083	9,975	-
12p81(g)(ii)	Charged/(credited) to the income statement	425	-	(193)	138	370	(193)
	Charged/(credited) to other comprehensive income	-	231	-	-	231	-
12p81(a)	Charged directly to equity	-	-	2,328	-	2,328	2,328
	Acquisition of subsidiary	553	1,375	-	275	2,203	-
	Exchange differences	(571)	(263)	-	(123)	(957)	-
12p81(g)(i)	At 31 December 2009	8,492	2,150	2,135	1,373	14,150	2,135

	Deferred tax assets	Group					Total HK\$'000
		Retirement benefit obligation HK\$'000	Provisions HK\$'000	Impairment losses HK\$'000	Tax losses HK\$'000	Other HK\$'000	
	At 1 January 2008	(428)	(962)	(732)	(1,072)	(373)	(3,567)
12p81(g)(ii)	Charged/(credited) to the income statement	-	181	-	-	(131)	50
	Charged/(credited) to other comprehensive income	(211)	-	-	-	-	(211)
12p81(a)	Charged/(credited) directly to equity	-	-	-	-	(20)	(20)
	Exchange differences	-	(35)	-	(460)	-	(495)
12p81(g)(i)	At 31 December 2008	(639)	(816)	(732)	(1,532)	(524)	(4,243)
	(Credited)/charged to the income statement	-	(538)	(322)	1,000	(131)	9
	Charged/(credited) to other comprehensive income	10	-	-	-	-	10
12p81(a)	Charged/(credited) directly to equity	-	-	-	-	(30)	(30)
	Acquisition of subsidiary (note 38)	(250)	-	-	-	-	(250)
	Exchange differences	-	(125)	(85)	(350)	(236)	(796)
12p81(g)(i)	At 31 December 2009	(879)	(1,479)	(1,139)	(882)	(921)	(5,300)

12p81(e) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of HK\$333,000 (2008: HK\$1,588,000) in respect of losses amounting to HK\$1,000,000 (2008: HK\$5,294,000) that can be carried forward against future taxable income. Losses amounting to HK\$900,000 (2008: HK\$5,294,000) and HK\$100,000 (2008: nil) expire in 2012 and 2013 respectively.

12p81(f) Deferred income tax liabilities of HK\$3,141,000 (2008: HK\$2,016,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled HK\$30,671,000 at 31 December 2009 (2008: HK\$23,294,000).

24 Retirement benefit obligations - Group

		2009 HK\$'000	2008 HK\$'000
A26, GEM18.34	Balance sheet obligations for:		
	Pension benefits (a)	3,225	1,532
	Post-employment medical benefits (b)	1,410	701
		4,635	2,233
A26(3), GEM18.34(3)	Income statement charge for (note 30):		
	Pension benefits	755	488
	Post-employment medical benefits	149	107
		904	595
		2009 HK\$'000	2008 HK\$'000
19p120A(h)	Actuarial losses recognised in the statement of other comprehensive income in the period (before tax)	–	494
19p120A(i)	Cumulative actuarial losses recognised in the statement of other comprehensive income (before tax)	697	203

A26(2) A26(5)(a)
 GEM18.34(2)
 GEM18.34(5)(a) Most of the pension plans are final salary defined plans. The assets of the funded plans are held independently of the group assets in separate trustee administered funds. The group's major plans are valued by qualified actuaries annually using the project unit credit method. Defined benefit plans in the UK and the US are valued by [name of actuary] and [name of actuary] respectively.

(a) Pension benefits

DV The group operates defined benefit pension plans in the UK and the US based on employee pensionable remuneration and length of service. The majority of plans are externally funded. Plan assets are held in trusts, foundations or similar entities, governed by local regulations and practice in each country, as is the nature of the relationship between the group and the trustees (or equivalent) and their composition.

19p120A(d)(f) The amounts recognised in the balance sheet are determined as follows:

		2009 HK\$'000	2008 HK\$'000
A26(5)(b), GEM18.34(5)(b)	Present value of funded obligations	6,155	2,943
	Fair value of plan assets	(5,991)	(2,797)
		164	146
	Present value of unfunded obligations	3,206	1,549
	Unrecognised past service cost	(145)	(163)
	Liability in the balance sheet	3,225	1,532

19p120A(c) The movement in the defined benefit obligation over the year is as follows:

	2009 HK\$'000	2008 HK\$'000
At 1 January	4,492	3,479
Current service cost	751	498
Interest cost	431	214
Contributions by plan participants	55	30
Actuarial losses/(gains)	(15)	495
Exchange differences	(43)	(103)
Benefits paid	(66)	(121)
Liabilities acquired in a business combination (note 39)	3,691	–
Curtailments	65	–
Settlements ¹	–	–
At 31 December	9,361	4,492

19p120A(e) The movement in the fair value of plan assets of the year is as follows:

	2009 HK\$'000	2008 HK\$'000
At 1 January	2,797	2,264
Expected return on plan assets	510	240
Actuarial (losses)/gains	(15)	(5)
Exchange differences	25	(22)
Employer contributions	908	411
Employee contributions	55	30
Benefits paid	(66)	(121)
Business combinations (note 39)	1,777	–
At 31 December	5,991	2,797

19p120A(g) The amounts recognised in the income statement are as follows:

	2009 HK\$'000	2008 HK\$'000
Current service cost	751	498
Interest cost	431	214
Expected return on plan assets	(510)	(240)
Past service cost	18	16
Losses on curtailment	65	–
Total, included in staff costs (note 30)	755	488

19p120A(g) Of the total charge, HK\$516,000 (2008: HK\$319,000) and HK\$239,000 (2008: HK\$169,000) were included in 'cost of goods sold' and 'administrative expenses' respectively.

19p120A(m) The actual return on plan assets was HK\$495,000 (2008: HK\$235,000).

¹ IAS/HKAS 19 requires the disclosure of settlements as part of the reconciliation of the opening and closing balances of the present value of the defined benefit obligation. There is no such movement on the defined benefit obligation relating to pension plans in these financial statements, but the line item has been shown for illustrative purposes.

19p119 For the purpose of these illustrative financial statements we have assumed that all movements on the defined benefit obligation have been charged to a single line item.

The principal actuarial assumptions used were as follows:

19p120A(n)	2009		2008	
	UK	US	UK	US
Discount rate	6.0%	6.1%	5.5%	5.6%
Inflation rate	3.6%	3.0%	3.3%	2.7%
Expected return on plan assets	8.5%	8.3%	8.7%	8.7%
Future salary increases	5.0%	4.5%	4.5%	4.0%
Future pension increases	3.6%	2.8%	3.1%	2.7%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (i) UK: PNMA 00 and PNFA 00 with medium cohort adjustment subject to a minimum annual improvement of 1% and scaling factors of 110% for current male pensioners, 125% for current female pensioners and 105% for future male and female pensioners; and (ii) US: RP2000 with a projection period of 10-15 years.

These tables translate into an average life expectancy in years of a pensioner retiring at age 65:

	2009		2008	
	UK	US	UK	US
Retiring at the end of the reporting period:				
– Male	22	20	22	20
– Female	25	24	25	24
Retiring 20 years after the end of the reporting period:				
– Male	25	23	24	23
– Female	28	26	27	26

DV	The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:	
	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.5%	Increase/decrease by 7.2%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 5.1%
Salary growth rate	Increase/decrease by 0.5%	Increase/decrease by 3.3%
Rate of mortality	Increase by 1 year	Increase by 5.2%

19p122(b) (b) *Post-employment medical benefits*

The group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. The majority of these plans are unfunded.

19p120A(n) In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2008: 7.6%).

19p120A(d)(f) The amounts recognised in the balance sheet were determined as follows:

	2009 HK\$'000	2008 HK\$'000
Present value of funded obligations	705	340
Fair value of plan assets	(620)	(302)
	85	38
Present value of unfunded obligations	1,325	663
Liability in the balance sheet	1,410	701

19p120A(c) Movement in the defined benefit obligation is as follows:

	2009 HK\$'000	2008 HK\$'000
At 1 January	1,003	708
Current service cost	153	107
Interest cost	49	25
Contributions by plan participants ¹	–	–
Actuarial losses/(gains)	(2)	204
Exchange differences	25	(41)
Benefits paid	–	–
Liabilities acquired in a business combination (note 39)	802	–
Curtailments ²	–	–
Settlements ²	–	–
At 31 December	2,030	1,003

19p120A(e) The movement in the fair value of plan assets of the year is as follows:

	2009 HK\$'000	2008 HK\$'000
At 1 January	302	207
Expected return on plan assets	53	25
Actuarial gains/(losses)	(2)	(1)
Exchange differences	5	(2)
Employer contributions	185	73
Employee contributions ¹	–	–
Benefits paid ¹	–	–
Business combinations (note 39)	77	–
At 31 December	620	302

19p120A(g) The amounts recognised in the income statement were as follows:

	2009 HK\$'000	2008 HK\$'000
Current service cost	153	107
Interest cost	49	25
Expected return on plan assets	(53)	(25)
Total, included in staff costs (note 30)	149	107

19p120A(g) Of the total charge, HK\$102,000 (2008: HK\$71,000) and HK\$47,000 (2008: HK\$36,000) respectively were included in cost of goods sold and administrative expenses.

19p120A(m) The actual return on plan assets was HK\$51,000 (2008: HK\$24,000).

¹ IAS/HKAS 19 requires the disclosure of employee contributions as part of the reconciliation of the opening and closing balances of plan assets. There is no such movement on the plan assets relating to post-employment medical benefits in these financial statements, but the line items have been shown for illustrative purposes.

² IAS/HKAS 19 requires the disclosure of settlements and curtailments as part of the reconciliation of the opening and closing balances of the present value of the defined benefit obligation. There is no such movement on the defined benefit obligation relating to pension plans in these financial statements, but the line items have been shown for illustrative purposes.

19p120A(o) The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	24	(20)
Effect on the defined benefit obligation	366	(313)

(c) Post-employment benefits (pension and medical)

19p120A(j) Plan assets are comprised as follows:

	2009		2008	
	HK\$'000		HK\$'000	
Equity instruments	3,256	49%	1,224	40%
Debt instruments	1,524	23%	571	18%
Property	1,047	16%	943	30%
Other	784	12%	361	12%
	6,611	100%	3,099	100%

DV Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities, although the group also invests in property, bonds, hedge funds and cash. The group believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in the UK and Europe, 30% in the US and the remainder in emerging markets.

19p120A(k) Pension plan assets include the company's ordinary shares with a fair value of HK\$136,000 (2008: HK\$126,000) and a building occupied by the group with a fair value of HK\$612,000 (2008: HK\$609,000).

19p120A(l) The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting period. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

19p120(q) Expected contributions to post-employment benefit plans for the year ending 31 December 2009 are HK\$1,150,000.

DV The group has agreed that it will aim to eliminate the deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed regular contribution rate is 14% of pensionable salaries in the UK and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2010. The group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

DV An alternative method of valuation to the projected unit credit method is a buy-out valuation. This assumes that the entire post-employment benefit liability will be settled by transferring all obligations to a suitable insurer. The group estimates the amount required to settle the post-employment benefit liabilities at the end of the reporting period would be HK\$15,500,000.

	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
At 31 December					
Present value of defined benefit obligation	11,391	5,495	4,187	3,937	3823
Fair value of plan assets	6,611	3,099	2,471	2,222	2102
Deficit/(surplus) in the plan	4,780	2,396	1,716	1,715	1721
Experience adjustments on plan liabilities	(326)	125	55	–	–
Experience adjustments on plan assets	(17)	(6)	(197)	–	–

25 Provisions for other liabilities and charges - Group

1R p78(d)
 10Sch13(1)(f)

	Environmental restoration HK\$'000	Restructuring HK\$'000	Legal claims HK\$'000	Profit- sharing and bonuses HK\$'000	Contingent liability arising on a business combination HK\$'000	Total HK\$'000	
37p84(a)	At 1 January 2009	842	-	828	1,000	-	2,670
	Charged/(credited) to the income statement:						
37p84(b)	- Additional provisions/fair value adjustment on acquisition of ABC Group	316	1,986	2,405	500	1,000	6,207
37p84(d), 10Sch13(1)(f)	- Unused amounts reversed	(15)	-	(15)	(10)	-	(40)
37p84(e)	- Unwinding of discount	40	-	-	-	4	44
37p84(c)	Used during year	(233)	(886)	(3,059)	(990)	-	(5,168)
	Exchange differences	(7)	-	(68)	-	-	(75)
IFRS5p38	Transferred to disposal group/classified as held for sale	(96)	-	-	-	-	(96)
37p84(a)	At 31 December 2009	847	1,100	91	500	1,004	3,542

Analysis of total provisions:

	2009 HK\$'000	2008 HK\$'000	
1Rp69	Non-current (environmental restoration)	1,320	274
1Rp69	Current	2,222	2,396
		3,542	2,670

(a) Environmental restoration

37p85
 (a)-(c) The group uses various chemicals in working with leather. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that HK\$531,000 will be used during 2010 and HK\$320,000 during 2011. Total expected costs to be incurred are HK\$880,000 (2008: HK\$760,000).

DV The provision transferred to the disposal group classified as held for sale amounts to HK\$96,000 and relates to an environmental restoration provision for Shoes Limited (part of the wholesale segment). See note 16 for further details regarding the disposal group held for sale.

(b) Restructuring

37p85(a)-(c) The reduction of the volumes assigned to manufacturing operations in Step-land (a subsidiary) will result in the reduction of a total of 155 jobs at two factories. An agreement was reached with the local union representatives that specifies the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant, before the financial year-end. The estimated staff restructuring costs to be incurred are HK\$799,000 at 31 December 2009 (note 30). Other direct costs attributable to the restructuring, including lease termination, are HK\$1,187,000. These costs were fully provided for in 2009. The provision of HK\$1,100,000 at 31 December 2009 is expected to be fully utilised during the first half of 2010.

36p130 A goodwill impairment charge of HK\$4,650,000 was recognised in the cash-generating unit relating to Step-land as a result of this restructuring (note 7).

(c) *Legal claims*

37p85(a)-(c) The amounts represent a provision for certain legal claims brought against the group by customers of the wholesale segment. The provision charge is recognised in profit or loss within 'administrative expenses'. The balance at 31 December 2009 is expected to be utilised in the first half of 2010. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2009.

(d) *Profit-sharing and bonuses*

DV, 19p8(c),10
37p859(a) The provision for profit-sharing and bonuses is payable within three month of finalisation of the audited financial statements.

(e) *Contingent liability*

A contingent liability of HK\$1,000,000 has been recognised on the acquisition of ABC group for a pending lawsuit in which the entity is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by the end of 2011. The potential undiscounted amount of all future payments that the group could be required to make if there was an adverse decision related to the lawsuit is estimated to be between HK\$500,000 and HK\$1,500,000. As of 31 December 2009, there has been no change in the amount recognised (except for the unwinding of the discount of HK\$4,000) for the liability at 31 March 2009, as there has been no change in the probability of the outcome of the lawsuit.

The selling shareholders of ABC group have contractually agreed to indemnify Specimen Holdings Limited for the claim that may become payable in respect of the above-mentioned lawsuit. This possible compensation will not be recognised until virtually certain and will be adjusted against goodwill once received from the vendor.

26 Other (losses)/gains – net

	2009 HK\$'000	2008 HK\$'000
IFRS7p20(a)(i), A4(1)(h), GEM18.50B(1)(b) Financial assets at fair value through profit or loss (note 14):		
– Fair value losses	(508)	(238)
– Fair value gains	593	–
IFRS7p20(a)(i) Foreign exchange forward contracts:		
– Held for trading	86	88
21p52(a) – Net foreign exchange gains/(losses) (note 33)	(277)	200
IFRS7p24(a) Ineffectiveness on fair value hedges (note 11)	(1)	(1)
IFRS7p24(b) Ineffectiveness on cash flow hedges (note 11)	17	14
	(90)	63

27 Other income

		2009 HK\$'000	2008 HK\$'000
18p35(b)(v)	Dividend income on available-for-sale financial assets	1,100	883
18p35(b)(v)	Dividend income on financial assets at fair value through profit or loss	800	310
	Investment income	1,900	1,193
	Insurance reimbursement	–	66
		1,900	1,259

The insurance reimbursement relates to the excess of insurance proceeds over the carrying values of goods damaged.

10Sch13(1)(g) The investment income from listed and unlisted investments for the year ended 31 December 2009 are HK\$1,005,000 (2008: 748,000) and HK\$895,000 (2008: HK\$445,000) respectively.

28 Loss on expropriated land

During 2009, undeveloped land owned by the group in the UK was expropriated following works for the enlargement of a motorway adjacent to the group's manufacturing facilities. Losses relating to the expropriation are HK\$1,117,000 as of 31 December 2009 (2008: nil).

29 Expenses by nature

		2009 HK\$'000	2008 HK\$'000
1Rp104	Changes in inventories of finished goods and work in progress	6,950	(2,300)
1Rp104	Raw materials and consumables used	53,302	31,845
1Rp104	Employee benefit expense (note 30)	40,082	15,492
1Rp104, 10Sch13(1)(a), A4(1)(k), GEM18.50B(1)(f)	Depreciation, amortisation and impairment charges (notes 6, 6a and 7)	23,204	10,227
1Rp104	Transportation expenses	8,584	6,236
1Rp104	Advertising costs	12,759	6,662
1Rp104, 17p35(c), 10Sch13(1)(i), 10Sch15	Operating lease payments	10,604	8,500
10Sch15	Auditors' remuneration	1,500	1,300
1Rp104	Other expenses	1,299	359
	Total cost of sales, distribution costs and administrative expenses	158,284	78,321

30 Employee benefit expense

		2009 HK\$'000	2008 HK\$'000
19p142	Wages and salaries, including restructuring costs HK\$799,000 (2008: nil) (note 25) and other termination benefits HK\$1,600,000 (2008: nil)	28,363	10,041
	Social security costs	9,369	3,802
IFRS2p51(a)	Share options granted to directors and employees	690	822
19p46	Pension costs – defined contribution plans	756	232
19p120A(g), A26(3), GEM18.34(3)	Pension costs – defined benefit plans (note 24)	755	488
19p120A(g)	Other post-employment benefits (note 24)	149	107
		40,082	15,492
DV	Average number of people employed (number of people)	535	210

(a) Pensions – defined contribution plans

A26(4),
GEM18.34(4) Forfeited contributions totalling HK\$56,000 (2008: HK\$15,000) were utilised during the year leaving HK\$nil available at the year-end to reduce future contributions.

Contributions totalling HK\$65,000 (2008: HK\$20,000) were payable to the fund at the year-end.

(b) Directors' and senior management's emoluments

A24(1)-(6)
GEM18.28(1)-(6)
S161

The remuneration¹ of every Director for the year ended 31 December 2009 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses ² HK\$'000	Inducement fees HK\$'000	Other benefits (a) HK\$'000	Employer's contribution to pension scheme ³ HK\$'000	Compensation for loss of office as director HK\$'000	Total HK\$'000
Director Mr. A								
(b)	15	400	-	-	-	25	-	440
Mr. B	75	4,800	1,000	-	25	-	-	5,900
Mr. C	75	2,050	500	-	25	-	-	2,650
Mr. D								
(c)	40	1,250	-	-	25	-	-	1,315
Mr. E	30	-	-	-	-	-	-	30
Mr. F	75	1,500	200	-	25	-	-	1,800
Mr. G	30	-	-	-	-	-	-	30
Mr. H	30	-	-	-	-	-	-	30

Notes:

(a) Other benefits include leave pay, share option, insurance premium and club membership.

(b) Resigned on [Date].

(c) Appointed on [Date].

¹ In making the above disclosures, reference can be made to AB 3 which discusses the minimum disclosure that directors remuneration would include remuneration from the Company's holding companies, fellow subsidiaries, associates or any other Company and also that directors' remuneration be apportioned between the parent Company and subsidiaries.

² In addition to discretionary bonus payments, all bonus payments to which a director is contractually entitled and which are not fixed in amount, together with the basis upon which they are determined must be disclosed here.

³ Pension does not include payments from a pension scheme when contributions to the pension scheme are substantially adequate to maintain the scheme. This is because contributions made to such pension schemes would already have been included under director's emoluments at the time the contributions were made.

S161 The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Inducement fees HK\$'000	Other benefits (a) HK\$'000	Employer's contribution to pension scheme HK\$'000	Compensation for loss of office as director HK\$'000	Total HK\$'000
Director Mr. A	75	4,400	-	-	-	-	-	4,475
Mr. B	75	4,800	800	-	43	-	-	5,718
Mr. C	75	2,050	600	-	25	-	-	2,750
Mr. E	30	-	-	-	-	-	-	30
Mr. F	75	1,500	300	-	-	-	-	1,875
Mr. G	30	-	-	-	-	-	-	30
Mr. H	30	-	-	-	-	-	-	30

[In addition to the directors' emoluments disclosed above, directors A and B of the company receive emoluments from the parent company, amounting to HK\$1,25 million each (2008: HK\$1 million each), part of which is in respect of their services to the company and its subsidiaries. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the group and their services to the company's parent company.]

A24A
GEM18.29 During the year, Mr. B waived emoluments of HK\$1 million (2008: HK\$1 million) and has agreed to waive 2009 emoluments of HK\$1 million.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year include three (2008: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: one) individuals during the year are as follows:

	2009 HK\$'000	2008 HK\$'000
A25(1)-(5) GEM18.30(1)- (5) Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,500	1,850
Bonuses	600	250
Compensation for loss of office:		
- contractual payments	1,000	-
	<u>3,100</u>	<u>2,100</u>

A25(6)
GEM18.30(6) The emoluments fell within the following bands:

Emolument bands (in HK dollar)	Number of individuals	
	2009	2008
HK\$1,000,001 - HK\$1,500,000	2	-
HK\$2,000,000 - HK\$2,500,000	-	1
	<u>-</u>	<u>1</u>

31 Finance income and costs

A4(1)(j), GEM18.50B(1)(e)		2009 HK\$'000	2008 HK\$'000
IFRS7p20(b)	Interest expense:		
10Sch2(b)	– Bank borrowings	(5,317)	(10,646)
10Sch13(1)(b)	– Dividend on redeemable preference shares (note 22)	(1,950)	(1,950)
10Sch2(b)	– Convertible bond (note 22)	(3,083)	–
	– Finance lease liabilities	(550)	(648)
37p84(e)	– Provisions: unwinding of discount (note 25)	(44)	(37)
21p52(a)	Net foreign exchange gains on financing activities (note 33)	2,594	996
	Fair value gains on financial instruments:		
IFRS7p23(d)	– Interest rate swaps: cash flow hedges, transfer from equity	102	88
IFRS7 p24(a)(i)	– Interest rate swaps: fair value hedges	16	31
IFRS7 p24(a)(ii)	Fair value adjustment of bank borrowings attributable to interest rate risk	(16)	(31)
	Finance costs	(8,248)	(12,197)
	Less: amounts capitalised on qualifying assets	75	–
	Total finance cost	(8,173)	(12,197)
	Finance income:		
21p52(a)	– Interest income on short-term bank deposits	550	489
IFRS7p20(b)	– Interest income on available-for-sale financial assets	963	984
IFRS7p20(b)	– Interest income on loans to related parties (note 40)	217	136
	Finance income	1,730	1,609
	Net finance costs	(6,443)	(10,588)

32 Income tax expense

1 Sch17(3),
10Sch12(105),
A4(1)(c),
GEM18.50B(1)(h) Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the group operates.

		2009 HK\$'000	2008 HK\$'000
	Current tax:		
12p80(a)	Current tax on profits for the year	14,082	6,035
12p80(b)	Adjustments in respect of prior years	150	–
	Total current tax	14,232	6,035
	Deferred tax (note 23):		
12p80(c)	Origination and reversal of temporary differences	476	2,635
12p80(d)	Impact of change in the [country name] tax rate	(97)	–
	Total deferred tax	379	2,635
	Income tax expense	14,611	8,670

12p81(c) The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2009 HK\$'000	2008 HK\$'000
Profit before tax	46,826	24,918
Tax calculated at domestic tax rates applicable to profits in the respective countries	15,453	7,475
Tax effects of:		
– Associates' results reported net of tax	57	(44)
– Income not subject to tax	(1,072)	(212)
– Expenses not deductible for tax purposes	1,540	1,104
10Sch12(12) – Utilisation of previously unrecognised tax losses	(1,450)	–
– Tax losses for which no deferred income tax asset was recognised	30	347
Re-measurement of deferred tax – change in the [country name] tax rate	(97)	–
Adjustment in respect of prior years	150	–
Tax charge	14,611	8,670

12p81(d) During the year, as a result of the change in the [country name] corporation tax rate from 30% to 28% that was substantively enacted on 26 June 2009 and that will be effective from 1 April 2010, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 31 December 2010 has been measured using the effective rate that will apply in [country name] for the period (28.5%).

12p81(d) The weighted average applicable tax rate was 33% (2008: 30%). The increase is caused by a change in the profitability of the group's subsidiaries in the respective countries partially offset by the impact of the reduction in the [country name] tax rate.

12p81(ab) The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2009 Tax			2008 Tax		
	Before tax HK\$'000	(charge)/ credit HK\$'000	After tax HK\$'000	Before tax HK\$'000	(charge)/ credit HK\$'000	After tax HK\$'000
Fair value gains:						
1Rp90 – Land and buildings	–	–	–	1,133	(374)	759
1Rp90 – Available-for-sale financial assets	560	(198)	362	123	(61)	62
1Rp90 Share of other comprehensive income of associates	(12)	–	(12)	(14)	–	(14)
1Rp90 Actuarial loss on retirement benefit obligations	–	–	–	(705)	211	(494)
1Rp90 Impact of change in the [country name] tax rate on deferred tax	–	(10)	(10)	–	–	–
1Rp90 Cash flow hedges	97	(33)	64	(3)	–	(3)
1Rp90 Net investment hedge	(45)	–	(45)	40	–	40
1Rp90 Currency translation differences	2,244	–	2,244	(156)	–	(156)
IFRS3p59 Increase in fair values of proportionate holding of ABC group (note 39)	850	–	850	–	–	–
Other comprehensive income	3,694	(241)	3,453	418	(224)	194
Current tax ¹		–			–	
Deferred tax (note 23)		(241)			(224)	
		(241)			(224)	

¹ There are no current tax items relating to other comprehensive income in these financial statements, but the line item is shown for illustrative purposes.

12p81(a) The income tax (charged)/credited directly to equity during the year is as follows:

	2009 HK\$'000	2008 HK\$'000
Current tax ¹ :		
Share option scheme	–	–
Deferred tax:		
Share option scheme	30	20
Convertible bond – equity component ² (note 20)	(2,328)	–
	(2,298)	20

In addition, deferred income tax of HK\$49,000 (2008: HK\$43,000) was transferred from other reserves (note 20) to retained earnings (note 19). This represents deferred tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

33 Net foreign exchange gains/(losses)

21p52(a) The exchange differences (charged)/credited to the income statement are included as follows:

	2009 HK\$'000	2008 HK\$'000
Other (losses)/gains – net (note 26)	(277)	200
Net finance costs (note 31)	2,594	996
	2,317	1,196

34 Profit attributable to equity holders of the company

S123(5)(b)(ii) The profit attributable to equity holders of the company is dealt with in the financial statements of the company to the extent of HK\$11,571,000 (2008: HK\$10,026,000).

34a Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares (note 17).

	2009 HK\$'000	2008 HK\$'000
33p70(a) Profit attributable to equity holders of the company	29,767	15,512
Profit from discontinued operation attributable to equity holders of the company	100	120
	29,867	15,632
33p70(b) Weighted average number of ordinary shares in issue (thousands)	23,454	20,500

¹ IAS/HKAS 12 requires disclosure of current tax charged/credited to equity, in addition to deferred tax. There are no current tax items shown in equity in these financial statements, but the line items are shown for illustrative purposes

² It is assumed that the tax base on the convertible bond is not split between the debt and equity elements. If the tax base were split, this would impact the deferred tax position.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009 HK\$'000	2008 HK\$'000
Earnings		
	29,767	15,512
	2,158	–
33p70(a)	31,925	15,512
	100	120
	32,025	15,632
Weighted average number of ordinary shares in issue (thousands)		
Adjustments for:		
	3,030	–
	1,213	1,329
33p70(b)	27,697	21,829

35 Dividends

1Rp107, 1Rp137(a), 10p12, A4(1)(f), GEM18.50B (1)(k) The dividends paid in 2009 and 2008 were HK\$10,102,000 (HK\$0.48 per share) and HK\$15,735,000 (HK\$0.78 per share) respectively. The directors recommend the payment of a final dividend of HK\$0.51 per ordinary share, totalling HK\$12,945,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 30 April 2010. These financial statements do not reflect this dividend payable.

	2009 HK\$'000	2008 HK\$'000
A4(1)(f), GEM18.50B (1)(k)	–	–
10Sch9(1)(e), 10Sch13(1)(j)	12,945	10,102
	12,945	10,102

The aggregate amounts of the dividends paid and proposed during 2009 and 2008 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

36 Cash generated from operations

	2009 HK\$'000	2008 HK\$'000
7p18(b), 20		
Profit before income tax including discontinued operations	47,066	25,118
Adjustments for:		
– Amortisation of prepaid operating lease payment (note 6)	2,000	400
– Depreciation (note 6a)	15,754	9,262
– Amortisation (note 7)	800	565
– Goodwill impairment charge (note 7)	4,650	–
– (Profit)/loss on disposal of property, plant and equipment (see below)	(17)	8
– Share-based payment and increase in retirement benefit obligations	509	1,470
– Fair value gains on derivative financial instruments (note 26)	(86)	(88)
– Fair value (gains)/losses on financial assets at fair value through profit or loss (note 26)	(85)	238
– Dividend income on available-for-sale financial assets (note 27)	(1,100)	(883)
– Dividend income on financial assets at fair value through profit or loss (note 27)	(800)	(310)
– Finance costs – net (note 31)	6,443	10,588
– Share of loss/(profit) from associates (note 8b)	174	(145)
– Foreign exchange losses/(gains) on operating activities (note 33)	(277)	(200)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(6,077)	(966)
– Trade and other receivables	(1,339)	(2,966)
– Financial assets at fair value through profit or loss	(3,747)	(858)
– Trade and other payables	(7,634)	543
Cash generated from operations	56,234	41,776

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

Group	2009 HK\$'000	2008 HK\$'000
Net book amount (note 6a)	6,337	2,987
Profit/(loss) on disposal of property, plant and equipment	17	(8)
Proceeds from disposal of property, plant and equipment	6,354	2,979

Non-cash transactions

7p43 The principal non-cash transaction is the issue of shares as consideration for the acquisition discussed in note 39.

37 Contingencies¹

Group

37p86,
10Sch12(5)

The group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (note 25).

In respect of the acquisition of ABC group on 1 March 2009 (note 39), additional consideration of 5% of the profit of ABC group may be payable in cash if the acquired operations achieve sales in excess of HK\$7,500,000 for 2010, up to a maximum undiscounted amount of HK\$2,500,000. At the date of acquisition, it was not considered probable that these monies would be payable. They were, therefore, not included as consideration for the business combination. There is no change in this assessment at the year end.

37p89

The group entered into an 'earn-out' agreement in connection with the disposal on 30 December 2006 of Leather Goods Limited. Additional cash consideration will be payable to the group if the future performance of Leather Goods Limited reaches a certain level. No gain has been recognised in the financial statements, as the amount of the earn-out is dependent on the aggregate result of Leather Goods Limited for the 39-month period ending 31 March 2011.

38 Commitments¹

10Sch12(6)

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

Group	2009 HK\$'000	2008 HK\$'000
16p74(c) Property, plant and equipment	3,593	3,667
38p122(e) Intangible assets	460	474
	4,053	4,141

(b) Operating lease commitments – group company as lessee

17p35(d)

The group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between five and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

17p35(d)

The group also leases various plant and machinery under cancellable operating lease agreements. The group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 29.

17p35(a)

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	2009 HK\$'000	2008 HK\$'000
No later than 1 year	11,664	10,604
Later than 1 year and no later than 5 years	45,651	45,651
Later than 5 years	15,710	27,374
	73,025	83,629

¹ The contingencies and commitments of the company, if any, are required to be disclosed if the company's balance sheet is prepared.

39 Business combinations

IFRS3p66(a) On 30 June 2008, the group acquired 15% of the share capital of ABC group for HK\$1,126,000 (note 10). At
 IFRS3p67 that date, the fair value of the net assets and liabilities in ABC group equalled HK\$1,126,000 and
 (a-c) consequently there is no goodwill on the initial 15% investment. On 1 March 2009, the group acquired a
 IFRS3p70(a) further 55% of the share capital and obtained the control of ABC group, a shoe and leather goods retailer
 IFRS3p67(i) operating in the US and most western European countries. The acquired business contributed revenues of
 IFRS3p70(b) HK\$44,709,000 and net profit of HK\$2,762,000 to the group for the period from 1 March 2009 to 31
 December 2009. If the acquisition had occurred on 1 January 2009, group revenue would have been
 HK\$220,345,000, and profit before allocations would have been HK\$33,126,000. These amounts have been
 calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the
 additional depreciation and amortisation that would have been charged assuming the fair value adjustments
 to property, plant and equipment and intangible assets had applied from 1 January 2009, together with the
 consequential tax effects.

Details of net assets acquired and goodwill are as follows:

IFRS3p67(d)	Purchase consideration:	HK\$'000
7p40(b)	– Cash paid	4,050
	– Direct costs relating to the acquisition	200
IFRS3p67(d)(i)	– Fair value of shares issued, net of issuance costs of HK\$50,000 (note 17)	10,000
7p40(a)	Total purchase consideration	14,250

IFRS3p67(h) The goodwill is attributable to the acquired customer base and economies of scale expected from combining the operations of the group and ABC Group.

IFRS3p67(d)(ii) The fair value of the shares issued was based on the published share price (1 March 2009).

IFRS3p67(f) The assets and liabilities as of 1 March 2009 arising from the acquisition are as follows:

	Fair value HK\$'000	Acquiree's carrying amount HK\$'000
Cash and cash equivalents	300	300
Leasehold land and land use rights (note 6)	43,500	39,462
Property, plant and equipment (note 6a)	24,284	24,100
Trademarks (included in intangibles) (note 7)	2,000	–
Licences (included in intangibles) (note 7)	1,000	–
Contractual customer relationship (included in intangibles) (note 7)	1,000	
Investment in associates (note 8b)	389	329
Available-for-sale financial assets (note 10)	473	473
Inventories	1,122	672
Trade and other receivables	585	585
Trade and other payables	(12,461)	(12,461)
Retirement benefit obligations:		
– Pensions (note 24)	(1,914)	(1,901)
– Other post-retirement obligations (note 24)	(725)	(725)
Borrowings	(41,459)	(41,459)
Contingent liability	(1,000)	–
Deferred tax liabilities (note 23)	(1,953)	(410)
Fair value of net assets	15,141	8,965
Minority interest (30%)	(4,542)	
Asset revaluation surplus (note 20)	(850)	
Goodwill (note 7)	4,501	
Total purchase consideration	14,250	

7p40(c)	Purchase consideration settled in cash	4,250
	Cash and cash equivalents in subsidiary acquired	(300)
	Cash outflow on acquisition	3,950

There were no acquisitions in the year ended 31 December 2008.

IFRS3 The fair value of the acquired identifiable intangible assets of HK\$4,000,000 (including trademarks and licences) is provisional pending receipt of the final valuations for those assets.

See note 41 for disclosures regarding the business combination that took place after the end of the reporting period but before the approval of these financial statements.

40 Related-party transactions

1Rp138(c)
24p12,
S129A(1) The group is controlled by M Limited (incorporated in the UK), which owns 57% of the company's shares. The remaining 43% of the shares are widely held. The ultimate parent¹ of the group is G Limited (incorporated in the UK). The ultimate controlling party of the group is Mr Power.

24p17, 18, 22 The following transactions were carried out with related parties:

24p17(a) (a) Sales of goods and services

	2009 HK\$'000	2008 HK\$'000
Sales of goods:		
– Associates	1,123	291
Sales of services:		
– The ultimate parent (legal and administration services)	67	127
– Close family members of the ultimate controlling party (design services)	100	104
	1,290	522

Goods are sold based on the price lists in force and terms that would be available to third parties². Sales of services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from 15% to 30% (2008: 10% to 18%).

24p17(a) (b) Purchases of goods and services

	2009 HK\$'000	2008 HK\$'000
Purchases of goods:		
– Associates	3,054	3,058
Purchases of services:		
– An entity controlled by key management personnel	83	70
– The immediate parent (management services)	295	268
	3,432	3,396

¹ Section 129A of the Hong Kong Companies Ordinance ("HKCO") requires disclosure of the name of the "ultimate parent undertaking". Since the term "undertaking" as defined in the 23rd schedule to the Hong Kong Companies Ordinance, includes a partnership or an unincorporated association carrying on a trade or business, whether for profit or not, as well as a body corporate. If the ultimate parent undertaking is a body corporate, then the country of its incorporation should be disclosed, whereas if it is not a body corporate, then the address of its principal place of its business should be disclosed.

Although the disclosure requirements under section 129A of HKCO and IAS/HKAS 24p12 are similar, it should be noted that where the ultimate parent undertaking is controlled by an individual, additional disclosure will be required to meet both the requirements of the HKCO and IAS/HKAS24.

² Management should disclose that related-party transactions were made on an arm's length basis only when such terms can be substantiated (IAS/HKAS24p21).

24p21 Goods and services are bought from associates and an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel is a firm belonging to Mr Chamois, a non-executive director of the company. Management services are bought from the immediate parent on a cost-plus basis, allowing a margin ranging from 15% to 30% (2008: 10%).

24p16 (c) *Key management compensation*

Key management includes directors (executive and non-executive), members of the Executive Committee, the company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is shown below:

	2009 HK\$'000	2008 HK\$'000
24p16(a) Salaries and other short-term employee benefits	2,200	1,890
24p16(d) Termination benefits	1,600	–
24p16(b) Post-employment benefits	123	85
24p16(c) Other long-term benefits	26	22
24p16(e) Share-based payments	150	107
	4,099	2,104

24p17(b), 1Rp77 (d) *Year-end balances arising from sales/purchases of goods/services*

	2009 HK\$'000	2008 HK\$'000
Receivables from related parties (note 12):		
– Ultimate parent	50	40
– Close family members of key management personnel	4	6
Payables to related parties (note 21):		
– Immediate parent	200	190
– Associates	1,902	1,005
– Entity controlled by key management personnel	100	–

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties (2008: nil).

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

24p18(b) (e) *Business combination*

On 30 June 2008, the group acquired 15% of the share capital of ABC group for HK\$1,126,000. ABC Group is a subsidiary of EFG Corporation, a company which is controlled by Mr X who is a substantial shareholder of a subsidiary of the company. On 1 March 2009, the group acquired a further 55% of the share capital and obtained the control of ABC group. Please refer to note 39 for details of the transactions.

24p17, 1Rp77 (f) Loans to related parties

	2009 HK\$'000	2008 HK\$'000
Loans to key management of the company (and their families) ¹ :		
At 1 January	196	168
Loans advanced during year	343	62
Loan repayments received	(49)	(34)
Interest charged	30	16
Interest received	(30)	(16)
At 31 December	490	196
Loans to associates:		
At 1 January	1,192	1,206
Loans advanced during year	1,000	50
Loan repayments received	(14)	(64)
Interest charged	187	120
Interest received	(187)	(120)
At 31 December	2,178	1,192
Total loans to related parties:		
At 1 January	1,388	1,374
Loans advanced during year	1,343	112
Loan repayments received	(63)	(98)
Interest charged	217	136
Interest received (note 31)	(217)	(136)
At 31 December (note 12)	2,668	1,388

24p17(b)(i) The loans advanced to key management have the following terms and conditions:

Amount of loan²

S161B(1)(a)(b) –
(d)

Name of key management	At end of year HK\$'000	At beginning of year HK\$'000	Maximum outstanding during the year HK\$'000	Term	Interest rate
2009					
Mr Brown	173	173	173	Repayable monthly over 2 years	6.3%
Mr White	170	212	212	Repayable monthly over 2 years	6.3%
2008					
Mr Black	20	20	20	Repayable monthly over 2 years	6.5%
Mr White	42	60	60	Repayable monthly over 1 year	6.5%

IFRS7p15, 10Sch9(1)(c) Certain loans advanced to associates during the year amounting to HK\$1,500,000 (2008: HK\$500,000) are collateralised by shares in listed companies. The fair value of these shares was HK\$65,000 at the end of the reporting period (2008: HK\$590,000).

The loans to associates are due on 1 January 2010 and carry interest at 7.0% (2008:8%). The fair values and the effective interest rates of loans to associates are disclosed in note 12.

24p17(c) No provision has been required in 2009 and 2008 for the loans made to key management personnel and associates.

41 Events after the reporting period

¹ None of the loans made to members of key management has been made to directors.

² The loans are assumed to be made by the company after 13 February 2004 (ie date of commencement of the Companies (Amendment) Ordinance 2003). If the loans had been made before 13 February 2004 and remained outstanding at the end of the financial year, the disclosures would have been made following section 161B(1) in effect immediately before the Amendment Ordinance. Under that section, there is no need to disclose the total amounts payable as part of the terms of the loan nor the amount of principal due but unpaid.

S129D(3)(l) (a) *Business combinations*

10p21, IFRS3p66(b), IFRS3p67 (a-c) The group acquired 100% of the share capital of K&Co, a group of companies specialising in the manufacture of shoes for extreme sports, for a cash consideration of HK\$5,950,000 on 1 February 2010.

Details of net assets acquired and goodwill are as follows:

IFRS3p67(d)	Purchase consideration:	HK\$'000
	– Cash paid	5,950
	– Direct cost relating to the acquisition	150
7p40(a)	Total purchase consideration	6,100
	Fair value of assets acquired (see below)	(5,145)
	Goodwill	955

IFRS3p67(h) IFRS3p67(f) The above goodwill is attributable to K&Co's strong position and profitability in trading in the niche market for extreme-sports equipment.

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	Fair value HK\$'000	Acquiree's carrying amount HK\$'000
Cash and cash equivalents	195	195
Property, plant and equipment	29,056	28,234
Trademarks	1,000	–
Licences	700	–
Customer relationships	1,850	–
Favourable lease agreements	800	–
Inventories	995	495
Trade and other receivables	855	855
Trade and other payables	(9,646)	(9,646)
Retirement benefit obligations	(1,425)	(1,300)
Borrowings	(19,259)	(19,259)
Deferred tax assets	24	519
Net assets acquired	5,145	93

(b) *Associates*

10p21 The group acquired 40% of the share capital of L&Co, a group of companies specialising in the manufacture of leisure shoes, for a cash consideration of HK\$2,050,000 on 25 January 2010.

Details of net assets acquired and goodwill are as follows:

	Purchase consideration:	HK\$'000
	– Cash paid	2,050
	– Direct cost relating to the acquisition	70
	Total purchase consideration	2,120
	Share of fair value of net assets acquired (see below)	(2,000)
	Goodwill	120

DV The goodwill is attributable to L&Co's strong position and profitability in trading in the market of leisure

shoes and to its workforce, which cannot be separately recognised as an intangible asset.

DV The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	Fair value HK\$'000	Acquiree's carrying amount HK\$'000
Contractual customer relationships	380	–
Property, plant and equipment	3,200	2,400
Inventory	500	500
Cash	220	220
Trade creditors	(420)	(350)
Borrowings	(1,880)	(1,420)
Net assets acquired	2,000	1,350

(c) Equity transactions

10p21
 33p71(c)
 10p21, 22(f)

On 1 January 2010, 1,200 thousand share options were granted to directors and employees with an exercise price set at the market share prices less 15% on that date of HK\$3.13 per share (share price: HK\$3.68) (expiry date: 31 December 2014).

The company re-issued 500,000 treasury shares for a total consideration of HK\$1,500,000 on 15 January 2010.

(d) Borrowings

10p21

On 1 February 2010, the group issued HK\$6,777,000 6.5% US dollar bonds to finance its expansion programme and working capital requirements in the US. The bonds are repayable on 31 December 2014 (note 22).

Appendix I – Report of the Directors

REPORT OF THE DIRECTORS

S129D(1) The directors submit their report together with the audited financial statements for the year ended 31 December 2009.

Principal activities and geographical analysis of operations

S129D(3)(a) The principal activity of the company is investment holding. The activities of the subsidiaries are set out in note 8a to the financial statements.

A4(3), A7,
GEM18.08 An analysis of the group's performance for the year by operating segment is set out in note 5 to the financial statements.

Results and appropriations

The results of the group for the year are set out in the consolidated income statement on page 8.

S129D(3)(b) The directors recommend the payment of a final dividend of HK\$0.51 per ordinary share, totalling HK\$12,945,000.

OR

S129D(3)(b) *[The directors do not recommend the payment of a dividend.]*

A17
GEM18.31 *[Note: Where the shareholders have waived or agreed to waive any dividends under any agreement, particulars of such arrangements are required.]*

Reserves

S129D(3)(c) Movements in the reserves of the group and of the company during the year are set out in notes 19 and 20 to the financial statements.

Donations

S129D(3)(d) & (e) Charitable and other donations made by the group during the year amounted to HK\$500,000.

Property, plant and equipment

S129D(3)(f) Details of the movements in property, plant and equipment of the group *[and of the company]* are set out in note 6a to the financial statements.

Principal properties

A23, GEM18.23 Details of the principal properties held for development and/or sale and for investment purposes are set out on page 121 of the annual report.

Share capital

S129D(3)(g) Details of the movements in share capital of the company are set out in note 17 to the financial statements.

Distributable reserves

A29
GEM18.37 Distributable reserves of the company at 31st December 2009, calculated under section 79B of the Companies Ordinance *[or legislation applicable in company's place of incorporation]*, amounted to HK\$37,693,000 (2008: HK\$36,224,000).

[Pre-emptive rights]

A20 *There is no provision for pre-emptive rights under the company's bye-laws and there was no restriction against such rights under the laws of [country of incorporation], which would oblige the company to offer new shares on a pro-rata basis to existing shareholders.]*

Five year financial summary

A19
GEM18.33 A summary of the results and of the assets and liabilities of the group for the last five financial years is set out on page 121 of the annual report.

Purchase, sale or redemption¹ of securities

A10(4)
GEM18.14 *[The company has not redeemed any of its shares during the year. Neither the company nor any of its subsidiaries has purchased or sold any of the company's shares during the year.]*

OR

MB10.06(4)(b)
A10(4)
GEM18.14
GEM13.13(2) On 18 April 2009, the company purchased 875,000 ordinary shares of HK\$1 each of the company at prices of HK\$2.93 per share on The Hong Kong Stock Exchange. The purchase involved a total cash outlay of HK\$2,564,000 and was for the purpose of *[state the reason]*. The aggregate price of the purchased shares was charged to equity as treasury shares. The company reissued 500,000 treasury shares for a total consideration of HK\$1.5 million on 15 January 2009.

Save as disclosed above, neither the company nor its subsidiary companies has purchased or sold any of the company's shares during the year ended 31 December 2009 and the company has not redeemed any of its shares during the year ended 31st December 2009.

A11
GEM18.32 *[The following disclosures should be made for any issue of equity securities for cash otherwise than shareholders in proportion to their shareholdings and which has not been specifically authorised by the shareholders:*

- reasons for making the issue*
- classes of equity securities issued*
- number issued and their aggregate normal value*
- as respect each class of equity securities, the issue price of each security*
- net price to listed issuer of each security*
- if less than 6 in number, the names of allottees. If equal to or more than 6 allottees, a brief generic description of them*
- market price of the securities concerned on a named date, being the date on which the terms of the issue were fixed*
- use of the proceeds]*

¹ Hong Kong incorporated companies is required to transfer the par value of cancelled shares to the capital redemption reserve according to section 49H of the Hong Kong Companies Ordinance. For overseas incorporated companies, please refer to the relevant overseas legislation in relation to repurchase of shares.

Share options

MB17.09
GEM23.09

Share options are granted to directors, executives, employees with more than three years of service and business partners at the invitation of the directors under the Executive Share Option Scheme approved by shareholders at an Extraordinary General Meeting on 1 July 2000. The Executive Share Option Scheme is designed to motivate executives and key employees and other persons who make a contribution to the Group and enable the Group to attract and retain individuals with experience and ability and to reward them for their past contributions.

The options were granted at nil consideration.

The exercise price of the granted options is equal to or higher than the market price of the shares on the date of the grant. Each option gives the holder the right to subscribe for one share of the Company. Options are conditional on the employee completing one year's service. The options are exercisable starting one year from the grant date only if the Group achieves its target of profitability and sales growth; the options have a contractual option term of five years.

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under all the share option schemes does not in aggregate exceed 10% of the shares in issue on the date of approval of the Executive Share Option Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes does not exceed 30% of the shares in issue from time to time.

As at *[the latest practicable date prior to the issue of the annual report]*, options to subscribe for a total of 4,833,000 option shares were still outstanding under the Executive Share Option Scheme which represents approximately 19.1% of the issued ordinary shares of the Company.

The Executive Share Option Scheme shall be valid and effective for a period of 10 years commencing from the approval of the Scheme.

MB17.07
 GEM23.07
 GEM18.28(7)

Details of the share options outstanding as at 31 December 2009 which have been granted under the scheme are as follows:

	Number of options (in thousands) ¹				held at 31 December 2009	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	held at 1 January 2009	granted during the year	expired during the year	exercised during the year					
Chairman Mr C	150	-	-	-	150	1.20	2 July 2005	2 July 2006	1st July 2010
	-	200 ¹	-	-	200	2.95	2 July 2009	2 July 2010	1st July 2014
Executive directors									
Mr A	500	-	-	500 ²	-	1.10	2 July 2004	2 July 2005	1st July 2009
(resigned as director on [specify date] but still employee of the Company at 31/12/2009.	800	-	-	-	800	1.35	2 July 2006	2 July 2007	1st July 2011
	-	100 ¹	-	-	100	2.95	2 July 2009	2 July 2010	1st July 2014
Mr B	100	-	-	-	100	1.20	2 July 2005	2 July 2006	1st July 2010
	400	-	-	-	400	2.38	2 July 2008	2 July 2009	1st July 2013
	-	200 ¹	-	-	200	2.95	2 July 2009	2 July 2010	1st July 2014
Mr D	-	200 ¹	-	-	200	2.95	2 July 2009	2 July 2010	1st July 2014
Mr F	150	-	-	100 ²	50	1.20	2 July 2005	2 July 2006	1st July 2010
Continuous contract employees (excluding resigned Director Mr A)	500	-	125	-	375	1.20	2 July 2004	2 July 2005	1st July 2009
	450	-	-	50 ³	400	1.35	2 July 2006	2 July 2007	1st July 2011
	155	-	-	-	155	2.00	2 July 2007	2 July 2008	1st July 2012
	1,277	-	-	-	1,277	2.38	2 July 2008	2 July 2009	1st July 2013
	-	214 ¹	-	-	214	2.95	2 July 2009	2 July 2010	1st July 2014
Suppliers	150	-	-	50 ³	100	2.38	2 July 2008	2 July 2009	1st July 2013
	-	50 ¹	-	-	50	2.95	2 July 2009	2 July 2010	1st July 2014
Others	112	-	-	50 ³	62	2.00	2 July 2007	2 July 2008	1st July 2012
	4,744	964	125	750	4,833				

MB17.07, MB17.08
 GEM23.07
 GEM23.08

1 At 30 June 2009, the date before the options were granted, the market value per share was HK\$3.47. The value of the options granted to the respective parties is as follows:

	HK\$'000
Director Mr A:	61
Director Mr B:	125
Director Mr C:	125
Director Mr D:	125
Continuous contract employees:	133
Suppliers:	31
	<u>600</u>

¹ Where options lapse or are cancelled during the year, these movements should also be disclosed, including exercise price in respect of those cancelled.

² Exercise date was 5 May 2009. At the date before the options were exercised, the market value per share was HK\$2.78.

³ Exercise date was 27 May 2009. At the date before the options were exercised, the market value per share was HK\$2.95.

MB17.08
GEM23.08

The value of the options granted during the year is HK\$830,000, based on the Black-Scholes valuation model. The significant inputs into the model were share price of HK\$3.47 at the grant date, exercise price shown above, standard deviation of expected share price returns of 30%, expected life of options of 3 years (2008: 3 years), expected dividend paid out rate of 4.3% and annual risk-free interest rate of 5%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years. The Black-Scholes model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Directors

S129D(3)(i)

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

Mr. C (Chairman)

Executive directors

Mr. A (resigned on [specify date])

Mr. B

Mr. F

Mr. D (appointed on [specify date])

Independent non-executive directors

Mr. E

Mr. G

Mr. H

In accordance with Article 20 of the company's Articles of Association, Mr. B and Mr. F retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 21 of the company's Articles of Association, Mr. D retires at the forthcoming Annual General Meeting but, being eligible, offers himself for re-election.

MB Appendix23(2)(e)
GEM18.24(2)
GEM Appendix16(2)(e)

Mr. E, Mr. G and Mr. H are independent non-executive directors and were appointed for a two-year term expiring on [31 December 2010].

[OR

There being no provision in the company's Articles of Association for retirement by rotation, all directors continue in office.]

Directors' service contracts

A14*
GEM18.24(1)*

None of the directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the company which is not determinable within one year without payment of compensation, other than statutory compensation.

OR

A14*
GEM18.24(1)*
A14A
GEM18.24A

Mr. B has a service contract with the company with remaining unexpired period of [3] years which is not determinable within one year without payment of compensation. As the contract was signed on 31 December 2007 in accordance with the Listing Rule, no shareholders' approval is required.

[Note: Only applicable to directors proposed for re-election at the forthcoming Annual General Meeting.]*

S162
A15, GEM18.25

Directors' interests in contracts

No contracts of significance* in relation to the Group's business to which the company, any of its subsidiaries, fellow subsidiaries or its parent company 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.

[OR

S129D(3)(j)
A15
GEM18.25

Details of Mr. D's interest in contracts of significance in relation to the group's business is set out in note [x] to the financial statements.]

A15.2 & A15.3
GEM18.25(note1)

[Note: A “contract of significance” is one where any of the percentage ratios (as defined under MB14.04(9)/GEM19.04(9)) of the transaction is 1% or more or the omission of information relating to that contract could have changed / influenced the judgement / decision of a person relying on the relevant information.]*

Biographical details of directors and senior management

A12
MB13.51 to 13.51(C)
GEM18.39
GEM17.50 to 17.50B

Brief biographical details of directors and senior management are set out on page [x].

[Such details will include:

- *full name (which should normally be the same as that stated in the declaration and undertaking of the director or supervisor in the form set out in Form B, H or I in Appendix 5 to MB rules and the form set out in Appendix 6 to GEM Rule) and age;*
- *positions held with the company and other members of the group;*
- *experience including (i) other directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas, and (ii) other major appointments and professional qualifications;*
- *length or proposed length of service with the company;*
- *relationship with any directors, senior management or substantial or controlling shareholders of the issuer; and*
- *such other information (which may include business experience) of which shareholders should be aware, pertaining to the ability or integrity of such persons...etc.*

Where any of the directors or senior managers is related that fact should be stated. Details of disclosure requirements of the biographical of directors and senior management should be referred to Rules 13.51 to 13.51C of Main Board Listing Rules / Rules 17.50 to 17.50B and 18.39 of GEM Listing Rules.

Where there is a change in any of the information below during the course of the director’s or supervisor’s term of office since 1 January 2009, the change and the updated information regarding the director or supervisor should be disclosed in the next published annual or interim report (whichever is the earlier):

- *full name (which should normally be the same as that stated in the declaration and undertaking of the director or supervisor in the form set out in Form B, H or I in Appendix 5 to MB rules and the form set out in Appendix 6 to GEM Rule);*
- *positions held with the company and other members of the group;*
- *experience including (i) other directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas, and (ii) other major appointments and professional qualifications;*
- *proposed length of service with the issuer;*
- *relationship with any directors, senior management or substantial or controlling shareholders of the issuer; and*
- *the basis of determining the director’s or supervisor’s emoluments (including any bonus payments, whether fixed or discretionary in nature, irrespective of whether the director or supervisor has or does not have a service contract) and how much of the emoluments are covered by a service contract.*

S129D(3)(k)
 A13(1)&(2)&(3)
 PN 5(3.3)
 GEM18.15, 18.16
 GEM18.17A

Directors' and Chief Executives' interests and / or short positions in the shares, underlying shares and debentures of the Company or any associated corporation

At 31st December 2009, the interests and short positions of each director and chief executive (should include supervisors in case of a PRC issuer) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the company under Section 352 of Part XV of the SFO were as follows:

- (a) Ordinary shares of HK\$*x* each in [*state the company's name, i.e. the company or its associated corporation*] at 31 December 2009.

		Number of shares held							Total	% of the Issued Share Capital of the Company
		Personal interests	Family interests	*Corporate interests	*Trusts and similar interests	*Persons acting in concert	Other interests			
Director Mr B	Long positions	x	x	x	x	x	x	x	x	
	Short positions	x	x	x	x	x	x	x	x	
Director Mr C	Long positions	x	x	x	x	x	x	x	x	
	Short positions	x	x	x	x	x	x	x	x	
Chief Executive Mr M	Long positions	x	x	x	x	x	x	x	x	
	Short positions	x	x	x	x	x	x	x	x	

* Note: The nature of such interests should be provided. Where corporate interests that are not wholly owned by the directors or chief executives, the percentage interests held by them in such corporation should be disclosed.

- (b) *x*% redeemable preferences shares of HK\$*x* each in [*state the company's name, i.e. the company or its associated corporation*] at 31 December 2009.

		Number of shares held							Total	% of the Issued Share Capital of the Company
		Personal interest	Family interests	*Corporate interests	*Trusts and similar interests	*Persons acting in concert	Other interests			
Director Mr B	Long positions	x	x	x	x	x	x	x	x	
	Short positions	x	x	x	x	x	x	x	x	
Director Mr C	Long positions	x	x	x	x	x	x	x	x	
	Short positions	x	x	x	x	x	x	x	x	
Chief Executive Mr M	Long positions	x	x	x	x	x	x	x	x	
	Short positions	x	x	x	x	x	x	x	x	

*Note: The nature of such interests should be provided. Where corporate interests that are not wholly owned by the directors or chief executives, the percentage interests held by them in such corporation should be disclosed.

- (1) *x* shares are held by DEF Limited, a company in which Mr. B holds *x*% equity interests and has a controlling interest.
- (2) *x* shares are held by discretionary trusts of which Mr. C and members of his family are beneficiaries.

- (c) derivative to ordinary shares of HK\$x each in *[state the company's name, i.e. the company or its associated corporation]*

		Listed Warrants (physically settled equity derivatives) As at 31 December 2009	Unlisted Options (physically settled equity derivatives) As at 31 December 2009
Director Mr B	Long positions	x	x
Director Mr C	Long positions	x	x
	Short positions	x	x
Chief Executive Mr M	Long positions	x	x
	Short positions	x	x

Share options are granted to directors and chief executives under the Executive Share Option Scheme approved by shareholders at an Extraordinary General Meeting on 1 July 2000. Refer details under Share Options above.

OR

Saved as disclosed above, at no time during the year, the directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the company and its associated corporations required to be disclosed pursuant to the SFO.

- (d) Other than those interests and short positions disclosed above, the directors and chief executives also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

OR

S129D(3)(k)

At no time during the year was the company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the directors and chief executives of the company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the company or its associated corporation.

A13(3)
 GEM18.16
 GEM18.17
 GEM18.17B
 PN5(3.4)

Substantial shareholders' Interests and / or Short Positions in the Shares, Underlying Shares of the Company

At 31 December 2009, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that the company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the company's issued share capital, other than those of the directors and chief executives as disclosed above.

OR

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2009, the company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

(a) ordinary shares of HK\$ x each in the company

		Number of shares						Total	% of the Issued share capital of the company
		Personal interests	Family interests	*Corporate interests	*Trusts and similar interests	*Persons acting in concert	Other interests		
Mr X	Long positions	x	x	x	x	x	x	x	x
	Short positions	x	x	x	x	x	x	x	x
Mrs Y	Long positions	x	x	x	x	x	x	x	x
	Short positions	x	x	x	x	x	x	x	x
Mr Z	Long positions	x	x	x	x	x	x	x	x
	Short positions	x	x	x	x	x	x	x	x

**Note: The nature of such interests should be provided. Where corporate interests that are not wholly owned by the substantial shareholders, the percentage interests held by them in such corporation should be disclosed.*

A13(3)
 GEM18.17
 GEM18.17C
 PN5(3.5)

[Same disclosures as those of substantial shareholders should be made for other persons whose interests are recorded in the register to be kept under section 336 of the SFO.]

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

OR

S129D(3)(ia)
 S162A(1)(a)

There exist agreements for management and payroll services, in respect of which BXK Management Services Limited provides services to various companies in the group and under which costs are reimbursed and fees are payable. These agreements can be terminated by either party giving not less than twelve months' notice of termination expiring on 31 December 2010 or any subsequent 31st December.

[Notes:

A16(1)
 GEM18.26
 A16(2)
 GEM18.27

- Details are required for any contract of significance between the Company or any one of its subsidiaries, and a controlling shareholder* or any subsidiaries of the controlling shareholder.
- Details are also required for any contract of significance for the provision of services to the Group by a controlling shareholder or any of the subsidiaries of the controlling shareholder.

** Definition of controlling shareholder in the Code on Takeovers and Mergers and Share Repurchase and the trigger point for control is 30%.]*

A31
 GEM18.40

Major suppliers and customers

A31(6), A31(7)
 GEM18.40(6)
 &18.40(7)

During the year, the group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

OR

A31(1)-(4)
 GEM18.40(1)-
 GEM18.40(4)

The percentages of purchases and sales for the year attributable to the group's major suppliers and customers are as follows:

Purchases	
- the largest supplier	x%
- five largest suppliers in aggregate	x%
Sales	
- the largest customer	x%
- five largest customers in aggregate	x%

A31(5)
 GEM18.40(5)

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

OR

A31(5)
 GEM18.40(5)
 A8(3), GEM18.9(3)

[Director Mr. B held a 20% interest in the share capital of the Group's largest supplier.]

Connected transactions

Certain related party transactions as disclosed in note 40 to the financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with [Main Board: Chapter 14A / GEM: Chapter 20] of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the company in accordance with the requirements of the Listing Rules.

(1) Connected transactions

A8(1), MB14A.45
 GEM18.09(1)
 GEM20.45

On 1 March 2009, the group acquired a further 55% of the share capital of ABC Group, a shoe and leather goods retailer operating in the US and most western European countries at a consideration of HK\$14.25 million. The consideration was settled through the issue of 3.55 million ordinary shares of the company at HK\$1 each and cash. ABC Group is a subsidiary of EFG Corporation, a company which is controlled by Mr X who is a substantial shareholder of a subsidiary of the company.

(2) Continuing connected transactions

A8(2), MB14A.45
 GEM18.09(2)
 GEM20.45
 MB14A.46
 GEM20.46

[On 30 June 2009, Pink Limited, a subsidiary of the company, has entered into a tenancy agreement with ABC Limited. Mr. E is a director of Pink Limited and Miss L, a spouse of Mr E, is the substantial shareholder of ABC Limited. The group leased a flat as office at 8/F, London Tower, King's Road, London with an area of approximately 2,800 square metre for a term of 24 months from 1 July 2009 to 30 June 2011 at a monthly rental of HK\$1,280,000.]

MB14A.37
 GEM20.37

The aforesaid continuing connected transaction has been reviewed by independent non-executive directors of the company. The independent non-executive directors confirmed that the aforesaid connected transaction were entered into (a) in the ordinary and usual course of business of the group; (b) either on normal commercial terms or on terms no less favourable to the group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the company as a whole.

MB14A.39
 GEM20.39

In accordance with [paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited/paragraph 20.38 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited], the Board of Directors engaged the auditors of the company to perform certain factual finding procedures on the above continuing connected transaction on a sample basis in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings on the selected samples based on the agreed procedures to the Board of Directors.”

A8(3)
 GEM18.09(3)

[Note: Give details of connected transactions disclosed pursuant to Listing Rules and whether transactions disclosed as related party transactions also constitute connected transactions as defined under the Listing Rules. Note that related party and connected transactions have different definitions, albeit with a high degree of overlapping.]

Financial assistance and guarantees to affiliated companies

MB13.16
 MB13.22
 GEM17.18, 17.24

Based on the disclosure obligations under *[Main Board: Chapter 13/GEM: Chapter 17 of the Listing Rules]* as at 31 December 2009, details of advances (including guarantee given by the group) which are non-trading in nature, made by the group to the following entity (which amount exceeds 8% of the total assets of the Group as at 31 December 2009 were as follows:

Name of company	Relationship with the group	Advances HK\$'000	Corporate Guarantee HK\$'000
Alfa Limited	Associated company	X (Note 1)	x (Note 2)
Beta S.A.	Associated company	X (Note 3)	

Notes:

- This advance to Alfa Limited was made on 1 July 2008 for working capital purposes which is unsecured, bearing interest at the rate of 6.5% per annum and is repayable on or before 30 June 2011.*
- This represents a corporate guarantee secured by a fixed deposit of HK\$[x] for a bank loan of HK\$[x] granted to Alfa Limited on 31 December 2008 for working capital purposes. The aforesaid bank loan has been fully utilized by Alfa Limited.*
- This advance to Beta S.A. was made during the periods from 1 January 2005 to 31 December 2010.*

Combined balance sheet of affiliated companies as at the *[latest practicable date subsequent to year end]*

	Alfa Limited		Beta S.A.		Total HK\$'000
	25% HK\$'000	HK\$'000	30% HK\$'000	HK\$'000	
Interest held					
Intangible assets	x	x	x	x	x
Trade and other receivables	x	x	x	x	x
Other assets	x	x	x	x	x
Trade and other payables	x	x	x	x	x
Borrowing	x	x	x	x	x
Other liabilities	x	x	x	x	x
Net assets	x	x	x	x	x]

Sufficiency of public float

A34A, MB8.08 Based on the information that is publicly available to the company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the company's issued shares at *[the latest practicable date prior to the issue of the annual report]*.

MB8.10
GEM11.04

Competing business

Set out below is information disclosed pursuant to paragraph *[8.10 of Main Board Listing Rules/paragraph 11.04 of GEM Listing Rules]* of the Listing Rules:-

Mrs. Y is an executive director of Colour Limited. The wholesale and manufacturing activities of leather goods of Colour Limited constitutes a competing business to the group.

Mr. Z is a director and beneficial owner of Competitor Limited. Leather products retailing activities of Competitor Limited constitute a competing business to the group.

Both Mrs. Y and Mr. Z are controlling shareholders of the company but not involved in any way in the managing of the group's wholesale and manufacturing of leather products. The group is therefore capable of carrying on such business independently of, and at arm's length from the said competing business.

Sponsor's Interests

GEM18.45 As at 31 December 2009, as notified by the company's sponsor *[insert name of the sponsor,]* neither the sponsor nor any of its directors, employees or associates (as referred to in Note 3 Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the company.

Pursuant to the sponsorship agreement dated *[insert agreement date]* entered into between the company and the sponsor, the sponsor has received and shall receive an annual fee for acting as the company's retained sponsor for the period from *[insert commencement date]* to *[insert termination date]*.

S129D(3)(l)

Subsequent events

On *[specify date after year end]*, the Group acquired 100% interest in K & Co. which is specialising in the manufacture of shoes for extreme sports. The consideration of HK\$5,950,000 was settled in cash on 1 February 2010. The estimated goodwill on acquisition of the subsidiary is approximately HK\$955,000.

Other matters

S129D(3)(l)

[Consider: Matters that are material for a proper appreciation of the state of affairs of the company and/or results of the year. For example:

- (a) Significant events occurring during the year, which have had an effect on the trading results in specific areas.*
- (b) Additional explanations of large and unusual/ extraordinary items.*
- (c) Additional explanations of reasons for changes in accounting policies.*
- (d) Additional explanations of significant related party transactions if not provided elsewhere.]*

A18, GEM 18.18

[An explanation of the difference if net income shown in the financial statements differs materially from any profit forecast published by the company].

[Professional qualifications of:

GEM18.44(1)

- (a) the company secretary;*
- (b) the qualified accountant; and*
- (c) the compliance officer.]*

Auditors

S131 The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

A30
GEM18.42 *[For listed companies only: if there has been any change in the auditors of the company in any of the preceding three years then a statement of that fact is necessary.]*

S129D(2) On behalf of the Board

By order of the Board

Chairman
Hong Kong, [specify date]

OR

Secretary

Appendix II - Other Information in the Annual Report (for Listed Companies Only)

		Year ended 31 December				
		2009	2008	2007	2006	2005
A19 GEM18.33	Results	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Profit/loss attributable to:					
	- Equity holders	x	x	x	(x)	x
	- Minority interest	x	x	x	(x)	x
	Assets and liabilities					
	Total assets	x	x	x	x	x
	Total liabilities	(x)	(x)	(x)	(x)	(x)
	Total equity	x	x	(x)	(x)	x

A19, GEM18.33 [Where the published results and statement of assets and liabilities have not been prepared on a consistent basis this must be explained.]

(ii) Schedule of principal properties						
A23 GEM18.23						
(a) Properties held for development and/or sale						
Description	Lot number	State of completion	Estimated completion date	Type	Site and gross floor area	Group's interests
xxx	x	x	x	x	x	x
xxx	x	x	x	x	x	x
xxx	x	x	x	x	x	x
(b) Investment properties						
Description	Lot number	Type	Lease term			
xxx	x	x	x			
xxx	x	x	x			
xxx	x	x	x			

Note: The above are required disclosure under the Listing Rules if any of percentage ratios as defined under MB 14.04(9) or GEM19.04(9) of the listed Group's properties held for development and/or sale or for investment properties exceeds 5%.

(iii) Details of Qualified Property Acquisition(s)

For listed issuers who are actively engaged in property development as a principal business activity and undertake acquisition(s) of land or property development project(s) in Hong Kong from Government or Government controlled entities through public auctions or tenders ("Qualified Property Acquisition(s)") are required to make certain disclosure in its annual report. Please refer to Rules 14.33A, 14A.77 and 14A.78 of Main Board Listing Rules / Rules 19.33A, 20.77 and 20.78 of GEM Listing Rules for detailed disclosure requirements.

Appendix III – Operating and financial review

International Organisation of Securities Commissions

In 1998, the International Organization of Securities Commissions (IOSCO) issued 'International disclosure standards for cross-border offerings and initial listings by foreign issuers', comprising recommended disclosure standards, including an operating and financial review and discussion of future prospects. IOSCO standards for prospectuses are not mandatory, but they are increasingly incorporated in national stock exchange requirements for prospectuses and annual reports. The text of IOSCO's standard on operating and financial reviews and prospects is reproduced below. Although the standard refers to a 'company' throughout, we consider that, where a company has subsidiaries, it should be applied to the group.

Standard

Discuss the company's financial condition, changes in financial condition and results of operations for each year and interim period for which financial statements are required, including the causes of material changes from year to year in financial statement line items, to the extent necessary for an understanding of the company's business as a whole. Information provided also shall relate to all separate segments of the group. Provide the information specified below as well as such other information that is necessary for an investor's understanding of the company's financial condition, changes in financial condition and results of operations.

A Operating results. Provide information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the company's income from operations, indicating the extent to which income was so affected. Describe any other significant component of revenue or expenses necessary to understand the company's results of operations.

- (1) To the extent that the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the extent to which such changes are attributable to changes in prices or to changes in the volume or amount of products or services being sold or to the introduction of new products or services.
- (2) Describe the impact of inflation, if material. If the currency in which financial statements are presented is of a country that has experienced hyperinflation, the existence of such inflation, a five-year history of the annual rate of inflation and a discussion of the impact of hyperinflation on the Company's business shall be disclosed.
- (3) Provide information regarding the impact of foreign currency fluctuations on the company, if material, and the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments.
- (4) Provide information regarding any governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the company's operations or investments by host country shareholders.

B Liquidity and capital resources. The following information shall be provided:

- (1) Information regarding the company's liquidity (both short and long term), including:
 - (a) a description of the internal and external sources of liquidity and a brief discussion of any material unused sources of liquidity. Include a statement by the company that, in its opinion, the working capital is sufficient for the company's present requirements, or, if not, how it proposes to provide the additional working capital needed.
 - (b) an evaluation of the sources and amounts of the company's cash flows, including the nature and extent of any legal or economic restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends, loans or advances and the impact such restrictions have had or are expected to have on the ability of the group to meet its cash obligations.
 - (c) information on the level of borrowings at the end of the period under review, the seasonality of borrowing requirements and the maturity profile of borrowings and committed borrowing facilities, with a description of any restrictions on their use.

- (2) Information regarding the type of financial instruments used, the maturity profile of debt, currency and interest rate structure. The discussion also should include funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled, the currencies in which cash and cash equivalents are held, the extent to which borrowings are at fixed rates, and the use of financial instruments for hedging purposes.
- (3) Information regarding the company's material commitments for capital expenditures as of the end of the latest financial year and any subsequent interim period and an indication of the general purpose of such commitments and the anticipated sources of funds needed to fulfil such commitments.

C Research and development, patents and licenses, etc. Provide a description of the company's research and development policies for the last three years, where it is significant, including the amount spent during each of the last three financial years on group-sponsored research and development activities.

D Trend information. The group should identify the most significant recent trends in production, sales and inventory, the state of the order book and costs and selling prices since the latest financial year. The group also should discuss, for at least the current financial year, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the group's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

IASB's exposure draft on management commentary

The IASB published an exposure draft on management commentary (MC) in June 2009. The exposure draft sets out a non-binding framework for preparing and presenting management commentary. MC provides an opportunity for management to outline how an entity's financial position, financial performance and cash flows relate to management's objectives and its strategies for achieving those objectives. The exposure draft is open for comment until 1 March 2010.

The exposure draft follows the IASB's consideration of its discussion paper, 'Management commentary', issued in October 2005, responses to that discussion paper, developments in narrative reporting in a variety of jurisdictions and other recent work by the IASB on the objective and qualitative characteristics of financial reporting (the exposure draft issued in May 2008, 'An improved conceptual framework for financial reporting: Chapter 1: The objective of financial reporting, and Chapter 2: Qualitative characteristics and constraints of decision-useful financial reporting information').

The proposed standard states that a decision-useful MC includes information that is essential to an understanding of:

- the nature of the business.
- management's objectives and strategies for meeting those objectives.
- the entity's most significant resources, risks and relationships.
- results of operations and prospects.
- critical performance measures and indicators that management uses to evaluate the entity's performance against stated objectives.

The exposure draft acknowledges that management commentary is already an important part of communication with the market. The proposals present a broad framework for MC reporting, and management will need to decide how best to apply this reporting framework to the particular circumstances of the business.

Listing Rules' requirements on management discussion and analysis of the group's performance

For companies listed in Hong Kong, according to the Hong Kong Listing Rules, a listed issuer shall include in its annual report a separate statement containing a discussion and analysis of the group's performance during the financial year and the material factors underlying its results and financial position. Please refer to paragraphs 32 and 52 of Appendix 16 of Main Board Listing Rules / Rules 18.41 and 18.83 of GEM Listing Rules for detailed disclosure requirements for such statement.

Appendix IV – Alternative presentation of primary statements

1 Consolidated income statement – by nature of expense

As an alternative to the presentation of costs by function shown in the above illustrative IFRS/HKFRS corporate consolidated financial statements, the Group is permitted to present the analysis of costs using the nature of expenditure format. The following disclosures would be made on the face of the income statement:

1Rp102 A4(1)(n), A2(2)&(5), GEM18.50B(1)(o), GEM18.07(2)&(5), S124, 10Sch17(6)	Note	Year ended 31 December	
		2009 HK\$'000	2008 HK\$'000
1Rp82(a), A4(1)(a) GEM18.50B(1)(a)	5	211,034	112,360
1Rp85, A4(1)(h) GEM18.50B(1)(b)	27	1,900	1,259
		6,508	2,300
	13	(66,760)	(31,845)
	13	(40,082)	(15,492)
A4(1)(k) GEM18.50B(1)(f)	6, 6a, 7	(18,554)	(10,227)
		(8,584)	(6,236)
		(12,759)	(6,662)
		(10,604)	(8,500)
	7	(4,650)	-
1Rp85 A4(1)(h) GEM18.50B(1)(b)	26	(90)	63
1Rp85	28	(1,117)	-
1Rp85		(2,799)	(1,659)
		53,443	35,361
1Rp85	31	1,730	1,609
1Rp82(b)	31	(8,173)	(12,197)
1Rp85	31	(6,443)	(10,588)
1Rp82(c) A4(1)(m) GEM18.50B(1)(n)	8	(174)	145
1Rp82(f) A4(1)(b) GEM18.50B(1)(g)		46,826	24,918
1Rp82(d), 12p77 A4(1)(c) GEM18.50B(1)(h)	32	(14,611)	(8,670)
1Rp82(f)		32,215	16,248
1FRS5p34 12p81(b)		Discontinued operations:	
1Rp82(f)	16	100	120
		32,315	16,368
1Rp83(a)		Attributable to:	
1p82(b), A4(1)(e) GEM18.50B(1)(j)		29,767	15,512
1p82(a), A4(1)(d) GEM18.50B(1)(i)		2,548	856
		32,315	16,368

2 Consolidated statement of comprehensive income – single statement, by function of expense

		Year ended 31 December	
		2009	2008
		HK\$'000	HK\$'000
		Note	
Continuing operations			
1Rp81-83, 1Rp103,1Rp38, 1Rp113 A4(1)(n), A2 (2)&(5), GEM18.50B(1)(o), GEM18.07(2)&(5) S124, 10Sch17(6)			
1Rp82(a),103, A4(1)(a), GEM18.50(B)(1)(a)	Revenue	5	211,034
1Rp99,103,A4(1)(i), GEM18.50(B)(1)(d)	Cost of sales		(77,366)
	Gross profit		133,668
1Rp99,103	Distribution costs		(52,140)
1Rp99,103	Administrative expenses		(28,778)
1Rp99,103, A4(1)(h), GEM18.50B(1)(b)	Other income	27	1,900
1Rp85	Other (losses)/gains – net	26	(90)
1Rp85	Loss on expropriated land	28	(1,117)
	Operating profit		53,443
1Rp85	Finance income	31	1,730
1Rp82(b)	Finance costs	31	(8,173)
	Finance costs – net	31	(6,443)
1Rp82(c), A4(1)(m), GEM18.50B(1)(n)	Share of (loss)/profit of associates	8	(174)
	Profit before income tax		46,826
1Rp85 A4(1)(b), GEM18.50B(1)(g)	Income tax expense	32	(14,611)
1Rp85	Profit for the year from continuing operations	16	32,215
IFRS5p34, 12p81(b)	Discontinued operations:		
	Profit for the year from discontinued operations		100
	Profit for the year		32,315
	Other comprehensive income:		
1Rp82(g), 16p77(f)	Gains on revaluation of land and buildings	20	–
1Rp82(g), IFRS7p20(a)(ii)	Available-for-sale financial assets	20	560
IAS28p39, 1Rp82(h)	Share of other comprehensive income of associates	20	(12)
1Rp82(g), 19p93A	Actuarial loss on retirement benefit obligations	24	–
12p80(d)	Impact of change in the [country name] tax rate on deferred tax	23	(10)
1Rp82(g), IFRS7p23(c)	Cash flow hedges	20	97
1Rp82(g)	Net investment hedge	20	(45)
1Rp82(g)	Currency translation differences	20	2,244
IFRS/3p59	Increase in fair values of proportionate holding of ABC Group (note 39)	20	850
1Rp91(b)	Income tax relating to components of other comprehensive income		(231)
	Other comprehensive income for the year, net of tax ¹		3,453
1Rp82(i)	Total comprehensive income for the year		35,768
			16,562

¹ The income tax effect has been presented on an aggregate basis; therefore an additional note disclosure presents the income tax effect of each component. Alternatively, this information could be presented within the statement of comprehensive income.

Note – Income tax expense

Tax effects of components of other comprehensive income¹

		Year ended 31 December					
		2009			2008		
		Before tax	Tax	After tax	Before tax	Tax	After tax
		HK\$'000	(charge)	HK\$'000	HK\$'000	(charge)	HK\$'000
			/credit			/credit	
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1Rp90							
1Rp90	Fair value gains:						
1Rp90	– Land and buildings	–	–	–	1,133	(374)	759
1Rp90	– Available-for-sale financial assets	560	(198)	362	123	(61)	62
1Rp90	Share of other comprehensive income of associates	(12)	–	(12)	(14)	–	(14)
1Rp90	Actuarial loss on retirement benefit obligations	–	–	–	(705)	211	(494)
1Rp90							
1Rp90	Impact of change in the [country name] tax rate on deferred tax	–	(10)	(10)	–	–	–
1Rp90	Cash flow hedges	97	(33)	64	(3)	–	(3)
1Rp90	Net investment hedge	(45)	–	(45)	40	–	40
1Rp90	Currency translation differences	2,244	–	2,244	(156)	–	(156)
IFRS3p59	Increase in fair values of proportionate holding of ABC Group (note 39)	850	–	850	–	–	–
Other comprehensive income		3,694	(241)	3,453	418	(224)	194

¹ The income tax effect has been presented on an aggregate basis; therefore an additional note disclosure presents the income tax effect of each component. Alternatively, this information could be presented within the statement of comprehensive income.

3 Consolidated statement of cash flows – direct method

IAS/HKAS 7 encourages the use of the 'direct method' for the presentation of cash flows from operating activities. The presentation of cash flows from operating activities using the direct method in accordance with IAS/HKAS 7 paragraph 18, is as follows:

Consolidated statement of cash flows

A2(3)&(5),
 GEM18.07(3)&(5)
 1Rp113, 7p10

		Year ended 31 December		
		Note	2009 HK\$'000	2008 HK\$'000
7p18(a)	Cash flows from operating activities			
	Cash receipts from customers		212,847	114,451
	Cash paid to suppliers and employees		(156,613)	(72,675)
	Cash generated from operations		56,234	41,776
	Interest paid		(7,835)	(14,773)
	Income taxes paid		(14,317)	(10,526)
	Net cash flows from operating activities		34,082	16,477
7p21	Cash flows from investing activities			
7p39	Acquisition of subsidiary, net of cash acquired	39	(3,950)	–
7p16(a)	Purchases of property, plant and equipment (PPE)	6a	(9,755)	(6,042)
7p16(b)	Proceeds from sale of PPE	36	6,354	2,979
7p16(a)	Purchases of intangible assets	7	(3,050)	(700)
7p16(c)	Purchases of available-for-sale financial assets	10	(2,781)	(1,126)
7p16(e)	Loans granted to associates	40	(1,000)	(50)
7p16(f)	Loan repayments received from associates	40	14	64
7p31	Interest received		1,254	1,193
7p31	Dividends received		1,180	1,120
	Net cash used in investing activities		(11,734)	(2,562)
7p21	Cash flows from financing activities			
7p17(a)	Proceeds from issuance of ordinary shares	17	950	1,070
7p17(b)	Purchase of treasury shares	19	(2,564)	–
7p17(c)	Proceeds from issuance of convertible bond	22(b)	50,000	–
7p17(c)	Proceeds from issuance of redeemable preference shares	22(c)	–	30,000
7p17(c)	Proceeds from borrowings		8,500	18,000
7p17(d)	Repayments of borrowings		(78,117)	(34,674)
7p31	Dividends paid to company's shareholders	35	(10,102)	(15,736)
7p31	Dividends paid to holders of redeemable preference shares		(1,950)	(1,950)
7p31	Dividends paid to minority interest		(1,920)	(550)
	Net cash used in financing activities		(35,203)	(3,840)
	Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(12,855)	10,075
	Cash, cash equivalents and bank overdrafts at beginning of the year	15	27,598	17,587
	Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		535	(64)
	Cash, cash equivalents and bank overdrafts at end of the year	15	15,278	27,598

The notes on pages x to x are an integral part of these consolidated financial statements.

Appendix V – Policies and disclosures for areas not relevant to Specimen Holdings Limited

1 Employee benefits

Included below is the illustrative disclosure for post-employment benefits using the option in IAS/HKAS 19 to recognise actuarial gains and losses using the corridor approach.

Note – Accounting policies

Employee benefits

1Rp119 (a) Pension obligations

19p27
19p25
19p7
19p120A(b)
A26(1), (2) & (4)
GEM18.34(1), (2)
& (4)

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

19p79
19p80
19p64

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

19p92
19p93
19p120A(a)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

19p96

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

19p44

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1Rp119 (b) Other post-employment obligations

19p120A(a)
19p120A(b)

Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

1 Employee benefits (cont'd)

1Rp119 (c) *Share-based compensation*

IFRS2p15(b)
IFRS2p19 The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount to be expensed is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

1Rp119 (d) *Termination benefits*

19p133 Termination benefits are payable when employment is terminated by the group before the normal
19p134 retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.
19p139 The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

1Rp119 (e) *Profit-sharing and bonus plans*

19p17 The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Note – Retirement benefit obligation

	2009 HK\$'000	2008 HK\$'000
Balance sheet obligations for:		
Pension benefits	3,138	1,438
Post-employment medical benefits	1,402	692
	4,540	2,130
Income statement charge for (note 30):		
Pension benefits	762	496
Post-employment medical benefits	150	107
	912	603

A26
GEM18.34

A26(3)
GEM18.34(3)

1 Employee benefits (cont'd)

(a) Pension benefits

The group operates defined benefit pension plans in the UK and the US based on employee pensionable remuneration and length of service. The majority of plans are externally funded. Plan assets are held in trusts, foundations or similar entities, governed by local regulations and practice in each country, as is the nature of the relationship between the group and the trustees (or equivalent) and their composition.

19p120A(d)(f) The amounts recognised in the balance sheet are determined as follows:

	2009	2008
	HK\$'000	HK\$'000
Present value of funded obligations	6,155	2,943
A26(5)(b) GEM18.34(5)(b) Fair value of plan assets	(5,991)	(2,797)
	164	146
Present value of unfunded obligations	3,206	1,549
Unrecognised actuarial losses	(87)	(94)
Unrecognised past service cost	(145)	(163)
Liability in the balance sheet	3,138	1,438

19p120A(c) The movement in the defined benefit obligation over the year is as follows:

	2009	2008
	HK\$'000	HK\$'000
At 1 January	4,492	3,479
Current service cost	751	498
Interest cost	431	214
Contributions by plan participants	55	30
Actuarial losses/(gains)	(15)	495
Exchange differences	(43)	(103)
Benefits paid	(66)	(121)
Liabilities acquired in a business combination (note 39)	3,691	–
Curtailments	65	–
Settlements ¹	–	–
At 31 December	9,361	4,492

19p120A(e) The movement in the fair value of plan assets of the year is as follows:

	2009	2008
	HK\$'000	HK\$'000
At 1 January	2,797	2,264
Expected return on plan assets	510	240
Actuarial gains/(losses)	(15)	(5)
Exchange differences	25	(22)
Employer contributions	908	411
Employee contributions	55	30
Benefits paid	(66)	(121)
Business combinations (note 39)	1,777	–
At 31 December	5,991	2,797

¹ IAS/HKAS 19 requires the disclosure of settlements as part of the reconciliation of the opening and closing balances of the present value of the defined benefit obligation. There is no such movement on the defined benefit obligation relating to pension plans in these financial statements, but the line item has been shown for illustrative purposes.

1 Employee benefits (cont'd)

19p120A(g) The amounts recognised in the income statement are as follows:

	2009 HK\$'000	2008 HK\$'000
Current service cost	751	498
Interest cost	431	214
Expected return on plan assets	(510)	(240)
Net actuarial losses recognised during the year	7	8
Past service cost	18	16
Losses on curtailment	65	–
Total, included in staff costs (note 30)	762	496

19p120A(g) Of the total charge, HK\$521,000 (2008: HK\$324,000) and HK\$241,000 (2008: HK\$172,000) were included in cost of goods sold and administrative expenses respectively.

19p120A(m) The actual return on plan assets was HK\$495,000 (2008: HK\$235,000).

19p120A(n) The principal actuarial assumptions used were as follows:

	2009		2008	
	UK	US	UK	US
Discount rate	6.0%	6.1%	5.5%	5.6%
Inflation rate	3.6%	3.0%	3.3%	2.7%
Expected return on plan assets	8.5%	8.3%	8.7%	8.7%
Future salary increases	5.0%	4.5%	4.5%	4.0%
Future pension increases	3.6%	2.8%	3.1%	2.7%

19p120A(n)(vi) Assumptions regarding future mortality experience are set based on actuarial advice, published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (i) UK: PNMA 00 and PNFA 00 with medium cohort adjustment subject to a minimum annual improvement of 1% and scaling factors of 110% for current male pensioners, 125% for current female pensioners and 105% for future male and female pensioners; and (ii) US: RP2000 with a projection period of 10-15 years.

These tables translate into an average life expectancy in years of a pensioner retiring at age 65 of:

	2009		2008	
	UK	US	UK	US
Retiring at the end of the reporting period:				
– Male	22	20	22	20
– Female	25	24	25	24
– Retiring 20 years after the end of the reporting period:				
– Male	25	23	24	23
– Female	28	26	27	26

1 Employee benefits (cont'd)

DV The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.5%	Increase/decrease by 7.2%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 5.1%
Salary growth rate	Increase/decrease by 0.5%	Increase/decrease by 3.3%
Rate of mortality	Increase by 1 year	Increase by 5.2%

19p122(b) *(b) Post-employment medical benefits*

The group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. The majority of these plans are unfunded.

19p120A(n) In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2008: 7.6%).

19p120A(d) The amounts recognised in the balance sheet were determined as follows:

	2009	2008
	HK\$'000	HK\$'000
Present value of funded obligations	705	340
Fair value of plan assets	(620)	(302)
	85	38
Present value of unfunded obligations	1,325	663
Unrecognised actuarial losses	(8)	(9)
Liability in the balance sheet	1,402	692

19p120A(c) The movement in the defined benefit obligation is as follows:

	2009	2008
	HK\$'000	HK\$'000
Beginning of the year	1,003	708
Current service cost	153	107
Interest cost	49	25
Contributions by plan participants ¹	–	–
Actuarial losses/(gains) ¹	(2)	204
Exchange differences	25	(41)
Benefits paid	–	–
Liabilities acquired in a business combination (note 39)	802	–
Curtailments ¹	–	–
Settlements ¹	–	–
At 31 December	2,030	1,003

¹ IAS/HKAS 19 requires the disclosure of contributions by plan participants, benefits paid, curtailments and settlements as part of the reconciliation of the opening and closing balances of the present value of the defined benefit obligation. There is no such movement on the defined benefit obligation relating to post-employment medical benefits in these financial statements, but the line items have been shown for illustrative purposes.

1 Employee benefits (cont'd)

19p120A(e) The movement in the fair value of plan assets of the year is as follows:

	2009 HK\$'000	2008 HK\$'000
At 1 January	302	207
Expected return on plan assets	53	25
Actuarial gains/(losses)	(2)	(1)
Exchange differences	5	(2)
Employer contributions	185	73
Employee contributions ¹	–	–
Benefits paid ¹	–	–
Business combinations (note 39)	77	–
At 31 December	620	302

19p120A(g) The amounts recognised in the income statement were as follows:

	2009 HK\$'000	2008 HK\$'000
Current service cost	153	107
Interest cost	49	25
Expected return on plan assets	(53)	(25)
Net actuarial losses recognised in year	1	–
Total, included in employee benefits expense (note 30)	150	107

19p120A(o) The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	24	(20)
Effect on the defined benefit obligation	366	(313)

19p120A(g) Of the total charge, HK\$102,000 (2007: HK\$71,000) and HK\$48,000 (2008: HK\$36,000) respectively were included in cost of goods sold and administrative expenses.

19p120A(m) The actual return on plan assets was HK\$51,000 (2008: HK\$24,000).

¹ IAS/HKAS 19 requires the disclosure of employee contributions and employee contributions as part of the reconciliation of the opening and closing balances of plan assets. There is no such movement on the plan assets relating to post-employment medical benefits in these financial statements, but the line items have been shown for illustrative purposes.

1 Employee benefits (cont'd)

(c) *Post-employment benefits (pension and medical)*

19p120A(j) Plan assets are comprised as follows:

	2009		2008	
	HK\$'000		HK\$'000	
Equity instruments	3,256	49%	1,224	40%
Debt instruments	1,524	23%	571	18%
Property	1,047	16%	943	30%
Other	784	12%	361	12%
	6,611	100%	3,099	100%

DV Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities, although the group also invests in property, bonds, hedge funds and cash. The group believes that equities offer the best returns over the long-term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in the UK and Europe, 30% in the US and the remainder in emerging markets.

19p120A(k) Pension plan assets include the company's ordinary shares with a fair value of HK\$136,000 (2008: HK\$126,000) and a building occupied by the group with a fair value of HK\$612,000 (2008: HK\$609,000).

19p120A(l) The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting period. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

19p120(q) Expected contributions to post-employment benefit plans for the year ending 31 December 2009 are HK\$1,150,000.

DV The group has agreed that it will aim to eliminate the deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed regular contribution rate is 14% of pensionable salaries in the UK and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2010. The group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

DV An alternative method of valuation to the projected unit credit method is a buy-out valuation. This assumes that the entire post-employment benefit liability will be settled by transferring all obligations to a suitable insurer. The group estimates the amount required to settle the post-employment benefit liabilities at the end of the reporting period would be HK\$15,500,000.

	2009	2008	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December					
Present value of defined benefit obligation	11,391	5,495	4,187	3,937	3,823
Fair value of plan assets	6,611	3,099	2,471	2,222	2,102
Deficit/(surplus) in the plan	4,780	2,396	1,716	1,715	1,721
Experience adjustments on plan liabilities	(326)	125	55	-	-
Experience adjustments on plan assets	(17)	(6)	(197)	-	-

2 Investment property¹

40p5 Investment property is defined as property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Note – Accounting policies

(a) Basis of preparation²

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and investment properties, which are carried at fair value.

Change in accounting policy

8p28(c) As a result of the 2008 Improvements to IFRS/HKFRSs, IAS/HKAS 40, 'Investment property', has been amended to include within its scope property that is being constructed or developed for future use as investment property. Prior to the amendment such property under construction or development was within the scope of IAS/HKAS 16 'Property, plant and equipment until the construction or development was complete.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The amendment to IAS/HKAS 40 has been applied prospectively for annual periods beginning 1 January 2009 in accordance with the effective date and transitional provisions of the amendment. As at 1 January 2009 all property that is being constructed or developed for future use as investment property was transferred from property, plant and equipment and revalued to fair value on that date determined by an external valuer.

¹ The above investment property disclosures are given for corporate entities that hold property to earn rentals or for capital appreciation or both. It does not cover all the disclosures that would be required for an investment property company. For investment property companies, refer to the PwC industry-specific illustrative financial statements.

² A reporting entity can choose to apply the cost model, provided it does not classify any land held under operating leases as investment property (IAS/HKAS 40 p34, 56). The following accounting policy for cost model may be adopted:

"Investment properties, comprising office buildings, are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using [a straight-line] method to allocate the depreciable amounts over the estimated useful lives of [] years. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise...."

When the cost model is applied, the fair value of investment property should be disclosed at each reporting date (HKAS 40 p79e). In the exceptional cases when an entity cannot determine the fair value of investment property reliably, it shall disclose:

- (a) a description of the investment property;
- (b) an explanation of why fair value cannot be determined reliably; and
- (c) if possible, the range of estimates within which fair value is highly likely to lie."

2 Investment property (cont'd)

8p28(f)(i),(g) The table below details the effect on the current period¹.

Group	Note	31 December 2009 HK\$'000	Increase/ (Decrease) HK\$'000	31 December 2009 HK\$'000
Balance sheet (extract)				
Property, plant and equipment (property under construction)	6a	85,841	(100)	85,741
Investment property		3,180	120	3,300
Deferred tax liabilities	23	(12,364)	(6)	(12,370)
Net assets		76,657	14	76,671
Retained earnings	19	66,578	14	66,592
Minority interest		7,188	-	7,188
Total equity		73,766	14	73,780

Profit for 2009 changed as follows:

Group	Note	2009 HK\$'000	Profit Increase/ (Decrease) HK\$'000	2009 HK\$'000
Income statement (extract)				
Other income		1,880	20	1,900
Profit before income tax		46,806	20	46,826
Income tax expense	32	(14,605)	(6)	(14,611)
Profit from discontinued operations		100	-	100
Profit		32,301	14	32,315
Profit is attributable to:				
– Equity holders of the company		29,753	14	29,767
– Minority interest		2,548	-	2,548
		32,301	14	32,315

8p28(f)(ii) Basic earnings per share reduced by HK\$0.01 from HK\$3.53 to 3.52 and diluted earnings per share by HK\$0.1 from HK\$3.13 to HK\$3.12.

¹ These numbers are for illustrative purposes and do not reconcile to the body of the financial statements.

2 Investment property (cont'd)

1Rp119 (b) *Investment property*

40p75(a)&(d) Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by A [Valuers]¹. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in other income.

(c) *Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.*

40p6, 25 Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

22 Non-current assets – investment properties

		2009 HK\$'000	2008 HK\$'000
	At fair value		
40p76	Opening balance at 1 January	3,050	3,205
40p76(a)	Acquisitions	200	-
40p76(a)	Capitalised subsequent expenditure	-	10
40p76(c)	Classified as held for sale or disposals	-	(112)
40p76(d)	Net gain/(loss) from fair value adjustment	50	97
40p76(f)	Transfer (to)/from inventories and owner-occupied property	-	(150)
40p76	Closing balance at 31 December	3,300	3,050

40p75(f) (a) *Amounts recognised in profit and loss for investment properties*

		2009 HK\$'000	2008 HK\$'000
40p75(f)(i)	Rental income	180	165
40p75(f)(ii)	Direct operating expenses from property that generated rental income	(7)	(6)
40p75(f)(iii)	Direct operating expenses from property that did not generate rental income	(3)	(3)
		170	156

(b) *Valuation basis*

40p75(a),(d),(e) The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2009 revaluations were based on independent assessments made by [A valuer].

40p75(g) (c) *Non-current assets pledged as security*

Refer to note [xx²] for information on non-current assets pledged as security by the parent entity or its controlled entities.

¹ To include the name of the external valuer.

² The note numbers are for illustrative purposes and do not reconcile to the body of the financial statements.

2 Investment property (cont'd)

40p75(h) (d) Contractual obligations

Refer to note [xx] for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

17p56(c) (e) Leasing arrangements

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	2009 HK\$'000	2008 HK\$'000
17p56(a)		
Within one year	265	245
Later than one year but no later than 5 years	1,120	1,050
Later than 5 years	370	550
	1,755	1,845

The Group's interests in investment properties at their net book values are analysed as follows:

	2009 HK\$'000	2008 HK\$'000
10Sch12(8)		
In Hong Kong, held on: Leases ¹ of over 50 years	18,108	15,690

Note – Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:-

	2009 HK\$'000	2008 HK\$'000
16p74(c)		
Property, plant and equipment		
- Contracted but not provided for	1,593	667
- Authorised but not contracted	2,000	3,000
40p75(h)		
Investment property	290	–
40p75(h)		
Investment property – repairs and maintenance		
Contractual obligations for future repairs and maintenance of investment property - contracted but not provided for	140	130

¹ The above refer to the remaining lease periods.

2 Investment property (cont'd)

Commentary

1. You are recommended to refer to “A practical guide to amended IAS 40 – Accounting for investment properties under construction” for more guidance.

<<http://www.pwc.com/gx/en/asset-management/assets/practical-guide-to-amended-ias-40.pdf>>

3 Construction contracts

11p3 A construction contract is defined by IAS/HKAS 11 as a contract specifically negotiated for the construction of an asset.

Note – Accounting policies

Construction contracts

11p39(b)(c) Contract costs are recognised as expenses in the period in which they are incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

11p31 When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

10Sch12(13) The group uses the ‘percentage-of-completion method’ to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within ‘trade and other receivables’.

The group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Consolidated balance sheet (extracts)

	Note	2009 HK\$'000	2008 HK\$'000
1Rp60			
1Rp54(h)	12	23,303	20,374
1Rp54(g)	13	24,885	18,481
1Rp60			
1Rp54(k)	21	17,667	13,733

Consolidated income statement (extracts)

	Note	2009 HK\$'000	2008 HK\$'000
1R54			
11p39(a)		58,115	39,212
11p16		(54,729)	(37,084)
1Rp103		3,386	2,128
1Rp103		(386)	(128)
1Rp103		(500)	(400)

3 Construction contracts (cont'd)

Note – Trade and other receivables (extracts)

		2009 HK\$'000	2008 HK\$'000
IFRS7p36 1Rp78(b)	Trade receivables	18,174	16,944
	Less: Provision for impairment of receivables	(109)	(70)
	Trade receivables – net	18,065	16,874
11p42(a)	Amounts due from customers for contract work	984	788
11p40(c)	Retentions	232	132
	Prepayments	1,300	1,146
1Rp77, 24p17	Receivables from related parties (note 40)	54	46
1Rp77, 24p17	Loans to related parties (note 40)	2,668	1,388
	Total	23,303	20,374

Note – Trade and other payables (extracts)

		2009 HK\$'000	2008 HK\$'000
1Rp77	Trade payables	10,983	9,495
24p17	Amounts due to related parties (note 40)	2,202	1,195
11p42(b)	Amounts due to customers for contract work	855	900
11p40(b)	Advances received for contract work	142	355
	Social security and other taxes	2,002	960
	Accrued expenses	1,483	828
		17,667	13,733

Note – Inventories (extract)

		2009 HK\$'000	2008 HK\$'000
1Rp78(c)	Raw materials	7,622	7,612
	Work in progress (not related to construction contracts)	1,810	1,796
	Finished goods	15,268	8,774
	Costs capitalised in relation to construction contracts	185	299
		24,885	18,481

Note – Construction contracts

		2009 HK\$'000	2008 HK\$'000
11p40(a)	The aggregate costs incurred and recognised profits (less recognised losses) to date	69,804	56,028
	Less: Progress billings	(69,585)	(56,383)
	Net balance sheet position for ongoing contracts	219	(355)

4 Leases: accounting for finance lease by lessor

Leases: Accounting for finance lease by lessor

17p4 A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Note – Accounting policies

1Rp119 When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

17p49 When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

17p50 Lease income is recognised over the term of the lease on a straight-line basis.

Note – Property, plant and equipment

The category of vehicles and equipment includes vehicles leased by the group to third parties under operating leases with the following carrying amounts:

17p57	2009 HK\$'000	2008 HK\$'000
Cost	70,234	–
Accumulated depreciation at 1 January	(14,818)	–
Depreciation charge for the year	(5,058)	–
Net book amount	50,358	–

4 Leases: accounting for finance lease by lessor (cont'd)

Note – Trade and other receivables

	2009 HK\$'000	2008 HK\$'000
1Rp78(b)		
Non-current receivables		
17p47(a) Finance leases – gross receivables	1,810	630
17p47(b) Unearned finance income	(222)	(98)
	1,588	532
Current receivables		
1Rp78(b) Finance leases – gross receivables	1,336	316
17p47(b) Unearned finance income	(300)	(98)
	1,036	218
1Rp78(b) Gross receivables from finance leases:		
17p47(a) No later than 1 year	1,336	316
Later than 1 year and no later than 5 years	1,810	630
Later than 5 years	–	–
	3,146	946
1Rp78(b), 17p47(b) Unearned future finance income on finance leases	(522)	(196)
Net investment in finance leases	2,624	750
1Rp78(b) The net investment in finance leases may be analysed as follows:		
17p47(a) - No later than 1 year	1,036	218
- Later than 1 year and no later than 5 years	1,588	532
- Later than 5 years	–	–
	2,624	750

Note – Operating leases

17p56(a) **Operating leases commitments – group company as lessor**

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2009 HK\$'000	2008 HK\$'000
No later than 1 year	12,920	12,920
Later than 1 year and no later than 5 years	41,800	41,800
Later than 5 years	840	10,840
	55,560	65,560

17p56(b) Contingent-based rents recognised in the income statement were HK\$235,000 (2008: HK\$40,000).

17p56(c) The company lease vehicles under various agreements which terminate between 2010 and 2015. The agreements do not include an extension option.

5 Investments: held-to-maturity financial assets

Note – Accounting policies

Investments

Held-to-maturity financial assets

1Rp119, 39p9 Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Consolidated balance sheet

		2009	2008
		HK\$'000	HK\$'000
1Rp60	Non-current assets		
1Rp54(d)	Held-to-maturity financial assets	3,999	1,099

Note – Held-to-maturity financial assets

IFRS7p27(b) *Held-to-maturity financial assets*

		2009	2008
		HK\$'000	HK\$'000
39AG71-73	Listed securities:		
	– Debentures with fixed interest of 5% and maturity date of 15 June 2014 – UK	4,018	984
	– Debentures with fixed interest of 5.5% and maturity date of 15 June 2010 – US	–	160
	Allowance for impairment	(19)	(45)
		3,999	1,099

The movement in held to maturity of financial assets may be summarised as follows:

		2009	2008
		HK\$'000	HK\$'000
	At 1 January	1,009	390
	Exchange differences	81	56
	Additions	3,093	888
	Disposals	(165)	(280)
	Provision for impairment	(19)	(45)
	At 31 December	3,999	1,009
1Rp66	Less: non-current portion	(3,999)	(1,009)
1Rp66	Current portion	–	–

5 Investments: held-to-maturity financial assets (cont'd)

IFRS7p16 Movements on the provision for impairment of held-to-maturity financial assets are as follows:

	2009 HK\$'000	2008 HK\$'000
At 1 January	45	30
IFRS7p20(e) Provision for impairment	-	16
Unused amounts reversed	(26)	(3)
Unwind of discount (note 31)	-	2
At 31 December	19	45

IFRS7p12(b) The group has not reclassified any financial assets measured amortised cost rather than fair value during the year (2008: nil).

IFRS7p20(a)(iii) There were no gains or losses realised on the disposal of held to maturity financial assets in 2009 and 2008, as all the financial assets were disposed of at their redemption date.

IFRS7p25 The fair value of held to maturity financial assets is based on quoted market bid prices (2009: HK\$3,901,000; 2008: HK\$976,000).

IFRS7p34(c) Held-to-maturity financial assets are denominated in the following currencies:

	2009 HK\$'000	2008 HK\$'000
UK pound	2,190	990
US dollar	1,809	109
Total	3,999	1,099

IFRS7p36(a) The maximum exposure to credit risk at the reporting date is the carrying amount of held to maturity financial assets.

6 Government grants¹

Note – Accounting policies

Government grants

20p39(a)
20p12

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Note – Other (losses)/gains

20p39(b)
20p39(c)

The group obtained and recognised as income a government grant of HK\$100,000 (2008: nil) to compensate for losses caused by flooding incurred in the previous year. The group is obliged not to reduce its average number of employees over the next three years under the terms of this government grant.

The group benefits from government assistance for promoting in international markets products made in the UK; such assistance includes marketing research and similar services provided by various UK government agencies free of charge.

¹ There are two approaches to accounting for government grants namely the capital approach, under which a grant is credited directly to shareholder's interest and the income approach, under which a grant is taken to income over one or more periods. The accounting policy and disclosure below reflects the income approach.

7 Joint ventures

Note – Accounting policies

1Rp119 **Consolidation**

(c) *Joint ventures*

31p57 The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Note – Interest in joint venture

31p56 The group has a 50% interest in a joint venture, JV&Co, which provides products and services to the automotive industry. The following amounts represent the group's 50% share of the assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	2009	2008
	HK\$'000	HK\$'000
Assets:		
Long-term assets	2,730	2,124
Current assets	803	717
	3,533	2,841
Liabilities:		
Long-term liabilities	1,114	1,104
Current liabilities	355	375
	1,469	1,479
Net assets	2,064	1,362
Income	5,276	5,618
Expenses	(3,754)	(4,009)
Profit after income tax	1,522	1,609
31p55(b) Proportionate interest in joint venture's commitments	90	92

31p54 There are no contingent liabilities relating to the group's interest in the joint venture, and no contingent liabilities of the venture itself.

8 Oil and gas exploration assets

Note – Accounting policies

IFRS6p24

Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

(a) Development tangible and intangible assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, it is transferred to production or intangible assets. No depreciation or amortisation is charged during the exploration and evaluation phase.

(b) Oil and gas production assets

Oil and gas production properties are aggregated exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

(c) Depreciation/amortisation

Oil and gas properties intangible assets are depreciated or amortised using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

(d) Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

(e) Impairment – proved oil and gas production properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

8 Oil and gas exploration assets (cont'd)

Note – Property, plant and equipment¹

	Capitalised exploration and evaluation expenditure HK\$'000	Capitalised development expenditure HK\$'000	Subtotal – assets under construction HK\$'000	Production assets HK\$'000	Other businesses and corporate assets HK\$'000	Total HK\$'000
At 1 January 2009						
Cost	218	12,450	12,668	58,720	3,951	75,339
Accumulated amortisation and impairment	(33)	–	(33)	(5,100)	(77)	(5,210)
Net book amount	185	12,450	12,635	53,620	3,874	70,129
Year ended 31 December 2009						
Opening net book amount	185	12,450	12,635	53,620	3,874	70,129
Exchange differences	17	346	363	1,182	325	1,870
Acquisitions	–	386	386	125	4	515
Additions	45	1,526	1,571	5,530	95	7,196
Transfers	(9)	(958)	(967)	1,712	–	745
Disposals	(12)	(1,687)	(1,699)	–	–	(1,699)
Depreciation charge	–	–	–	(725)	(42)	(767)
Impairment charge	(7)	(36)	(43)	(250)	(3)	(296)
Closing net book amount	219	12,027	12,246	61,194	4,253	77,693
At 31 December 2009						
Cost	264	12,027	12,291	67,019	4,330	83,640
Accumulated amortisation and impairment	(45)	–	(45)	(5,825)	(77)	(5,947)
Net book amount	219	12,027	12,246	61,194	4,253	77,693

¹ For the purpose of this illustrative appendix, comparatives for the year ended 31 December 2008 are not disclosed, although they are required by IAS/HKAS 1.

8 **Oil and gas exploration assets (cont'd)**

Note – Intangible assets

	Capitalised exploration and evaluation expenditure HK\$'000	Capitalised development expenditure HK\$'000	Subtotal – intangible assets in progress expenditure HK\$'000	Production assets HK\$'000	Goodwill HK\$'000	Other HK\$'000	Total HK\$'000
At 1 January 2009							
Cost	5,192	750	5,942	3,412	9,475	545	19,374
Accumulated amortisation and impairment	(924)	–	(924)	(852)	(75)	(19)	(1,870)
Net book amount	4,268	750	5,018	2,560	9,400	526	17,504
Year ended 31 December 2009							
Opening net book amount	4,268	750	5,018	2,560	9,400	526	17,504
Exchange differences	152	8	160	195	423	28	806
Acquisitions	26	32	58	5	–	5	68
Additions	381	8	389	15	–	86	490
Transfers	(548)	548	–	–	–	–	–
Transfers to production	–	(850)	(850)	105	–	–	(745)
Disposals	–	(28)	(28)	(15)	–	–	(43)
Amortisation charge	–	–	–	(98)	–	(42)	(140)
Impairment charge	(45)	–	(45)	–	(175)	(5)	(225)
Closing net book amount	4,234	468	4,702	2,767	9,648	598	17,715
At 31 December 2009							
Cost	5,203	468	5,671	3,717	9,898	659	19,945
Accumulated amortisation and impairment	(969)	–	(969)	(950)	(250)	(61)	(2,230)
Net book amount	4,234	468	4,702	2,767	9,648	598	17,715

Assets and liabilities related to the exploration and evaluation of mineral resources other than those presented above are as follows:

	2009 HK\$'000	2008 HK\$'000
Receivables from joint venture partners	25	22
Payable to subcontractors and operators	32	34

Exploration and evaluation activities have led to total expenses of HK\$59,000,000 (2008: HK\$57,000,000), of which HK\$52,000,000 (2008: HK\$43,000,000) are impairment charges.

In 2009, the disposal of a 16.67% interest in an offshore exploration stage 'Field X' resulted in post-tax profits on sale of HK\$3,000,000 (2008: nil).

Cash payments of HK\$415,000,000 (2008: HK\$395,000,000) have been incurred related to exploration and evaluation activities. The cash proceeds due to the disposal of the interest in Field X were HK\$8,000,000 (2008: nil).

9 Revenue recognition: multiple-element arrangements

Note – Accounting policies

The group offers certain arrangements whereby a customer can purchase a personal computer together with a two-year servicing agreement. When such multiple-element arrangements exist, the amount recognised as revenue upon the sale of the personal computer is the fair value of the computer in relation to the fair value of the arrangement taken as a whole. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement, is recognised over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

Where the group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the group determines the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

10 Defaults and breaches of loans payable¹

Borrowings (extract)

IFRS7p18 The company was overdue paying interest on bank borrowings with a carrying amount of HK\$10,000,000. The company experienced a temporary shortage of currencies because cash outflows in the second and third quarters for business expansions in the UK were higher than anticipated. As a result, interest payables of HK\$700,000 due by 30 September 2010 remained unpaid.

The company has paid all outstanding amounts (including additional interests and penalties for the late payment) during the fourth quarter.

Management expects that the company will be able to meet all contractual obligations from borrowings on a timely basis going forward.

IFRS7p19 *Covenants*

Some of the company's credit contracts are subject to covenant clauses, whereby the company is required to meet certain key performance indicators. The company did not fulfil the debt/equity ratio as required in the contract for a credit line of HK\$30,000,000, of which the company has currently drawn an amount of HK\$15,000,000.

Due to this breach of the covenant clause, the bank is contractually entitled to request early repayment of the outstanding amount of HK\$15,000,000. The outstanding balance was reclassified as a current liability². Management started renegotiating the terms of the loan agreement when it became likely that the covenant clause may be breached.

The bank has not requested early repayment of the loan as of the date when these financial statements were approved by the board of directors. Management expects that a revised loan agreement will be in place during the first quarter of 2010.

¹ These events or conditions may cast significant doubt about company's ability to continue as a going concern. When events or conditions have been identified that may cast significant doubt on a company's ability to continue as a going concern, the auditor should: 1) Review management's plans for future actions based on its going concern assessment; 2) Gather sufficient appropriate audit evidence to confirm or dispel whether or not a material uncertainty exists through carrying out audit procedures considered necessary, including considering the effect of any plans of management and other mitigating factors; 3) Seek written representations from management regarding its plans for future action. If a material uncertainty related to events or conditions that may cast significant doubt on a company's ability to continue as a going concern exists, disclosure is required in the auditor's report. ISA /HKSA570, 'Going concern', establishes standards and provides guidance on the auditor's responsibility in the audit of financial statements with respect to the going concern assumption used in the preparation of the financial statements, including considering management's assessment of the entity's ability to continue as a going concern.

² The reclassification of non-current debt to current liabilities would still be required if the terms of the loan were successfully renegotiated after the balance sheet date.

11 Financial guarantee contracts

39p9 **Note – Accounting policies**

Financial guarantee contracts are contracts that require 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. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

39p43, 47
 39AG4(a)
 IFRS 7p3(d)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS/HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of Management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the company.

Note – Maximum exposure to credit risk before collateral held or other credit enhancements

IFRS7p34(a),
 36(a)
 IFRS 7Appx
 B9,10
 IFRS7IG21

	Company	
	Maximum exposure	
	2009	2008
	HK\$'000	HK\$'000
Credit risk exposure relating to off-balance sheet items as follows		
Financial guarantees	660	789
At 31 December	660	789

Note – Liquidity risk (extracts)

	Company	
	Less than 1	Between 1
	year	and 2 years
	HK\$'000	HK\$'000
At 31 December 2009		
Financial guarantee contracts	21	-
At 31 December 2008		
Financial guarantee contracts	10	-

11 Financial guarantee contracts (cont'd)

Note – Other financial liabilities (extracts)

	Company	
	2009 HK\$'000	2008 HK\$'000
Current		
Liabilities for financial guarantees	90	10
Total current other financial liabilities	90	10
Non-current		
Liabilities for financial guarantees	30	80
Total non-current other financial liabilities	30	80

Note – Financial guarantees

The Company has guaranteed the bank overdrafts and drawn components of bank loans of a number of subsidiaries. Under the terms of the financial guarantee contracts, the company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

Terms and face values of the liabilities guaranteed were as follows:

	Year of maturity	31 December 2009	31 December 2008
		Face value HK\$'000	Face value HK\$'000
Bank term loans of controlled entities	2010-2012	660	789

The method used in determining the fair value of these guarantees has been disclosed in the company's entity's accounting policy 'Financial guarantee contracts', refer Note [].

	Company	
	2009 HK\$'000	2008 HK\$'000
Amortisation of financial guarantee contracts	3	2

Commentary

IAS/HKAS 39 requires the financial guarantee contract to be initially recorded at fair value, which is likely to equal the premium received (IAS/HKAS 39 AG4(a)). Where the issuer of a financial guarantee is entitled to receive recurring future premiums over the life of the contract, IFRS/HKFRS allows but does not require recognition of a gross receivable for future premiums not yet due together with a liability for the guarantee. The entity should select a presentation policy and apply it consistently to all issued financial guarantee contracts.

If the Group has previously asserted explicitly that it regards issued financial guarantee contracts as insurance contracts and has used accounting applicable to insurance contracts, the Group may elect to apply either IAS/HKAS 39 or IFRS/HKFRS 4 to such financial guarantee contracts.

12 Financial assets – reclassification

Note – Accounting policies

39p50A-F

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Financial assets (extract)

Financial assets – reclassifications

IFRS 7p12
 IFRS 7p12A(c)

During the year, the group reclassified financial assets out of trading and available-for-sale categories into the loans and receivables category. The Group had the intention and ability to hold these reclassified loans and receivables for the foreseeable future or until maturity at the date of reclassification.

IFRS 7p12A(a)
 IAS 1p38

The fair values of reclassified financial assets as of the respective dates of reclassification are disclosed below:

	Financial assets reclassified in the year ended 31 December 2009	Fair values on date of reclassification HK\$'000
Reclassified from trading to held to maturity	Investments in special investment vehicles (SIV)	100
Reclassified from trading to loans and receivables	Cash CDOs	850
	Syndicated loans	700
	Leveraged loans	450
Reclassified from available for sale to loans and receivables	Collateralised loan obligations	150
	Mortgage backed securities	250
Total		2,500

IFRS7p12A(b)

As at 31 December 2009, the fair values and carrying values of financial assets reclassified during the current year are HK\$2,780,000 and HK\$2,496,000 respectively (2008: HK\$2,270,000 and HK\$2,689,000 respectively).

IFRS 7p12A(d,e)

The Group has recognised the following gains, losses, income and expenses in the income statement in respect of reclassified financial assets:

	For the year ended 31 December 2009		For the year ended 31 December 2008
	After reclassification	Before reclassification	
	HK\$'000	HK\$'000	HK\$'000
Fair value loss	-	(226)	(710)
Interest income	169	12	25
Impairment	(10)	(56)	(90)
Foreign exchange gain	20	-	-

12 Financial assets – reclassification (cont'd)

Financial assets (extract)

IFRS 7p12A(d) In the current year before reclassification, the Group recognised in the revaluation reserve in equity a fair value loss in the amount of HK\$20,000 on financial assets reclassified out of the available-for-sale category into the loans and receivables category (the loss recognised in revaluation reserve in equity in 2008 on available-for-sale assets reclassified in the current period was HK\$35,000).

IFRS 7p12A(e) If the Group had not reclassified financial assets during the current period, fair value losses recognised for the year in profit or loss and losses recognised in the revaluation reserve in equity would have amounted to HK\$650,000 and HK\$70,000 respectively. In addition, had the Group not reclassified financial assets out of the available-for-sale and into the loans and receivables category, the Group would have recorded impairment charges of HK\$37,000 and interest income of HK\$20,000.

IFRS 7p12A(f) Effective interest rates on financial assets reclassified into loans and receivables and held-to-maturity investments as at their respective dates of reclassification fell into the following ranges:

Investments in structured investment vehicles	18%
Cash CDOs	14%-15%
Syndicated loans	15%
Leveraged loans	17%-18%
Collateralised loan obligations	15-16%
Mortgage backed securities	14-15%

Presented below are the estimated amounts of undiscounted cash flows the group expected to recover from these reclassified financial assets as at the date of reclassification:

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investments in structured investment vehicles	50	35	45	-
Cash CDOs	250	310	450	135
Syndicated loans	170	210	345	335
Leveraged loans	150	145	205	180
Collateralised loan obligations	55	50	60	45
Mortgage backed securities	90	75	95	90

Appendix VI – Critical accounting estimates and judgements not relevant to Specimen Holdings Limited

Critical accounting estimates

1Rp125 The following critical accounting estimates may be applicable, among many other possible areas not presented in Specimen Holdings Limited's consolidated financial statements.

(a) Useful lives of technology division's plant and equipment

The group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projected product lifecycles for its high-tech segment. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Were the actual useful lives of the technology division plant and equipment to differ by 10% from management's estimates, the carrying amount of the plant and equipment would be an estimated HK\$1,000,000 higher or HK\$970,000 lower.

(b) Warranty claims

The group generally offers three-year warranties for its personal computer products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the group's productivity and quality initiatives, as well as parts and labour costs.

Were claims costs to differ by 10% from management's estimates, the warranty provisions would be an estimated HK\$2,000,000 higher or HK\$1,875,000 lower.

Critical accounting judgements

1Rp122 The following critical accounting judgements may be applicable, among many other possible areas not presented in Specimen Holdings Limited's consolidated financial statements.

(a) Held-to-maturity investments

The group follows the IAS/HKAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the group evaluates its intention and ability to hold such investments to maturity.

If the group fails to keep these investments to maturity other than for specific circumstances explained in IAS/HKAS 39, it will be required to reclassify the whole class as available for sale. The investments would therefore be measured at fair value not amortised cost.

If the class of held-to-maturity investments is tainted, the fair value would increase by HK\$2,300,000, with a corresponding entry in the fair value reserve in shareholders' equity.

Appendix VII – Business combinations disclosure under IFRS/HKFRS 3 (revised)

Appendix VII presents the acquisition in note 39 in accordance with IFRS/HKFRS 3 (revised) and follows the illustrative example on disclosure provided in IFRS/HKFRS 3 (revised). IFRS/HKFRS 3 (revised) allows for early adoption but generally is prospectively applicable for annual periods beginning on or after 1 July 2009.

Note – Basis of preparation

Standards early adopted by the group

IAS8p28

IFRS/HKFRS 3 (revised), 'Business combinations' was early adopted by the group in 2009 and applied prospectively from 1 January 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The revised standard was applied to the acquisition of the controlling interest in ABC Group on 1 March 2009. This acquisition has occurred in stages. The revised standard requires that goodwill is determined only at the acquisition date rather than at the previous stages. The determination of goodwill includes the previously held equity interest to be adjusted to fair value with any gain or loss recorded in the income statement. Contingent consideration of HK\$1,000,000 has been recognised at fair value at 1 March 2009. The contingent consideration would not have previously been recorded at the date of acquisition, as the payment to the former owners of ABC Group was not probable. Acquisition-related costs of HK\$200,000 have been recognised in the consolidated income statement, which previously would have been included in the consideration for the business combination. An indemnification asset of HK\$1,000,000 has been recognised by the group at an amount equivalent to the fair value of the indemnified liability. The indemnification asset is deducted from consideration transferred for the business combination. This possible compensation from the selling shareholders of ABC Group would not have previously been recognised as an indemnification asset of the acquirer and would have been adjusted against goodwill once received from the vendor. Subsequent measurement of the indemnification asset and contingent liability will have no net impact on future earnings, unless the indemnification asset becomes impaired. The group have chosen to recognise the non-controlling interest at fair value of HK\$6,451,000 for this acquisition rather than the proportionate share of net assets of ABC Group of HK\$4,542,000 which is also allowed. Previously there was no choice and the non-controlling interest would have been recognised at the proportionate share (30%) of the net assets of ABC Group of HK\$4,542,000. See note 39 for further details of the business combination which occurred in 2009.

As the group has early adopted IFRS/HKFRS 3 (revised) in 2009, it is required to early adopt IAS/HKAS 27 (revised), 'Consolidated and separate financial statements' at the same time. IAS/HKAS 27 (revised) requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IAS/HKAS 27 (revised) on the current period as none of the minority interest have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity and there have been no transactions with minority interest.

Note – Accounting policies

1p119

Consolidation

27p12

(a) Subsidiaries

27p14
27p30

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

- IFRS3Rp5
 IFRS3Rp37
 IFRS3Rp39
 IFRS3Rp53
 IFRS3Rp18
 IFRS3Rp19
- The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.
- IFRS3Rp32
 IFRS3Rp34
- The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (note 2.6).
- 27p20,21
- Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.
- (b) Transactions with non-controlling interest*
- 27p30,31
- The group treats transactions with non-controlling interest as transactions with equity holders of the company. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interest are also recorded in equity.
- IFRS3RpB64(a-d)
- On 30 June 2008 the group acquired 15% of the share capital of ABC Group for HK\$1,126,000. On 1 March 2009, the group acquired a further 55% of the share capital and obtained the control of ABC Group, a shoe and leather goods retailer operating in the US and most western European countries. As a result of the acquisition, the group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale.
- IFRS3RpB64(e)
- The goodwill of HK\$7,360,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the group and ABC Group.
- IFRS3RpB64(k)
- None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarises the consideration paid for ABC Group and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in ABC Group.

Consideration	HK\$'000
<hr/>	
At 1 March 2009	
IFRS3RpB64(f)(i), B64(f)(iv) Cash	4,050
IFRS3RpB64(f)(iii) Equity instruments (3,550 ordinary shares)	10,000
IFRS3RpB64(g)(i) Contingent consideration	1,000
IFRS3RpB64(f) Total consideration transferred	15,050
<hr/>	
Indemnification asset	(1,000)
IFRS3RpB64(p)(i) Fair value of equity interest in ABC Group held before the business combination	2,000
<hr/>	
	16,050
<hr/>	

IFRS3RpB64(m)	Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2009)	200
IFRS3RpB64(i)	Recognised amounts of identifiable assets acquired and liabilities assumed	
	Cash and cash equivalents	300
	Property, plant and equipment (note 6a)	67,784
	Trademarks (included in intangibles) (note 7)	2,000
	Licences (included in intangibles) (note 7)	1,000
	Contractual customer relationship (included in intangibles) (note 7)	1,000
	Investment in associates (note 8b)	389
	Available-for-sale financial assets (note 10)	473
	Inventories	1,122
	Trade and other receivables	585
	Trade and other payables	(12,461)
	Retirement benefit obligations:	
	– Pensions (note 24)	(1,914)
	– Other post-retirement obligations (note 24)	(725)
	Borrowings	(41,459)
	Contingent liability	(1,000)
	Deferred tax liabilities (note 23)	(1,953)
	Total identifiable net assets	15,141
IFRS3RpB64(o)(i)	Non-controlling interest	(6,451)
	Goodwill (note 7)	7,360
		16,050
IFRS3RpB64(f)(iv) IFRS3RpB64(m)	The fair value of the 3,550 ordinary shares issued as part of the consideration paid for ABC Group (HK\$10,050,000) was based on the published share price on 1 March 2009. Issuance costs totalling HK\$50,000 have been netted against the deemed proceeds.	
IFRS3RpB64(f)(iii) IFRS3RpB64(g) IFRS3RB67(b)	The contingent consideration arrangement requires the group to pay the former owners of ABC Group 5% of the profit of ABC Group, in excess of HK\$7,500,000 for 2010, up to a maximum undiscounted amount of HK\$2,500,000.	
	The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between HK\$0 and HK\$2,500,000.	
	The fair value of the contingent consideration arrangement of HK\$1,000,000 was estimated by applying the income approach. The fair value estimates are based on a discount rate of 8% and assumed probability-adjusted profit in ABC Group of HK\$20,000,000 to HK\$40,000,000.	
	As of 31 December 2009, there was an increase of HK\$1,000,000 recognised in the income statement for the contingent consideration arrangement as the assumed probability-adjusted profit in ABC Group was recalculated to be in the region of HK\$30,000,000-50,000,000.	
IFRS3RpB64(h)	The fair value of trade and other receivables is HK\$585,000 and includes trade receivables with a fair value of HK\$510,000. The gross contractual amount for trade receivables due is HK\$960,000, of which HK\$450,000 is expected to be uncollectible.	
IFRS3RpB67(a)	The fair value of the acquired identifiable intangible assets of HK\$4,000,000 (including trademarks and licences) is provisional pending receipt of the final valuations for those assets.	

- IFRS3RpB64(j)
B67(c) IAS 37p84,
85 A contingent liability of HK\$1,000,000 has been recognised for a pending lawsuit in which ABC Group is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by the end of 2011. The potential undiscounted amount of all future payments that the group could be required to make if there was an adverse decision related to the lawsuit is estimated to be between HK\$500,000 and HK\$1,500,000. As of 31 December 2009, there has been no change in the amount recognised (except for unwinding of the discount HK\$4,000) for the liability at 31 March 2009, as there has been no change in the range of outcomes or assumptions used to develop the estimates.
- IFRS3RpB64(g),
p57 The selling shareholders of ABC Group have contractually agreed to indemnify Specimen Holdings Limited for the claim that may become payable in respect of the above-mentioned lawsuit. An indemnification asset of HK\$1,000,000, equivalent to the fair value of the indemnified liability, has been recognised by the group. The indemnification asset is deducted from consideration transferred for the business combination. As is the case with the indemnified liability, there has been no change in the amount recognised for the indemnification asset as at 31 December 2009, as there has been no change in the range of outcomes or assumptions used to develop the estimate of the liability.
- IFRS3RpB64(o) The fair value of the non-controlling interest in ABC Group, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:
- (a) an assumed discount rate of 8%;
 - (b) an assumed terminal value based on a range of terminal EBITDA multiples between three and five times;
 - (c) long-term sustainable growth rate of 2%;
 - (d) assumed financial multiples of companies deemed to be similar to ABC Group; and
 - (e) 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 interest in ABC Group.
- IFRS3RpB64(p)(ii) The group recognised a gain of HK\$500,000 as a result of measuring at fair value its 15% equity interest in ABC Group held before the business combination. The gain is included in other income in the group's statement of comprehensive income for the year ending 31 December 2009.
- IFRS3RpB64(q)(i) The revenue included in the consolidated statement of comprehensive income since 1 March 2009 contributed by ABC Group was HK\$44,709,000. ABC Group also contributed profit of HK\$12,762,000 over the same period.
- IFRS3RpB64(q)(ii) Had ABC Group been consolidated from 1 January 2009 the consolidated statement of comprehensive income would show revenue of HK\$220,345,000 and profit of HK\$33,126,000.

Appendix VIII – Forthcoming requirements

New and amended standards and interpretations that have been issued and are effective for periods commencing after 1 January 2009

Part 1 - Accounting standards and interpretations

Standard / Interpretation	Key requirements	Early adoption and transition provision, if any
(I) Changes effective for annual periods beginning on or after 1 July 2009		
IFRS/HKFRS 1 (Revised) “First-time adoption of IFRSs/HKFRSs”	The revision to IFRS/HKFRS 1(Revised) is to make it easier for the reader to understand and to design it to better accommodate future changes by the IASB/HKICPA. The version of IFRS/HKFRS 1 issued in 2008 retains the substance of the previous version, but within a changed structure.	Early adoption is permitted.
IFRS/HKFRS 3 (Revised) “Business combinations”	The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed.	To be applied prospectively. Early adoption is permitted if IAS/HKAS 27R also adopted.
IAS/HKAS 27(Revised) “Consolidated and separate financial statements”	<ul style="list-style-type: none"> • The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control (“economic entity model”). These transactions will no longer result in goodwill or gains and losses. • When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the income statement. • Additional guidance given on linked transactions. 	Prospective for measurement of non-controlling interest. Early adoption permitted if IFRS/HKFRS 3R also adopted.
IAS/HKAS 39 (Amendment) Eligible hedge items	<p>The amendment makes two significant changes.</p> <ul style="list-style-type: none"> • It prohibits designating inflation as a hedgeable component of a fixed rate debt. Inflation is not separately identifiable and reliably measurable as a risk or a portion of a financial instrument, unless it is a contractually specified portion of the cash flows of a recognised inflation-linked bond whose other cash flows are unaffected by the inflation portion. • It prohibits including time value in a one-sided hedged risk when designating options as hedges. An entity may only designate the change in the intrinsic value of an option as the hedging instrument of a one-sided risk arising from a forecast transaction in a hedging relationship. A one-sided risk is that changes in cash flows or fair value of a hedged item is above or below a specified price or other variable. 	To be applied retrospectively. Early adoption is permitted.

Standard / Interpretation	Key requirements	Early adoption and transition provision, if any
<p>IFRIC/HK(IFRIC) - Int 17 “Distribution of non-cash assets to owners”</p>	<p>This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets (or with a cash alternative) to shareholders either as a distribution of reserves or as dividends. It clarifies that:</p> <ul style="list-style-type: none"> - a dividend payable shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. - the dividend payable shall be measured at the fair value of the assets to be distributed. - the difference between the dividend paid and the carrying amount of the assets distributed shall be recognised in profit or loss. <p>IFRS/HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.</p>	<p>This interpretation is to be applied prospectively.</p> <p>Earlier adoption is permitted; however, IFRS/HKFRS 3R, IAS/HKAS 27R and IFRS/HKFRS 5 (amended by this interpretation) should be applied from the same date.</p>
(II) Changes effective for annual periods beginning on or after 1 January 2010		
<p>IFRS/HKFRS 1 (Amendment) – Additional exemptions for first-time adopters</p>	<p>The amendments address the retrospective application of IFRSs/HKFRSs to particular situations and aims to ensure that entities applying IFRSs/HKFRSs will not face undue cost or effort in the transition process. Specifically, the following areas are addressed:</p> <ul style="list-style-type: none"> • A ‘deemed cost’ exemption was added such that entities are exempt from full retrospective application of IFRSs/HKFRSs for certain oil and gas assets. However, the entity should test exploration and evaluation assets and assets in the development and production phases for impairment of the date of transition to IFRSs/HKFRSs. • An exemption was added such that entities are exempt from reassessing whether an arrangement contains a lease in accordance with IFRIC 4/HK(IFRIC)-Int 4, ‘Determining whether an arrangement contains a lease’ when the application of their national accounting requirements produced the same result. • Guidance is provided for measuring decommissioning liabilities incurred in the cost of property, plant and equipment when the ‘deemed cost’ exemption is used for oil and gas assets in the development or production phases. 	<p>Early adoption is permitted.</p>
<p>IFRS/HKFRS 2 (Amendment) – Group cash-settled share-based payment transaction</p>	<p>In addition to incorporating IFRIC/HK(IFRIC)-Int 8, “Scope of IFRS/HKFRS 2”, and IFRIC/HK(IFRIC) – Int 11, “IFRS/HKFRS 2 – Group and treasury share transactions”, the amendments expand on the guidance in IFRIC/HK(IFRIC) – Int 11 to address the accounting in the separate financial statements of a subsidiary when its suppliers/employees will receive cash payments from the parent that are linked to the price of the equity instruments of an entity in the group. The parent, and not the entity, has the obligation to deliver cash. The amendments state that the entity shall account for the transaction with its suppliers/employees as equity-settled, and recognise a corresponding increase in equity as a contribution from its parent. The subsidiary shall remeasure the cost of the transaction subsequently for any changes resulting from non-market vesting conditions not being met in accordance with paragraphs 19–21. This differs from the measurement of the transaction as cash-settled in the consolidated financial statements of the group.</p>	<p>To be applied retrospectively, subject to the original IFRS/HKFRS 2 transitional provisions in paragraphs 53–59.</p> <p>Early adoption is permitted.</p>

Standard / Interpretation	Key requirements	Early adoption and transition provision, if any
(III) Changes effective for annual periods beginning on or after 1 February 2010		
IAS/HKAS 32 (Amendment) Classification of rights issue	Rights issues are now required to be classified as equity if they are issued for a fixed amount of cash regardless of the currency in which the exercise price is denominated, provided they are offered on a pro rata basis to all owners of the same class of equity. Entities will no longer classify rights issues, for which the exercise price is denominated in a foreign currency, as derivative liabilities with fair value changes being recorded in profit or loss. Rather, entities will be able to classify these rights in equity with no re-measurement. The scope of the amendment is narrow and does not extend to foreign-currency-denominated convertible bonds. For these instruments, the embedded option to acquire the issuer's equity will continue to be accounted for as a derivative liability with fair value changes recorded in profit or loss.	To be applied retrospectively. Early adoption is permitted.
(IV) Changes effective for annual periods beginning on or after 1 July 2010		
IFRIC/HK(IFRIC)19 Extinguishing financial liabilities with equity instruments	The interpretation clarifies the accounting by the debtor when the debtor renegotiates the terms of its debt with the result that the liability is extinguished through issuing its own equity instruments to the creditor (i.e. a "debt for equity swap"). A gain or loss recognised in profit or loss is the difference between the fair value of the equity instruments issued and the carrying amount of the financial liability. If the fair value of the equity instruments cannot be reliably measured then the fair value of the existing financial liability is used to measure the gain or loss. The amount of the gain or loss should be separately disclosed on the face of the statement of comprehensive income or in the notes. This interpretation applies to all debtors that enter into debt for equity swap transactions in full or partial settlement of a financial liability.	Early adoption is permitted. To be applied retrospectively from the beginning of the earliest comparative period presented as application to earlier periods would result only in a reclassification of amounts within equity.
(V) Changes effective for annual periods beginning on or after 1 January 2011		
IAS/HKAS 24 (Revised) "Related party disclosures"	<ul style="list-style-type: none"> • The amendment introduces an exemption from all of the disclosure requirements of IAS/HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose: <ul style="list-style-type: none"> - the name of the government and the nature of their relationship; and - the nature and amount of any individually-significant transactions; and - the extent of any collectively-significant transactions qualitatively or quantitatively. • It also clarifies and simplifies the definition of a related party. 	To be applied retrospectively. Early adoption is permitted, for either the entire standard or the government-related entity exemption.

Standard / Interpretation	Key requirements	Early adoption and transition provision, if any
Amendment to IFRIC/HK(IFRIC) 14 Prepayments of a minimum funding requirement	Some entities that are subject to a minimum funding requirement have elected to prepay their pension contributions. The prepaid contributions are recovered through lower minimum funding requirements in future years. The previous version of IFRIC/HK(IFRIC) 14 did not permit the recognition of an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was an unintended consequence of the interpretation, which has been amended to require that an asset is recognised in these circumstances	To be applied from the beginning of the earliest comparative period presented in the first financial statements in which the entity applies this Interpretation. Early adoption is permitted.
(VI) Changes effective for annual periods beginning on or after 1 January 2013		
IFRS/HKFRS 9 “Financial Instruments”	<ul style="list-style-type: none"> • Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. • An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity’s business model is to hold the asset to collect the contractual cash flows, and the asset’s contractual cash flows represent only payments of principal and interest (that is, it has only ‘basic loan features’). All other debt instruments are to be measured at fair value through profit or loss. • All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. 	To be applied retrospectively. However, if adopted before 1 January 2012, comparative periods do not need to be restated. In addition, entities adopting before 1 January 2011 are allowed to designate any date between then and the date of issuance of IFRS 9, as the date of initial application that will be the date upon which the classification of financial assets will be determined. Early adoption is permitted.

Part 2 – First annual improvements project published in May 2008 by the IASB and October 2008 by the HKICPA

Standards	Amendments	Effective date
<p>IFRS/HKFRS 5 “Non-current assets held for sale and discontinued operations” (and consequential amendment to IFRS/HKFRS 1 “First-time adoption”)</p>	<p>Plan to sell the controlling interest in a subsidiary</p> <ul style="list-style-type: none"> • All of a subsidiary’s assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. • If the subsidiary described above is a disposal group meeting the definition of a discontinued operation, the relevant disclosures should be made. • A consequential amendment to IFRS/HKFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS/HKFRSs. 	<p>Periods beginning on or after 1 July 2009 with prospective application from the date IFRS/HKFRS 5 was first applied.</p> <p>Early adoption is permitted only if IAS/HKAS 27R is also early adopted.</p>

Part 3 – Second annual improvements project published in April 2009 by the IASB and May 2009 by the HKICPA

Standards	Amendments	Effective date
Assets		
IFRS/HKFRS 5 Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations	Amendment to clarify that IFRS/HKFRS 5, 'Non-current assets held for sale and discontinued operations', specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Also clarifies that the general requirements of IAS/HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS/HKAS 1.	Effective for periods beginning on or after 1 January 2010. To be applied prospectively. Earlier adoption is permitted.
IAS/HKAS 36 Unit of accounting for goodwill impairment test	Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS/HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS/HKFRS 8).	Effective for periods beginning on or after 1 January 2010. To be applied prospectively. Earlier adoption is permitted.
IAS/HKAS 38 Additional consequential amendments arising from IFRS/HKFRS 3 (revised) and measuring the fair value of an intangible asset acquired in business combination	This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item.	Effective for periods beginning on or after 1 July 2009. Linked to application of IFRS/HKFRS 3R. To be applied prospectively. Earlier adoption is permitted. If an entity applies IFRS/HKFRS 3R for an earlier period, the amendment also applies for that earlier period.
Financial assets and liabilities		
IAS/HKAS 39 Treating loan prepayment penalties as closely related derivatives	Amendment to clarify that loan prepayment penalties are only treated as closely related embedded derivatives, if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. A specific formula is given to calculate the lost interest.	Effective for periods beginning on or after 1 January 2010. To be applied retrospectively. Earlier adoption is permitted.
IAS/HKAS 39 Cash flow hedge accounting	Amendment to clarify when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss.	Effective for periods beginning on or after 1 January 2010. To be applied prospectively to all unexpired contracts. Earlier adoption permitted.
IFRIC/HK(IFRIC) 16 Hedges of a net investment in a foreign operation	The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS/HKAS 39 that relate to a net investment hedge are satisfied.	Effective for periods beginning on or after 1 July 2009. To be applied retrospectively. Earlier adoption permitted.

Standards	Amendments	Effective date
Scope clarification		
IFRS/HKFRS 2 Scope of IFRS/HKFRS 2 and IFRS/HKFRS 3 (revised)	Amendment to confirm that, in addition to business combinations as defined by IFRS/HKFRS 3 (revised) 'Business combinations', contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS/HKFRS 2, 'Share-based payment'.	Effective for periods beginning on or after 1 July 2009. Linked to application of IFRS/HKFRS 3R. To be applied retrospectively. Earlier adoption is permitted. If an entity applies IFRS/HKFRS 3R for an earlier period, the amendment also applies for that earlier period.
IAS/HKAS 39 Scope exemption for business combination contracts	Amendments to the scope exemption in paragraph 2(g) of IAS/HKAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.	Effective for periods beginning on or after 1 January 2010. To be applied prospectively to all unexpired contracts. Earlier adoption permitted.
IFRIC/HK(IFRIC)- Int 9 and IFRS/HKFRS 3 (revised)	The Board amended the scope paragraph of IFRIC/HK(IFRIC) - Int 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.	Effective for periods beginning on or after 1 July 2009. To be applied prospectively. If an entity applies IFRS/HKFRS 3R for an earlier period, the amendment also applies for that earlier period.
Financial statement presentation		
IFRS/HKFRS 8 Disclosure of information about segment assets	Minor textual amendment to the standard, and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker.	Effective for periods beginning on or after 1 January 2010. To be applied retrospectively. Earlier adoption is permitted.
IAS/HKAS 1 (Amendment) Current/non-current classification of convertible instruments	Regarding the liability component of convertible instruments, it clarifies that the holder's option which will result in the settlement by the issuance of equity instruments, is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.	Effective for periods beginning on or after 1 January 2010. To be applied retrospectively. Earlier adoption is permitted.

Standards	Amendments	Effective date
<p>IAS/HKAS 7 Classification of expenditures on unrecognised assets</p>	<p>Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.</p>	<p>Effective for periods beginning on or after 1 January 2010.</p> <p>To be applied retrospectively. Earlier adoption is permitted.</p>
<p>IAS/HKAS 17 Classification of leases of land and buildings (Consequential amendment to HK-Int 4, Leases – Determination of the length of lease term in respect of Hong Kong land leases)</p>	<p>Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS/HKAS 17.</p>	<p>Effective for periods beginning on or after 1 January 2010.</p> <p>To be applied retrospectively to existing leases if the necessary information is available at the inception of the lease. Otherwise land leases should be reassessed on the date of adoption of the amendment.</p> <p>Earlier adoption is permitted.</p>
<p>IAS/HKAS 18 Determining whether an entity is acting as a principal or as an agent</p>	<p>Additional guidance added to the appendix to IAS/HKAS 18 Revenue regarding the determination as to whether an entity is acting as a principal or an agent.</p>	<p>The amendment is to the Appendix to IAS/HKAS 18; no transition provisions are specified.</p>

Appendix IX – Independent Auditor’s Report

Independent Auditor’s Report

To the shareholders of Specimen Holdings Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Specimen Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [x] to [x], which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors’ responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

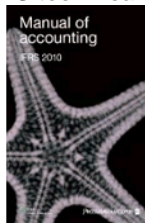
PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, [date]

Illustrative IFRS/HKFRS consolidated corporate financial statements 2009 is designed for the information of readers. While every effort has been made to ensure accuracy, information contained in this publication may not be comprehensive, or some information may have been omitted that may be relevant to a particular reader. This publication is not intended to cover all aspects of IFRS/HKFRS, or as a substitute for reading the actual Standards and Interpretations when dealing with specific issues. No responsibility for loss to any person acting or refraining from acting as a result of any material in this publication can be accepted by PricewaterhouseCoopers. Recipients should not act on the basis of this publication without seeking professional advice.

IFRS technical publications



Manual of accounting – IFRS 2010

Global guide to IFRS providing comprehensive practical guidance on how to prepare financial statements in accordance with IFRS. Includes hundreds of worked examples and extracts from company reports. The Manual is a three-volume set comprising:

- *Manual of accounting – IFRS 2010*
- *Manual of accounting – Financial instruments 2010*
- *Illustrative IFRS corporate consolidated financial statements for 2009 year ends*

A practical guide to capitalisation of borrowing costs

Guidance in question and answer format addressing the challenges of applying IAS 23R, including how to treat specific versus general borrowings, when to start capitalisation and whether the scope exemptions are mandatory or optional.



A practical guide to segment reporting

Provides an overview of the key requirements of IFRS 8, 'Operating segments' and some points to consider as entities prepare for the application of this standard for the first time. See also 'Segment reporting – an opportunity to explain the business' below.



A practical guide to share-based payments

Answers the questions we have been asked by entities and includes practical examples to help management draw similarities between the requirements in the standard and their own share-based payment arrangements. November 2008.



Financial instruments under IFRS – A guide through the maze

High-level summary of IAS 32, IAS 39 and IFRS 7, updated in June 2009. For existing IFRS preparers and first-time adopters.



IAS 39 – Achieving hedge accounting in practice

Covers in detail the practical issues in achieving hedge accounting under IAS 39. It provides answers to frequently asked questions and step-by-step illustrations of how to apply common hedging strategies.



IFRS disclosure checklist 2009

Outlines the disclosures required by all IFRSs published up to 17 October 2009.



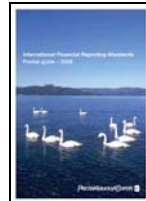
Manual of accounting – Financial instruments 2010

Comprehensive guidance on all aspects of the requirements for financial instruments accounting. Detailed explanations illustrated through worked examples and extracts from company reports.

Included with *Manual of accounting – IFRS 2010*; also available separately.

IFRS pocket guide 2009

Provides a summary of the IFRS recognition and measurement requirements. Including currencies, assets, liabilities, equity, income, expenses, business combinations and interim financial statements.



Making sense of a complex world: IFRIC 13 – Customer loyalty programmes

Considers the accounting and practical implications for telecom operators that arise from the guidance in IFRIC 13, 'Customer loyalty programmes'. Contact global.ifrs.publications@uk.pwc.com for hard copies.



Questions and answers on impairment of nonfinancial assets in the current crisis

Provides practical guidance on impairment indicators to look out for, timing of impairment tests, suggestions on how to do an impairment test in volatile markets and what disclosures are critical to the market and regulators in the current environment.



Segment reporting – an opportunity to explain the business

Six-page flyer explaining high-level issues for management to consider when applying IFRS 8, including how the standard will change reporting and what investors want to see.



Top 10 tips for impairment testing

The current economic slowdown will increase the likelihood that impairment charges will need to be taken and appropriate disclosures made. Each tip is accompanied by an explanation or illustrative example.



IAS 39 – Derecognition of financial assets in practice

Explains the requirements of IAS 39, providing answers to frequently asked questions and detailed illustrations of how to apply the requirements to traditional and innovative structures.



IFRS for SMEs publications



IFRS for SMEs – pocket guide 2009

Provides a summary of the recognition and measurement requirements in the 'IFRS for small and medium-sized entities' published by the International Accounting Standards Board in July 2009.



Similarities and differences – a comparison of 'full IFRS' and IFRS for SMEs

60-page publication comparing the requirements of the IFRS for small and medium-sized entities with 'full IFRS' issued up to July 2009. An executive summary outlines some key differences that have implications beyond the entity's reporting function.



IFRS for SMEs – Illustrative consolidated financial statements 2010

Realistic set of financial statements prepared under IFRS for small and medium entities, illustrating the required disclosure and presentation.

