VALUE HKFRS Limited

Illustrative HKFRS consolidated financial statements

December 2023

This publication presents the sample annual financial report of a fictional listed company, VALUE HKFRS Limited. It illustrates the financial reporting requirements that would apply to such a company under Hong Kong Financial Reporting Standards as issued at 31 October 2023. Supporting commentary is also provided. For the purposes of this publication, VALUE HKFRS Limited is listed on The Stock Exchange of Hong Kong Limited and is the parent entity in a consolidated entity.

VALUE HKFRS Limited 2023 is for illustrative purposes only and should be used in conjunction with the relevant financial reporting standards and any other reporting pronouncements and legislation applicable in specific jurisdictions.

Introduction

This publication presents illustrative consolidated financial statements for a fictional listed company, VALUE HKFRS Limited for the year ending 31 December 2023. The financial statements comply with Hong Kong Financial Reporting Standards (HKFRS) as issued at 31 October 2023 and that apply to financial years commencing on or after 1 January 2023.

This publication includes the disclosures required by the Hong Kong Companies Ordinance (Cap. 622) 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 2023. Their related disclosures are marked in red and orange respectively. This publication has not included all the disclosures required by the Listing Rules. For example, the disclosure of corporate governance 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 C1 of Main Board Listing rules / Appendix C1 of GEM Listing rules for detailed disclosure requirements of corporate governance report.

This publication includes presentation and disclosures of treasury shares. These disclosures are for illustrative purposes only for those companies which are allowed to hold treasury shares under the laws and regulations of the place of incorporation. Companies incorporated in Hong Kong are not allowed to hold treasury shares under the Hong Kong Companies Ordinance (Cap. 622). Also, Hong Kong listed companies are not allowed to hold treasury shares under Listing Rules (unless a specific waiver is obtained from The Stock Exchange of Hong Kong Limited).

We have attempted to create a realistic set of financial statements for VALUE HKFRS Limited, a corporate entity that manufactures goods, provides services and holds investment property. However, as this publication is a reference tool, we have not removed disclosures based on materiality. Instead, we have included illustrative disclosures for as many common scenarios as possible. Please note that the amounts disclosed in this publication are purely for illustrative purposes and may not be consistent throughout the publication.

New disclosure requirements and changes in accounting policies

Except for the OECD Pillar Two amendments (see separate section below), there were no changes to the financial reporting requirements this year that affected the disclosures in our example financial statements. While the HKICPA has made a few amendments to accounting standards that apply from 1 January 2023 (see Appendix F), these are largely clarifications and we have assumed that none of them required a change in VALUE HKFRS Limited's accounting policies. However, this assumption will not necessarily apply to all entities. If an entity did change its accounting policies as a result of the amendments and the change had a material impact on the reported amounts, it would need to disclose this in an appropriate manner.

In particular, all entities, including those that are not insurers, will also need to consider whether they have entered into any contracts that meet the definition of insurance contracts and hence could be affected by the adoption of HKFRS 17 Insurance Contracts. Where this is the case, users may expect to see some information about the entity's assessments, even if the entity has concluded that the impact was not material. We have issued guidance to help non-insurance companies to identify whether they have any contracts within the scope of HKFRS 17 – see our In depth INT2022-14 *HKFRS 17 affects more than just insurance companies*.

Insurance companies can refer to our separate Insurance webpage on Viewpoint for guidance that will help with the adoption of the new rules. Viewpoint is our global digital platform which provides the latest information on accounting standards and financial and sustainability reporting. Access to Viewpoint is complimentary. Register here where you can indicate your preferences.

Entities will also need to consider whether there were any recent IFRS Interpretations Committee (IFRIC) agenda decisions that may require changes to their accounting policies. Since this has become more common in recent years, we have included guidance on how to account for those changes and how to develop appropriate disclosures in the commentary to note 2.2. A list of agenda decisions from the last 12 months is in Appendix F(b).

Early adoption of standards

VALUE HKFRS Limited generally only adopts standards early if they clarify existing practice, such as the amendments made by the HKICPA as part of the improvements programme, but do not introduce substantive changes. This year, we have decided to early adopt the amendments made to HKAS 1 in relation to (a) the classification of liabilities as current or non-current, and (b) non-current liabilities with covenants. While we did not have to reclassify any liabilities to current as a consequence of the amendments, we have included additional disclosures about covenants in note 3.2.

As required under HKFRS, the impacts of standards and interpretations that have not been early adopted and that are expected to have a material effect on the entity are disclosed in accounting policy note 2. A summary of all pronouncements relevant for annual reporting periods ending on or after 31 December 2023 is included in Appendix F. For updates after the cut-off date for our publication, see https://www.pwchk.com/en/services/audit-and-assurance/ifrs.html.

Entities with supplier finance arrangements should consider the additional disclosures that will be required from 1 January 2024 and ensure that their processes and systems are updated to collect the necessary information. For further details, see our In brief INT2022-03 *It's time to get ready: new HKFRS disclosures on supplier finance arrangements effective in 2024.*

Adoption of Amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

VALUE HKFRS Limited has adopted *Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2* (the "amendments to HKAS 1") (the Illustrative HKFRS consolidated financial statements of VALUE HKFRS Limited in 2022 has already assumed the early adoption of the amendments to HKAS 1). Accordingly, any entity-specific information that were previously included in note 2 (i.e. the note of "Summary of significant accounting policies") in the 2021 illustrative consolidated financial statements but that are relevant for an understanding of individual line items in the financial statements have been moved to the relevant notes for those line items (marked in "purple"). Other accounting policies which are not entity-specific but rather summarise the requirements of the accounting standards are now included in note 48. However, an entity would only need to include these policies if it assesses them to be material based on the new criteria introduced by the amendments to HKAS 1. The commentary to note 48 explains how to assess whether a policy is material.

Impacts of rising inflation and interest rates

Some entities may experience the effect of rising inflation and interest rates which touch all aspects of an entity's business, including increasing costs such as raw materials and wages, changes in customer behaviour and credit risk, negotiations of contract terms, and investment and financing decisions. In turn, the effect on the financial statements is likely to be equally widespread, and companies need to consider the accounting implications when preparing financial statements in 2023.

Rising inflation and interest rates will affect fair value measurements, expected future cash flow estimates, discount rates used to determine present value of cash flows, impairment indicators and impairment tests. Rising inflation and interest rates may also cause significant estimation uncertainty in relation to the measurement of both short- and long-duration assets and liabilities. Entities may therefore also need to consider new or expanded disclosures in this area.

We have added commentary to some of the notes or areas that are likely to be most affected, and we have added references to this commentary as part of the disclosures. We have also adapted some disclosures relating to the fair value measurement of financial instruments to reflect the impact of rising inflation and interest rates.

For guidance, see our In depth INT2022-12 *Navigating HKFRS in periods of rising inflation and interest rates*

Disclosing the impact of climate change

The impact of climate change on financial statements is a high-profile issue. Investors and regulators are increasingly looking for evidence that the entity has incorporated environmental, social and governance (ESG) matters and, in particular, climate-related risk factors when making estimates and judgements in the preparation of the financial statements. Climate-related risk could include both transition impacts, for example additional costs incurred by the entity as a result of transitioning to a low-carbon economy, or physical impacts, such as damage to assets as a result of fires and flooding.

The accounting standards have an overarching requirement to disclose information that users need for them to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Therefore, in light of the current focus on, and impact of, climate change, entities should ensure that they have assessed the impact of climate change and what disclosures are necessary in this context for the financial statements to comply with HKFRS.

To help preparers and auditors identify where additional disclosures may be required, we have included a new Appendix G which discusses how climate change could affect certain measurements and therefore the related disclosures in the financial statements. The appendix further outlines what entities should consider when making estimates and judgements and drafting the relevant disclosures.

Global implementation of OECD Pillar Two model rules

In December 2021, the Organisation for Economic Co-operation and Development ('OECD') published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS, hereafter referred to as the 'OECD Pillar Two model rules' or 'the rules'. The rules are designed to ensure that large multinational enterprises within the scope of the rules pay a minimum level of tax on the income arising in a specific period in each jurisdiction where they operate. In general, the rules apply a system of top-up taxes that brings the total amount of taxes paid on an entity's excess profit in a jurisdiction up to the minimum rate of 15%.

The rules need to be passed into national legislation based on each country's approach. Based on the OECD's recommendation, a number of territories have already enacted the legislation and we expect that further territories will follow during 2023. For further information, please refer to our *Pillar Two Country tracker*. The rules will impact current income tax when the legislation comes into effect.

Applying the OECD Pillar Two model rules and determining their impact on the HKFRS financial statements is complex and poses a number of practical challenges. It is not immediately apparent how entities would apply the principles and requirements in HKAS 12 Income Taxes in accounting for top-up tax arising from the Pillar Two model rules – specifically, whether the recognition and measurement of deferred tax assets and liabilities would be impacted. If deferred tax assets and liabilities would be impacted by the rules, this would be from the date when the relevant national legislation is enacted or substantively enacted.

Having considered all of the potential challenges, the HKICPA made narrow-scope amendments to HKAS 12 in July 2023. The amendments (a) provide a temporary exception from accounting for deferred taxes arising from legislation enacted to implement the OECD's Pillar Two model rules, and (b) introduce additional disclosure requirements.

The amendments related to deferred tax must be applied immediately, subject to any local endorsement process, and retrospectively in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Entities must further disclose the fact that they have applied the exception. Disclosures about the known or reasonably estimable exposure to Pillar Two income taxes are required for annual reporting periods beginning on or after 1 January 2023.

For more details, see our In brief INT2023-12 *Global implementation of Pillar Two: proposed amendments to HKAS 12.*

For illustrative purposes, we have assumed that

1. VALUE HKFRS Limited is within the scope of the OECD Pillar Two model rules
2. Pillar Two legislation has been enacted in Oneland, VALUE HKFRS Limited's jurisdiction, but
3. the legislation is not yet effective.

We have included new disclosures in note 13(g) to show what an entity might disclose in these circumstances.

Accounting implications of Russia/Ukraine conflicts

and the imposition of international sanctions continue to have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by these developments. This continues to necessitate careful consideration of the resulting accounting implications by entities that are affected by these developments.

We have not updated the illustrative disclosures to reflect potential implications, because every entity will be impacted differently. Entities should carefully consider their direct and indirect exposures to the conflicts and provide required HKFRS disclosures in a manner that is appropriately tailored to their individual circumstances.

For guidance, see in our In Depth INT2022-05 *Accounting implications of the Russia/Ukraine conflicts*.

Impacts of enactment of Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"). The Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date").

The Amendment Ordinance results in:
- Change in the offsetting arrangement, such that accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("MPF Benefits") would no longer be eligible to offset against the long service payment ("LSP") for the portion of the LSP accrued from the Transition Date; and

- Change of the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

The benefit payment under LSP remains capped at HK$390,000 per each employee. If an employee's total benefit payment exceeds HK$390,000, the amount in excess of the cap is deducted from the portion accrued from the Transition Date.

As the LSP is a defined benefit plan, the New Ordinance changes the employer's legal obligation which is considered as a plan amendment under HKAS 19 and thus the impact should be considered in June 2022. HKICPA has published an alert in February 2023 on this specific issue, introduced two broad approaches to account for the offsetting arrangement, including (i) deemed contribution from employees and (ii) right of reimbursement. HKICPA acknowledged that entities should be entitled to sufficient time to determine its accounting policy and implement any necessary policy change. HKICPA has further issued a detailed guidance on 4 July 2023, which provides with illustrations on the 2 broad approaches and raises some practical accounting considerations, including measurement and disclosures. As a reminder, the plan amendment and corresponding catch up adjustment should be recognised upon the enactment date of Amendment Ordinance, i.e. 16 June 2022, and government subsidies cannot be recognised before its finalisation. Please also consider the impact on the 2022 comparatives, if material, and we have illustrated the disclosure of the change in accounting policy in Note 2.2.

Change of titles of the financial statements

We have changed the titles of the financial statements this year to be consistent with the titles used in the accounting standards. While we are now referring to 'statement of financial position' and 'statement of profit or loss', entities can use other titles such as 'balance sheet' and 'income statement'.

Using this publication

The source for each disclosure requirement is given in the reference column. Shading in this column indicates changes made as a result of new or revised requirements that become applicable for the first time this year and improvements are identified as 'new illustration' or 'revised illustration' in the reference column, but not shaded. There is also commentary that (i) explains some of the more challenging areas, (ii) lists disclosures that have not been included because they are not relevant to VALUE HKFRS Limited, and (iii) provides additional disclosure examples.

The appendices give further information about the operating and financial review (management commentary), alternative formats for the statement of profit or loss and other comprehensive income and the statement of cash flows, and industry-specific disclosures. A summary of all standards that apply for the first time to annual reports beginning on or after 1 January 2023 is included in Appendix F, and abbreviations used in this publication are listed below.

The references in the left-hand margin of the financial statements represent the paragraphs of Hong Kong Financial Reporting Standards, the 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

	Abbreviations
Hong Kong Accounting Standard No. 1, paragraph 1	HKAS1(1)
Hong Kong Accounting Standard No. 1, paragraph 81A(a)	HKAS1(81A)(a)
The Guidance on Implementing of Hong Kong Accounting Standard No. 1, paragraph 5	HKAS1(IG 5)
Hong Kong Accounting Standard No. 1, Basis for Conclusions, paragraph 21	HKAS1(BC 21)
Hong Kong Financial Reporting Standard No. 2, paragraph 6	HKFRS2(6)
HK(SIC) Interpretation No. 13, paragraph 4	HK(SIC)13(4)
HK(IFRIC) Interpretation No. 6, paragraph 4	HK(IFRIC)6(4)
The Hong Kong Companies Ordinance (Cap. 622), Section 383	s383
The Hong Kong Companies Ordinance (Cap. 622), paragraph 1, part 1 of Schedule 4	4Sch.p1.1
Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G), Section 4	622G4
Companies (Directors' Report) Regulation (Cap. 622D), Section 3	622D3
PN600.1 (Revised) Reports by auditors under the Hong Kong Companies Ordinance	PN600.1

For listed companies only

References to Listing Rules relating to Main Board:

The Listing Rules, Practice Note No. 5, paragraph 5(3)	PN5.5(3)
The Listing Rules, Appendix D2, paragraph 4(1)(a)	A4(1)(a)
The Listing Rules, Chapter 14, paragraph 8	MB14.08
The Listing Rules, Appendix C1	MB Code
The Listing Rules, Appendix C2	MB Appendix C2

Reference to Listing Rules relating to GEM:

The Listing Rules, Chapter 18, paragraph 15	GEM18.15
The Listing Rules, Appendix C1	GEM Code
The Listing Rules, Appendix C2	GEM Appendix C2

References to “Review of Issuers’ Annual Report Disclsoures” issued by HKEx*:

Review of Issuers’ Annual Report Disclsoures Report 2019, paragraph 88	HKEx Review 2019, para 88
Financial Statements Review Programme Report 2016, paragraph 35	FS Review 2016, para. 35

* Recommendations from the “Review of Issuers’ Annual Report Disclosures” issued by HKEx are included in boxes squared in red.

On 30 June 2023, the conclusion on the consultation paper on “Proposals to Expand the Paperless Listing Regime and other Rule Amendments” was published. Following the conclusion, HKEx will restructure the Appendices to the Listing Rules effective on 31 December 2023. The above Appendix numbers refer to those after the restructuring. Please refer to Schedule VI to the consultation conclusion for a mapping between existing and new Appendix numbers.

As VALUE HKFRS Limited is an existing preparer of HKFRS consolidated financial statements, HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards* does not apply.

The example disclosures are not the only acceptable form of presenting financial statements. The form and content of each reporting entity’s financial statements are the responsibility of the entity’s management. Alternative presentations may be acceptable if they comply with the specific disclosure requirements prescribed in HKFRS.

Some of the disclosures in this publication would likely be immaterial if VALUE HKFRS Limited was a ‘real life’ company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are for illustration purposes only. Disclosures should not be included where they are not relevant or not material in specific circumstances.

Guidance on assessing materiality is provided in HKAS 1 *Presentation of Financial Statements*.

Specialised companies and industry-specific requirements

VALUE HKFRS Limited does not illustrate the disclosures specifically relevant to specialised industries. However, Appendix E provides an illustration and explanation of the disclosure requirements of HKFRS 6 *Exploration for and Evaluation of Mineral Resources* and HKAS 41 *Agriculture*. Further examples of industry-specific accounting policies and other relevant disclosures can be found in the following PwC publications:

- *Illustrative HKFRS financial statements – Link: Investment funds*
- *Illustrative HKFRS consolidated financial statements – Link*: *Investment property*
- *HKFRS* 9 for *Banks* - *Illustrative disclosures*
- *Illustrative HKFRS consolidated financial statements – HKFRS 17 Insurance contracts*

The publications can be accessed from Viewpoint using the links provided.

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Index to the illustrative HKFRS consolidated financial statements

Financial statements

Accounting standard for financial statements presentation and disclosures

HKAS1(10)

1. According to HKAS 1 *Presentation of Financial Statements*, a 'complete set of financial statements' comprises:
   (a) a statement of financial position as at the end of the period
   (b) a statement of profit or loss and other comprehensive income for the period
   (c) a statement of changes in equity for the period
   (d) a statement of cash flows for the period
   (e) notes, comprising material accounting policy information and other explanatory notes, and
   (f) if the entity has applied an accounting policy retrospectively, made a retrospective restatement of items or has reclassified items in its financial statements: a statement of financial position as at the beginning of the preceding period.

Alternative titles for the financial statements

HKAS1(10)

2. We have changed the titles of the financial statements this year to be consistent with the titles used in the accounting standards. While we are now referring to 'statement of financial position' and 'statement of profit or loss', entities can use other titles such as 'balance sheet' and 'income statement'.

Comparative information

HKAS1(38)

3. Except where HKFRS permits or requires otherwise, comparative information shall be disclosed in respect of the preceding period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information where it is relevant to an understanding of the current period's financial statements.

HKAS1(38B)

4. In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, details of a legal dispute, the outcome of which was uncertain at the end of the immediately preceding reporting period and that is yet to be resolved, are disclosed in the current period. Users benefit from information that the uncertainty existed at the end of the immediately preceding reporting period, and from information about the steps that have been taken during the period to resolve the uncertainty.

Three statements of financial position required in certain circumstances

HKAS1(40A),(40B)

5. If an entity has:
   (a) applied an accounting policy retrospectively, restated items retrospectively, or reclassified items in its financial statements, and
   (b) the retrospective application, restatement or reclassification has a material effect on the information presented in the statements of financial position at the beginning of the preceding period,

   it must present a third statements of financial position as at the beginning of the preceding period (e.g. 1 January 2022 for 31 December 2023 reporters).

HKAS1(40D)

6. The date of the third statements of financial position must be the beginning of the preceding period, regardless of whether the entity presents additional comparative information for earlier periods.

HKAS1(40C)
HKAS8
HKAS1(41)

7. Where the entity is required to include a third statements of financial position, it must provide appropriate explanations about the changes in accounting policies, other restatements or reclassifications, as required under HKAS 1 paragraph 41 and HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, the entity does not need to include the additional comparatives in the related notes. This contrasts with the position where an entity chooses to present additional comparative information as permitted by HKAS 1 paragraphs 38C and 38D.

Consistency

HKAS1(45)

8. The presentation and classification of items in the financial statements must be retained from one period to the next unless:
   (a) it is apparent that another presentation or classification would be more appropriate based on the criteria for the selection and application of accounting policies in HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (eg following a significant change in the nature of the entity's operations or a review of its financial statements), or
   (b) HKFRS requires a change in presentation.

Financial statements

Materiality

HKAS1(7), (29)-(31),(BC30F) 9. Whether individual items or groups of items need to be disclosed separately in the primary financial statements or in the notes depends on their materiality. Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. In particular circumstances, either the nature or the amount of an item or an aggregate of items could be the determining factor. Preparers generally tend to be on the side of caution and disclose rather too much than too little. However, too much immaterial information could obscure useful information and hence should be avoided.

Primary financial statements should be read in conjunction with accompanying notes

10. VALUE HKFRS Limited reminds readers by way of a footnote that the primary financial statements should be read in conjunction with the accompanying notes. However, this is not mandatory and we note that there is mixed practice in this regard.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

11. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Item	Nature of disclosure
HKAS1(38C),(38D)	Additional comparative information (e.g. third statement of profit or loss and other comprehensive income)	Include the additional comparative information also in the relevant notes
HKAS27(17)	Separate financial statements	Disclose why they are prepared, a list of significant investments and the policies applied in accounting for these investments
HKAS27(16)(a)	Exemption from preparing consolidated financial statements	Disclose the fact that the exemption has been used and details about the entity that produces consolidated financial statements which include the reporting entity in question
HKAS21(51),(53)-(57)	Foreign currency translation	Disclose if the presentation currency is different from the functional currency, if there have been changes in the functional currency and clearly identify supplementary information that is presented in a currency other than the parent entity's functional or presentation currency
HKAS1(36)	Reporting period is shorter or longer than one year	Disclose the period covered, the reason for different periods and the fact that the amounts are not entirely comparable

HKAS1(10)(b),(10A)

Consolidated statement of profit or loss

HKAS1(51)(c),(e) HKAS1(113), A4(1), A2 GEM18.50B(1) GEM18.07		Notes	**2023** **HK$'000**	2022 Restated * HK$'000
	Continuing operations			
HKAS1(82)(a), A4(1)(a),	Revenue from contracts with customers	5	**197,659**	161,604
HKAS1(99), HKAS2(36)(d)	Cost of sales of goods	9	**(76,992)**	(65,159)
	Cost of providing services	9	**(25,447)**	(18,288)
	Gross profit		**95,220**	78,157
HKAS1(99)	Distribution costs	9	**(35,794)**	(29,221)
HKAS1(99)	Administrative expenses	9	**(17,897)**	(14,611)
HKAS1(82)(ba)	Net impairment losses on financial and contract assets	3.1(b)	**(849)**	(595)
	Other income	7	**11,348**	12,033
	Other gains/(losses) – net	8	**4,593**	(671)
	Operating profit		**56,621**	45,092
	Finance income	11	**1,616**	905
HKAS1(82)(b)	Finance costs	11	**(7,491)**	(6,735)
	Finance costs – net		**(5,875)**	(5,830)
HKAS1(82)(c)	Share of net profit of associates and joint ventures accounted for using the equity method	12(b)	**340**	355
	Profit before income tax		**51,086**	39,617
HKAS1(82)(d) HKAS12(77)	Income tax expense	13	**(16,182)**	(11,575)
	Profit from continuing operations		**34,904**	28,042
HKFRS5(33)(a) HKAS1(82)(ea)	Profit from discontinued operation (attributable to equity holders of the company)	26(c)	**727**	399
HKAS1(81A)(a)	**Profit for the period**		**35,631**	28,441
HKAS1(81B)(a)	Profit is attributable to:			
	Owners of VALUE HKFRS Limited		**32,626**	26,123
	Non-controlling interests		**3,005**	2,318
			35,631	28,441
			Cents	Cents
HKAS33(66)	**Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:**			
	Basic earnings per share	14	**56.9**	47.3
	Diluted earnings per share	14	**55.8**	47.1
HKAS33(66)	**Earnings per share for profit attributable to the ordinary equity holders of the company:**			
	Basic earnings per share	14	**58.2**	48.0
	Diluted earnings per share	14	**57.1**	47.8

* See note 4.3 for details regarding the restatement as a result of an error.

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

HKAS1(10)(b),(10A)

Consolidated statement of comprehensive income

HKAS1(113)		Notes	**2023 HK$’000**	2022 Restated * HK$’000
HKAS1(81A)(a)	**Profit for the period**		**35,631**	28,441
	Other comprehensive income			
HKAS1(82A)(a)(ii)	*Items that may be reclassified to profit or loss*			
HKAS1(82A),(7)(da)	Changes in the fair value of debt instruments at fair value through other comprehensive income	29	**126**	(228)
HKAS1(82A)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	29	**20**	15
HKAS1(82A),(7)(c) HKAS21(32)	Exchange differences on translation of foreign operations	29	**(617)**	185
HKFRS5(38)	Exchange differences on translation of discontinued operation	26	**170**	58
HKAS1(82A),(7)(e)	Gains on cash flow hedges	21	**326**	1,423
HKAS1(82A),(7)(g),(h)	Costs of hedging	21	**(88)**	73
HKAS1(82A),(7)(e)	Hedging gains reclassified to profit or loss	21	**(155)**	(195)
HKAS1(82A),(7)(c)	Gains on net investment hedge		**190**	-
HKFRS9(6.5.13)		29		
HKAS1(91)	Income tax relating to these items	29	**(68)**	(326)
HKAS1(82A)(a)(i)	*Items that will not be reclassified to profit or loss*			
HKAS1(82A),(7)(a)	Revaluation of land and buildings	29	**7,243**	5,840
HKAS1(82A),(7)(d)	Changes in the fair value of equity investments at fair value through other comprehensive income	29	**632**	(1,230)
HKAS1(82A)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	29	**300**	100
HKAS1(82A),(7)(b) HKAS19(120)(c)	Remeasurements of post-employment benefit obligations	29	**119**	(910)
HKAS1(91)	Income tax relating to these items	29	**(2,489)**	(1,140)
HKAS1(81A)(b)	**Other comprehensive income for the period, net of tax**		**5,709**	3,665
HKAS1(81A)(c)	**Total comprehensive income for the period**		**41,340**	32,106
HKAS1(81B)(b)	Total comprehensive income for the period is attributable to:			
	Owners of VALUE HKFRS Limited		**38,434**	29,530
	Non-controlling interests		**2,906**	2,576
			41,340	32,106
	Total comprehensive income for the period attributable to owners of VALUE HKFRS Limited arises from:			
	Continuing operations		**37,549**	29,073
HKFRS5(33)(d)	Discontinued operations		**885**	457
			38,434	29,530

* See note 4.3 for details regarding the restatement as a result of an error.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of profit or loss and statement of comprehensive income

Disclosure of specified separate line items in financial statements

1. Consequential amendments made to HKAS 1 *Presentation of Financial Statements* following the release of HKFRS 9 *Financial Instruments* now require the separate presentation of the following line items in the statement of profit or loss:
   - (a) interest revenue calculated using the effective interest rate method, separately from other revenue * HKAS1(82)(a)
   - (b) gains and losses from the derecognition of financial assets measured at amortised cost * HKAS1(82)(aa)
   - (c) impairment losses determined in accordance with section 5.5 of HKFRS 9, including reversals of impairment losses or impairment gains HKAS1(82)(ba)
   - (d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss *, and HKAS1(82)(ca)
   - (e) gains and losses reclassified from other comprehensive income (OCI) as a result of a reclassification of financial assets from the fair value through OCI measurement category to fair value through profit or loss *. HKAS1(82)(cb)

   HKFRS15(Appendix A) * not illustrated, as not material or not applicable to VALUE HKFRS Limited. While VALUE HKFRS Limited recognises interest under the effective interest rate method, it does not consider this to be 'revenue' as the earning of interest is not part of the entity's ordinary activities but rather an incidental benefit.

2. HKAS1(29),(30),(30A) Depending on materiality, it may not always be necessary to present these items separately in the primary financial statements. However, items that are of a dissimilar nature or function can only be aggregated if they are immaterial.

Finance income and finance cost

3. HKAS1(82)(b) HKAS 1 requires an entity to present finance costs on the face of the statement of profit or loss, but it does not require the separate presentation of finance income. The classification of finance income will depend on an entity's accounting policy for such items. See the commentary to note 11 for details.

Additional line items

4. HKAS1(85) Additional line items, headings and subtotals shall be presented in the statement of comprehensive income and the statement of profit or loss (where applicable) where such presentation is relevant to an understanding of the entity's financial performance. For example, a subtotal of gross profit (revenue from sales less cost of sales) should be included where expenses have been classified by function.
5. Framework(2.4),(2.12),(2.13) Having said that, additional sub-headings should be used with care. The *Conceptual Framework for Financial Reporting* states that to be useful, information must be relevant and faithfully represent what it purports to represent; that is, it must be complete, neutral and free from error. The apparent flexibility in HKAS 1 can, therefore, only be used to enhance users' understanding of the company's financial performance. It cannot be used to detract from the amounts that must be disclosed under HKFRS.
6. HKAS1(85A) HKAS 1 specifically provides that additional subtotals must:
   - (a) be comprised of items that are recognised and measured in accordance with HKFRS
   - (b) be presented and labelled such that they are clear and understandable
   - (c) be consistent from period to period, and
   - (d) not be displayed with more prominence than the mandatory subtotals and totals.
7. Earnings before interest and tax (EBIT) may be an appropriate sub-heading to show in the statement of profit or loss, as it usually distinguishes between the pre-tax profits arising from operating and from financing activities. In contrast, a subtotal for earnings before interest, tax, depreciation and amortisation (EBITDA) can only be included where the entity presents its expenses by nature and the subtotal does not detract from the GAAP numbers, either by implying that EBITDA is the 'real' profit or by overcrowding the statement of profit or loss so that the reader cannot determine easily the entity's GAAP performance.
8. 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 expense, not functions of the business. In this case, EBITDA can only be disclosed by way of supplemental information in a box, in a footnote, in the notes or in the review of operations.
9. Where an entity discloses alternative performance measures, these should not be given greater prominence than the HKFRS measure of performance. This might be achieved by including the alternative performance measure in the notes to the financial statements or as a footnote to the primary financial statement. Where an entity presents such a measure on the face of the primary statement, it should be clearly identified. Management should determine the overall adequacy of the disclosures and whether a specific presentation is misleading in the context of the financial statements as a whole. This judgement might be disclosed as a significant judgement in accordance with paragraph 122 of HKAS 1.

Statement of profit or loss and statement of comprehensive income

10. Preparers of financial reports should also consider the view of their local regulator regarding the use of subtotals and disclosure of non-GAAP measures in the financial report where applicable. Appendix C provides guidance on the use of non-GAAP measures in the management commentary.

Operating profit

HKAS1(BC56)

11. An entity may elect to include a subtotal for its results from operating activities. While this is permitted, care must 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 or relocation expenses, must not be excluded simply because they occur infrequently or are unusual in amount. Similarly, expenses cannot be excluded on the grounds that they do not involve cash flows (e.g. depreciation or amortisation). As a general rule, operating profit would be the subtotal after 'other expenses', i.e. excluding finance costs and the share of profits of equity-accounted investments.

Re-ordering of line items

HKAS1(86)

12. Entities should re-order the line items and change the descriptions of those items where this is necessary to explain the elements of performance. However, entities are again governed by the overall requirement for a 'fair presentation' and should not make any changes unless there is a good reason to do so. For example, it will generally be acceptable to present finance cost as the last item before pre-tax profit, thereby separating financing activities from the activities that are being financed.
13. Another example is the share of profit of associates and joint ventures. Normally, this would be shown after finance cost. However, there may be circumstances where the line item showing the investor's share of the associate's result is included before finance cost. This could be appropriate where the associates and joint ventures are an integral vehicle through which the group conducts its operations and its strategy. In such cases, it may also be appropriate either to insert a subtotal 'profit before finance costs' or to include the share of profits from associates and joint ventures in arriving at operating profit (where disclosed).

HKAS1(82)(c),
HKFRS15(Appendix A)

14. However, the share of the profit or loss of associates and joint ventures accounted for using the equity method should not be included as part of the entity's revenue. Combining the entity's share of the associate's revenue with its own revenue would be inconsistent with the accounting treatment in the statement of financial position where the entity's investment is presented as a separate line item. This is different from the accounting for joint operations where the entity combines its share of the joint operation's revenue with its own. Where a group conducts a significant proportion of its business through equity-accounted investments and wishes to highlight that fact to the reader of the statement of comprehensive income, it may choose to give additional financial information by way of a footnote and cross-reference to the notes.

Discontinued operations

HKFRS5(33)(a),(b)
HKAS1(82)(ea)

15. Entities shall disclose a single amount in the statement of comprehensive income (or separate statement of profit or loss) 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. An analysis of this single amount is also required by paragraph 33 of HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This analysis may be presented in the notes or in the statement of comprehensive income (separate statement of profit or loss). In the case of VALUE HKFRS Limited it is presented in note 26. If it is presented in the statement of profit or loss it must be presented in a section identified as relating to discontinued operations; that is, separately 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 paragraph 11 of HKFRS 5).

Statement of profit or loss and statement of comprehensive income

Earnings per share

HKAS33(73) 16. While entities are permitted to disclose earnings per share based on alternative measures of earnings, these must be presented in the notes to the financial statements only (see commentary to note 14).

HKAS33(68) 17. An entity that reports a discontinued operation must disclose 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. VALUE HKFRS Limited provides this information in note 14.

Components of other comprehensive income

HKAS1(7) 18. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments, see paragraph 28 below) that are specifically required or permitted by other HKFRS to be included in other comprehensive income and are not recognised in profit or loss. They include:

(a) revaluation gains and losses relating to property, plant and equipment or intangible assets
(b) remeasurements of net defined benefit liabilities/(assets)
(c) gains and losses arising from translating the financial statements of a foreign operation
(d) gains and losses on remeasuring financial assets that are measured or designated as at fair value through other comprehensive income
(e) the effective portion of gains and losses on hedging instruments in a cash flow hedge
(f) for particular liabilities designated as at fair value through profit or loss, the change in the fair value that is attributable to changes in the liability's credit risk
(g) changes in the value of the time value of options, in the value of the forward elements of forward contracts and in the value of the foreign currency basis spread of financial instruments, where these are not included in the designation of the related instruments as hedging instruments
(h) the investor's share of the other comprehensive income of equity-accounted investments, and
(i) current and deferred tax credits and charges in respect of items recognised in other comprehensive income.

HKAS1(82A) 19. Items of OCI must be classified by nature and grouped into those which may be reclassified and those that will not be reclassified to profit or loss. The share of OCI of equity accounted investments must be presented in total for the share of items that may be reclassified and the share that will not be reclassified to profit or loss in a subsequent period.

HKFRS9(6.5.11)(d)(iii) 20. In our view, only items that are prohibited from being reclassified to profit or loss should be presented as items that will not be reclassified to profit or loss. For cash flow hedges, there is a possibility that some or all of the amounts might need to be reclassified to profit or loss. This could be the case, for example if there is a cumulative loss on the hedging instrument and the entity does not expect that all or a portion of the loss will be recovered. As a consequence, gains or losses recognised in relation to cash flow hedging instruments should be presented as items that 'may be reclassified' to profit or loss.

Summary

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

Item	**Reference**	**Requirement in standard**	**Presentation in VALUE HKFRS Limited**
Each component of OCI recognised during the period, classified by nature	HKAS 1(82A)	Statement of comprehensive income	Statement of comprehensive income
Reclassification adjustments during the period relating to components of OCI (see paragraph 28 below)	HKAS 1(92)	Statement of comprehensive income or notes	Note 29
Tax relating to each component of OCI, including reclassification adjustments	HKAS 1(90)	Statement of comprehensive income or notes	Note 29
Reconciliation for each component of equity, showing separately: • profit/loss • OCI, and • transactions with owners See commentary paragraphs 1 to 3 on page 16.	HKAS 1(106)(d)	Statement of changes in equity and notes, see related commentary	Statement of changes in equity and notes 27, 29 and 30

Statement of profit or loss and statement of comprehensive income

HKFRS5(38)

Discontinued operations

22. HKFRS 5 is unclear as to whether entities need to separate out items of other comprehensive income between continuing and discontinued operations. We believe that it would be consistent with the principles of HKFRS 5 to do so, as it would provide a useful base for predicting the future results of the continuing operations. We also note that entities must present separately any cumulative income or expense recognised in other comprehensive income that relates to a non-current asset or disposal group classified as held for sale.

Information to be presented either in the statement of comprehensive income or in the notes

Material items of income and expense

HKAS1(97)

23. Where items of income and expense are material, their nature and amount must be disclosed separately either in the statement of comprehensive income (statement of profit or loss) or in the notes. In the case of VALUE HKFRS Limited these disclosures are made in Note 6.

HKAS1(86),(97)

24. HKAS 1 does not provide a specific name for the types of items that should be separately disclosed. Where an entity discloses a separate category of 'significant' or 'unusual' items either in its statement of comprehensive income or in the notes, the accounting policy note should include a definition of the chosen term. The presentation and definition of these items must be applied consistently from year to year.
25. Where an entity classifies its expenses by nature, it must take care to ensure that each class of expenses includes all items related to that class. Material restructuring cost may, for example, include redundancy payments (i.e. 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.
26. 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 footnote or in the notes to the financial statements.

Reclassification adjustments

HKAS1(92),(94)

27. An entity shall also disclose separately any reclassification adjustments relating to components of other comprehensive income either in the statement of comprehensive income or in the notes. VALUE HKFRS Limited provides this information in note 29.

HKAS1(7),(95), (96)

28. 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 and when a hedged forecast transaction affects profit or loss. They do not arise on the disposal of property, plant and equipment measured at fair value under the revaluation model or on the settlement of defined benefit pension schemes. While these components are also recognised in OCI, they are not reclassified to profit or loss in subsequent periods. Reclassification adjustments also do not arise in relation to cash flow hedge accounting, where amounts are removed from the cash flow hedge reserve, or a separate component of equity, and are included directly in the initial cost or other carrying amount of an asset or liability. These amounts are directly transferred to assets or liabilities.

Dividends: statement of changes in equity or notes only

HKAS1(107)

29. The amount of dividends recognised as distributions to owners during the period, and the related amount per share must be presented either in the statement of changes in equity or in the notes. In the case of VALUE HKFRS Limited these disclosures are made in note 37.

Classification of expenses

By nature or function

HKAS1(99),(100)

30. An analysis of expenses shall be presented using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant. Entities are encouraged, but not required, to present the analysis of expenses in the statement of comprehensive income (or statement of profit or loss, where applicable).

Statement of profit or loss and statement of comprehensive income

HKAS1(105) 31. The choice of classification between nature and function will depend on historical and industry factors and the nature of the entity. The entity should choose the classification that provides the most relevant and reliable information about its financial performance.

32. Within a functional statement of comprehensive income (statement of profit or loss), costs directly associated with generating revenues should be included in cost of sales. Cost of sales should include direct material and labour costs but also indirect costs that can be directly attributed to generating revenue; e.g. depreciation of assets used in the production. Impairment charges should be classified according to how the depreciation or amortisation of the particular asset is classified. Entities should not mix functional and natural classifications of expenses by excluding certain expenses, such as inventory write-downs, employee termination benefits and impairment charges, from the functional classifications to which they relate. An exception is impairment charges on financial and contract assets, which must be presented separately as per HKAS 1 paragraph 82(ba) if they are material.

HKAS1(104),(105) 33. Entities classifying expenses by function shall disclose additional information about the nature of their expenses in the notes to the financial statements, see note 9. According to HKAS 1 this includes disclosure of depreciation, amortisation and employee benefits expense. Other classes of expenses should also be disclosed where they are material, as this information assists users in predicting future cash flows.

34. We have illustrated a classification of expenses by nature on the face of the statement of profit or loss in Appendix D.

Materiality

HKAS1(29) 35. Regardless of whether expenses are classified by nature or by function, materiality applies to the classification of expenses. Each material class should be separately disclosed, and unclassified expenses (e.g. as ‘other expenses’ in VALUE HKFRS Limited) should be immaterial both individually and in aggregate.

36. The classification of expenses may vary with the type of expense. For example, where expenses are classified by nature, wages and salaries paid to employees involved in research and development (R&D) activities would be classified as employee benefits expense, while amounts paid to external organisations for R&D would be classified as external R&D expense. However, where expenses are classified by function, both the wages and salaries and external payments should be classified as R&D expense.

Offsetting

HKAS1(32) 37. Assets and liabilities, and income and expenses, must not be offset unless required or permitted by HKFRS. Examples of income and expenses that are required or permitted to be offset are as follows:

HKAS1(34)(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.

HKAS1(34)(b) (b) Expenditure related to a provision that is recognised in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and reimbursed under a contractual arrangement with a third party (e.g. a supplier’s warranty agreement) may be netted against the related reimbursement.

HKAS1(35) (c) Gains and losses arising from a group of similar transactions are reported on a net basis (e.g. 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.

38. Income which falls under the scope of HKFRS 15 *Revenue from Contracts with Customers* cannot be netted off against related expenses. However, this does not preclude an entity from presenting interest income followed by interest expense and a subtotal such as ‘net interest expense’ on the face of the statement of profit or loss, as we have done in this publication.

HKAS1(10)(a),(54)

Consolidated statement of financial position

HKAS1(51)(c),(e) HKAS1(113)		Notes	**2023** **HK$'000**	2022 Restated * HK$'000	1 January 2022 Restated HK$'000
A4(2), A2					
GEM18.50B(2), GEM18.07	**ASSETS**				
HKAS1(60),(66)	**Non-current assets**				
HKAS1(54)(a)	Property, plant and equipment	15	**128,890**	102,080	93,145
HKFRS16)(47)(a)	Right-of-use assets	15(b)	**9,756**	9,508	7,708
HKAS1(54)(b)	Investment properties	16	**13,300**	10,050	8,205
HKAS1(54)(c)	Intangible assets	17	**24,550**	20,945	20,910
HKAS1(54)(o),(56)	Deferred tax assets	34	**7,849**	5,524	4,237
HKFRS15(105)	Other assets	5(h)	**312**	520	-
HKAS1(54)(e)	Investments accounted for using the equity method	12(b)	**3,775**	3,275	3,025
HKFRS7(8)(h)	Financial assets at fair value through other comprehensive income	20	**6,782**	7,148	8,397
HKFRS7(8)(a)	Financial assets at fair value through profit or loss	24	**2,390**	980	-
HKFRS7(8)(f)	Financial assets at amortised cost	19	**3,496**	2,629	6,004
HKAS1(54)(d) HKFRS7(8)(a)	Derivative financial instruments	21	**308**	712	-
	Total non-current assets		**201,408**	163,371	151,631
HKAS1(60),(66)	**Current assets**				
HKAS1(54)(g)	Inventories	23	**22,153**	19,672	18,616
	Other current assets	26(a)	**491**	428	419
HKFRS15(105)	Contract assets	5(h)	**1,519**	2,561	1,867
HKAS1(54)(h) HKFRS7(8)(f)	Trade receivables	22	**15,662**	8,220	5,123
HKFRS7(8)(f)	Other financial assets at amortised cost	19	**1,100**	842	783
HKAS1(54)(d) HKFRS7(8)(a)	Derivative financial instruments	21	**1,854**	1,417	156
HKAS1(54)(d) HKFRS7(8)(a)	Financial assets at fair value through profit or loss	24	**11,300**	10,915	10,370
HKAS1(54)(i)	Cash and cash equivalents (excluding bank overdrafts)	25	**55,083**	30,299	25,193
			109,162	74,354	62,527
HKAS1(54)(j) HKFRS5(38)	Assets classified as held for sale	26(b)	**250**	4,955	-
	Total current assets		**109,412**	79,309	62,527
	Total assets		**310,820**	242,680	214,158

* See note 4.3 for details regarding the restatement as a result of an error.

		Notes	2023 HK$'000	2022 Restated * HK$'000	1 January 2022 Restated HK$'000
	LIABILITIES				
HKAS1(60),(69)	**Non-current liabilities**				
HKAS1(54)(m)	Borrowings	33	**89,115**	76,600	75,807
HKFRS7(8)(g)					
HKFRS16(47)(b)	Lease liabilities	15(b)	**8,493**	8,514	7,389
HKAS1(54)(o),(56)	Deferred tax liabilities	34	**12,456**	6,820	4,355
	Employee benefit obligations	35	**6,749**	4,881	4,032
HKAS1(54)(l)	Provisions	36	**1,573**	1,382	1,304
	Total non-current assets		**201,408**	163,371	92,887
HKAS1(60),(69)	**Current liabilities**				
HKAS1(54)(k)	Trade and other payables	32	**15,760**	11,723	13,004
HKFRS15(105)	Contract liabilities	5(h)	**1,982**	1,525	655
HKAS1(54)(n)	Current tax liabilities		**1,130**	856	980
HKAS1(54)(m),	Borrowings	33			
HKFRS7(8)(g)			**8,400**	7,995	7,869
HKFRS16(47)(b)	Lease liabilities	15(b)	**3,008**	2,777	2,240
HKAS1(54)(m)	Derivative financial instruments	21			
HKFRS7(8)(e)			**1,376**	1,398	445
	Employee benefit obligations	35	**690**	470	440
HKAS1(54)(l)	Provisions	36	**2,697**	1,240	730
			35,043	27,984	26,363
HKAS1(54)(p)	Liabilities directly associated with assets	26(c)			
HKFRS5(38)	classified as held for sale		**-**	500	-
HKAS1(60),(69)	Total current liabilities		**35,043**	28,484	26,363
	Total liabilities		**153,429**	126,681	119,250
	Net assets		**157,391**	115,999	94,908
	EQUITY				
HKAS1(54)(r)	Share capital	27	**84,577**	63,976	62,619
	Shares held for employee share scheme	28	**(676)**	(550)	(251)
HKAS1(54)(r)	Other reserves	29	**20,443**	12,381	7,395
	Retained earnings	30	**43,585**	34,503	20,205
HKAS1(54)(r)	Capital and reserves attributable to owners of VALUE HKFRS Limited		**147,929**	110,310	89,968
HKAS1(54)(q)	Non-controlling interests	12(a)	**9,462**	5,689	4,940
	Total equity		**157,391**	115,999	94,908

* See note 4.3 for details regarding the restatement as a result of an error and note 35(i) for a reclassification from provisions to employee benefit obligations.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

s387, HKAS10(17)

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

[Name of Director]

[Name of Director]

Statement of financial position

Accounting standard for the statement of financial position

HKAS1(10) 1. HKAS 1 Presentation of Financial Statements refers to the statement of financial position. However,this title is not mandatory, and entities can use other titles such as ‘balance sheet’.

Current/non-current distinction

HKAS1(60) 2. An entity presents current and non-current assets and current and non-current liabilities as separate classifications in its statement of financial position except where a presentation based on liquidity provides information that is reliable and is more relevant. Where that exception applies, all assets and liabilities are presented broadly in order of liquidity.

HKAS1(61) 3. Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than 12 months 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.

HKAS1(66)-(70) 4. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even where 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.

HKAS1(68) 5. 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. Where the entity’s normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.

Three statements of financial position required in certain circumstances

HKAS1(40A),(40B) 6. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements that had a material effect on the information in the statements of financial position at the beginning of the preceding period, it must provide a third statement of financial position as at the beginning of the preceding comparative period. However, where the retrospective change in policy or the restatement has no effect on the preceding period’s opening statements of financial position, we believe that it would be sufficient for the entity merely to disclose that fact.

Separate line item for employee benefit obligations

HKAS1(54) 7. Paragraph 54 of HKAS 1 sets out the line items that are, as a minimum, required to be presented in the statements of financial position. Additional line items, heading and subtotals should be added where they are relevant to an understanding of the entity’s financial position. For example, HKAS 1 does not prescribe where employee benefit obligations should be presented in the statements of financial position. VALUE HKFRS Limited has elected to present all employee benefit obligations together as separate current and non-current line items, as this provides more relevant information to users.

Separate line items for financial assets/liabilities and contract assets/liabilities

HKFRS7(8) 8. Paragraph 8 of HKFRS 7 requires disclosure, either in the statements of financial position or in the notes, of the carrying amounts of financial assets and liabilities by the following categories:
   - (a) Financial assets measured at fair value through profit or loss (FVPL), showing separately those mandatorily classified and those designated upon initial recognition.
   - (b) Financial liabilities measured at FVPL, showing those that meet the definition of held for trading and those designated upon initial recognition.
   - (c) Financial assets measured at amortised cost.
   - (d) Financial liabilities measured at amortised cost.
   - (e) Financial assets measured at fair value through other comprehensive income (FVOCI), showing separately debt and equity instruments.

9. VALUE HKFRS Limited has chosen to disclose the financial assets by major category but is providing some of the more detailed information in the notes. However, depending on the materiality of these items and the nature of the entity’s business, it may also be appropriate to choose different categories for the statements of financial position and provide the above information in the notes.

Statement of financial position

HKFRS15(105),(BC320), (BC321)

10. Similarly, HKFRS 15 Revenue from Contracts with Customers requires the presentation of any unconditional rights to consideration as a receivable separately from contract assets. VALUE HKFRS Limited has therefore presented its contract assets and contract liabilities as separate line items in the statements of financial position. However, contract assets, contract liabilities and receivables do not have to be referred to as such and do not need to be presented separately in the statements of financial position, as long as the entity provides sufficient information so users of financial statements can distinguish them from other items.

HKFRS16(47)

Right-of-use assets and lease liabilities

HKFRS16(48)

11. Right-of-use assets (except those meeting the definition of investment property) and lease liabilities do not need to be presented as a separate line item in the statements of financial position, as done by VALUE HKFRS Limited, as long as they are disclosed separately in the notes. Where right-of-use assets are presented within the same line item as the corresponding underlying assets would be presented if they were owned, the lessee must identify which line items in the statement of financial position include those right-of-use assets.
12. Right-of-use assets that meet the definition of investment property must be presented in the statements of financial position as investment property.

s387, HKAS10(17)

Approval of financial statements by the Board of Directors

13. Every statement of financial position of a company shall be approved by the board of 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. A company also needs to state the names of the person who signed the financial statement on the directors' behalf.

HKAS1(10)(c),(106)

Consolidated statement of changes in equity

A2
GEM18.07

			Attributable to owners of VALUE HKFRS Limited						
		Notes	Share capital HK$'000	Shares held for employee share scheme HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
HKAS1(106)(d)	**Balance at 1 January 2022**		62,619	(251)	7,395	21,115	90,878	4,940	95,818
HKAS1(106)(b)	Correction of error (net of tax)	4.3	-	-	-	(910)	(910)	-	(910)
	Restated total equity at the beginning of the financial year		**62,619**	**(251)**	**7,395**	**20,205**	**89,968**	**4,940**	**94,908**
HKAS1(106)(d)(i)	Profit for the period (restated*)		-	-	-	26,123	26,123	2,318	28,441
HKAS1(106)(d)(ii)	Other comprehensive income		-	-	3,810	(403)	3,407	258	3,665
	Total comprehensive income for the period (restated*)		**-**	**-**	**3,810**	**25,720**	**29,530**	**2,576**	**32,106**
HKFRS9(6.5.11)(d)(i) **Revised illustration**	Hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year (net of tax)	21	-	-	237	-	237	-	237
HKFRS9(B5.7.1) **Revised illustration**	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings (net of tax)	20	-	-	384	(384)	-	-	-
HKAS1(106)(d)(iii)	**Transactions with owners in their capacity as owners:**								
HKAS32(22),(35)	Contributions of equity net of transaction costs	27	1,357	-	-	-	1,357	-	1,357
HKAS32(33)	Acquisition of shares for employee share scheme	28	-	(299)	-	-	(299)	-	(299)
	Dividends provided for or paid	37	-	-	-	(11,038)	(11,038)	(1,827)	(12,865)
HKFRS2(50)	Employee share schemes – value of employee services	29	-	-	555	-	555	-	555
			1,357	(299)	555	(11,038)	(9,425)	(1,827)	(11,252)
HKAS1(106)(d)	**Balance at 31 December 2022 (restated*)**		**63,976**	**(550)**	**12,381**	**34,503**	**110,310**	**5,689**	**115,999**

* See note 4.3 for details regarding the restatement as a result of an error.

A2			**Attributable to owners of VALUE HKFRS Limited**						
GEM18.07		Notes	**Share capital HK$'000**	**Shares held for employee share scheme HK$'000**	**Other reserves HK$'000**	**Retained earnings HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
HKAS1(106)(d)	**Balance at 31 December 2022 as originally presented**		63,976	(550)	12,381	35,588	111,395	5,689	117,084
HKAS1(106)(b)	Correction of error (net of tax)	4.3	-	-	-	(1,085)	(1,085)	-	(1,085)
	Restated total equity as at 31 December 2022		**63,976**	**(550)**	**12,381**	**34,503**	**110,310**	**5,689**	**115,999**
HKAS1(106)(d)(i)	Profit for the period		-	-	-	32,626	32,626	3,005	35,631
HKAS1(106)(d)(ii)	Other comprehensive income		-	-	5,501	307	5,808	(99)	5,709
HKAS1(106)(a)	**Total comprehensive income for the period**		**-**	**-**	**5,501**	**32,933**	**38,434**	**2,906**	**41,340**
HKFRS9(6.5.11)(d)(i) **Revised illustration**	Hedging gains and losses and costs of hedging transferred to the carrying value of inventory purchased during the year (net of tax)	21	-	-	(31)	-	(31)	-	(31)
HKFRS9(B5.7.1) **Revised illustration**	Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings (net of tax)	20	-	-	(452)	452	-	-	-
HKAS1(106)(d)(iii)	**Transactions with owners in their capacity as owners:**								
HKAS32(22),(35)	Contributions of equity, net of transaction costs and tax	27	10,871	-	-	-	10,871	-	10,871
	Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	43	9,730	-	-	-	9,730	-	9,730
HKAS32(33)	Acquisition of shares under employee share scheme	28	-	(1,217)	-	-	(1,217)	-	(1,217)
HKAS32(35)	Buy-back of preference shares	27	-	-	-	(1,380)	(1,380)	-	(1,380)
	Value of conversion rights on convertible notes	29	-	-	2,450	-	2,450	-	2,450
	Non-controlling interests on acquisition of subsidiary	43	-	-	-	-	-	5,051	5,051
HKFRS10(23)	Transactions with non-controlling interests	42	-	-	(333)	-	(333)	(1,167)	(1,500)
	Dividends provided for or paid	37	-	-	-	(22,923)	(22,923)	(3,017)	(25,940)
	Employee share schemes – value of employee services	29	-	-	2,018	-	2,018	-	2,018
HKFRS2(50)	Issue of shares under employee share scheme	28	-	1,091	(1,091)	-	-	-	-
			20,601	(126)	3,044	(24,303)	(784)	867	83
HKAS1(106)(d)	**Balance at 31 December 2023**		**84,577**	**(676)**	**20,443**	**43,585**	**147,929**	**9,462**	**157,391**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of changes in equity

Accounting standard for the statement of changes in equity

HKAS1(106)

1. The statement of changes in equity shall include:
   (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests
   (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with HKAS 8

HKAS1(106)(d)

   (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) 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.

HKAS1(108)

2. Components of equity include each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings. We believe that individual reserves can be disclosed as a single column 'other reserves' if they are similar in nature and can be regarded as a component of equity. The reserves grouped together in VALUE HKFRS Limited's statement of changes in equity are all accounting reserves which have arisen as a result of specific requirements in the accounting standards. This distinguishes them from other reserves that are the result of discretionary transfers within equity,e.g. capital realisation reserves. Disclosing the individual reserves in the notes rather than on the face of the statement of changes in equity reduces clutter and makes the statement more readable.

HKAS1(106A)

3. The reconciliation of changes in each component of equity shall also show separately each item of comprehensive income. However, this information may be presented either in the notes or in the statement of changes in equity. VALUE HKFRS Limited has elected to provide the detailed information in note 29 and note 30.

HKAS1(10)(d)
HKAS7(1),(10)

Consolidated statement of cash flows

HKAS1(113), A2 GEM18.07		Notes	**2023 HK$'000**	2022 HK$'000
HKAS7(10),(18)(a)	**Cash flows from operating activities**			
HKAS7(14)(a)	Cash generated from operations	38(a)	**66,960**	48,781
HKAS7(31)-(33)	Interest received		**1,262**	905
HKAS7(31)-(33)	Interest paid		**(8,127)**	(6,799)
HKAS7(14)(f),(35),(36)	Income taxes paid		**(16,458)**	(12,163)
	Net cash inflow from operating activities		**43,637**	30,724
HKAS7(10),(21)	**Cash flows from investing activities**			
HKAS7(39)	Payment for acquisition of subsidiary, net of cash acquired	43	**(2,600)**	-
HKAS7(16)(a)	Payments for property, plant and equipment	15	**(25,387)**	(14,602)
HKAS7(16)(a)	Payments for investment property	16	**(1,900)**	-
HKAS7(16)(c)	Payments for financial assets at fair value through other comprehensive income		**(259)**	(2,029)
HKAS7(16)(c)	Payments for financial assets at amortised cost	19	**-**	(1,175)
HKAS7(16)(a)	Payment of software development costs	17	**(880)**	(720)
HKAS7(16)(e)	Loans to related parties		**(1,180)**	(730)
HKAS7(39)	Proceeds from sale of engineering division	26	**3,110**	-
HKAS7(16)(b)	Proceeds from sale of property, plant and equipment		**9,585**	639
HKAS7(16)(d),(14)	Proceeds from sale of financial assets at fair value through other comprehensive income		**1,375**	820
HKAS7(16)(f)	Repayment of loans by related parties		**469**	626
HKAS7(38)	Dividends from joint ventures and associates	12(b)	**160**	220
HKAS7(31),(33)	Other dividends		**3,300**	4,300
HKAS7(31),(33)	Interest received on financial assets held as investments		**258**	249
	Net cash (outflow) from investing activities		**(13,949)**	(12,402)
HKAS7(10),(21)	**Cash flows from financing activities**			
HKAS7(17)(a)	Proceeds from issues of shares and other equity securities	27	**12,413**	-
	Proceeds from calls on shares and calls in arrears	27	**1,500**	-
HKAS7(17)(c)	Proceeds from borrowings	38(c)	**46,053**	26,746
HKAS7(17)(c)	Proceeds received under a supplier finance arangement	32	**3,070**	2,520
HKAS7(17)(b)	Payments for shares bought back	27	**(1,350)**	-
HKAS7(17)(b)	Acquisition of shares for employee share scheme		**(1,217)**	(299)
	Share issue and buy-back transaction costs	27	**(245)**	-
HKAS7(17)(d)	Repayment of borrowings	38(c)	**(33,484)**	(24,835)
HKAS7(17)(d)	Repayments to a financial institution under a supplier finance arrangement	32	**(2,980)**	(2,550)
HKAS7(17)(e)	Principal elements of lease payments	38(c)	**(1,942)**	(1,338)
HKAS7(42A),(42B)	Transactions with non-controlling interests	42	**(1,500)**	-
HKAS7(31),(34)	Dividends paid to company's shareholders	37	**(22,357)**	(10,478)
HKAS7(31),(34)	Dividends paid to non-controlling interests in subsidiaries	12(a)	**(3,017)**	(1,828)
	Net cash (outflow) from financing activities		**(5,056)**	(12,062)
	Net increase in cash and cash equivalents		**24,632**	6,260
	Cash and cash equivalents at the beginning of the financial year		**28,049**	21,573
HKAS7(28)	Effects of exchange rate changes on cash and cash equivalents		**(248)**	216
	Cash and cash equivalents at end of year	25	**52,433**	28,049
HKAS7(43)	Non-cash financing and investing activities	38(b)		
HKFRS5(33)(c)	Cash flows of discontinued operation	26(b)		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Statement of cash flows

Definition of cash and cash equivalents

HKAS7(6),(7) 4. Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition. Financial instruments can only be included if they are in substance cash equivalents, e.g. debt investments with fixed redemption dates that are acquired within three months of their maturity.

Reporting cash flows

Expenditure on unrecognised assets to be classified as operating cash flows

HKAS7(16) 5. Cash flows can only be classified as arising from investing activities if they result in the recognition of an asset in the statement of financial position. Examples of expenditure that should be classified as operating cash flows on this basis are:

(a) expenditures on exploration or evaluation activities, unless the entity has a policy of capitalising these expenditures as permitted under HKFRS 6 *Exploration for and Evaluation of Mineral Resources*

(b) expenditures on advertising or promotional activities, staff training and research and development, and

(c) transaction costs related to a business combination.

Disclosing cash flows on a gross or net basis

HKAS7(22)-(24) 6. Cash inflows and outflows must generally be reported gross unless they relate to

(d) cash receipts and payments on behalf of customers which reflect the activities of the customer rather than the entity, or

(e) items in which the turnover is quick, the amounts are large, and the maturities are short.

Financial institutions may also report certain cash flows on a net basis.

Interest, dividends and taxes

HKAS7(31)-(34) 7. HKAS 7 does not specify how to classify cash flows from interest paid and interest and dividends received. VALUE HKFRS Limited has chosen to present interest paid and interest received on financial assets held for cash management purposes as operating cash flows, but dividends and interest received on other financial assets as investing cash flows because they are returns on the group's investments. Dividends paid are classified in this publication as financing cash flows because they are a cost of obtaining financial resources. However, they could also be classified as operating cash flows, to assist users in determining the ability of an entity to pay dividends out of operating cash flows.

HKAS7(35) 8. Cash flows arising from income taxes must be separately disclosed and are classified as operating cash flows unless they can be specifically identified with financing or investing activities.

Leases

HKFRS16(50) 9. Cash flows relating to leases must be presented as follows:

(f) cash payments for the principal portion of the lease liabilities as cash flows from financing activities

(g) cash payments for the interest portion consistent with presentation of interest payments chosen by the group, and

(h) short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

Statement of cash flows

Supplier finance arrangements

7. While the IFRS Interpretations Committee discussed the financial reporting considerations relating to supplier finance arrangements, the agenda decision issued in December 2020 does not conclude on what is considered a cash flow for an entity. For the purpose of this publication, we have assumed that a gross presentation of the cash flows (i.e. gross operating cash outflow and financing cash inflow) is appropriate as the financial institution settles the invoices on behalf of the group. However, this may not always be the case and judgement will be required. As illustrated in note 32, entities should consider explaining how they have presented the cash flows from these arrangements and any significant judgements made in this regard.
8. For further guidance see our practical guide *Link: Financial reporting considerations for supplier finance arrangements* on Viewpoint, which explains issues to consider when determining the appropriate presentation and disclosure of such arrangements. In July 2023, the HKICPA made amendments to HKAS 7 and HKFRS 7 which require entities to disclose additional information in the notes about such arrangements. The amendments apply to annual reporting periods beginning on or after 1 January 2024. See the commentary to note 18 paragraph 8 for further information.

References to information disclosed in the notes

9. While it is not mandatory to include a reference to information disclosed in the notes that is not related to particular line items of the financial statements, e.g. to information about non-cash financing and investing transactions, we consider it best practice to do so.

Discontinued operations

HKFRS5(33)(c)

10. Entities must disclose separately the net cash flows attributable to each of operating, investing and financing activities of discontinued operations. There are different ways of presenting this information, but the underlying principle is that the cash flow statement must give the total cash flows for the entity including both continuing and discontinued operations. Entities might comply with the disclosure requirements in the following ways:
    (a) No separate presentation of cash flows from discontinued operations on the face of the statement of cash flows (that is, gross cash flows are presented). A breakdown of cash flows from discontinued operations between the three categories presented in the notes. This is the presentation chosen by VALUE HKFRS Limited, see note 26.
    (b) Cash flows from discontinued operations are split between the three relevant categories on the face of the statement of cash flows, with one line being included within each category including the relevant results from discontinued operation. A total is presented for each category.
    (c) If the discontinued operation is held for sale at the reporting date, the closing amount of cash presented at the bottom of the statement of cash flows should be reconciled to the cash and cash equivalents in the statement of financial position.

HKAS1(10)(e)

Notes to the Consolidated financial statements

Contents of the notes to the financial statements

Structure of the notes

HKAS1(113)

1. Notes shall, as far as practicable, be presented in a systematic manner, keeping in mind the understandability and comparability of the financial statements. Each item in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows shall be cross referenced to any related information in the notes.

HKAS1(114)

2. Examples of systematic ordering of notes include:
   (a) giving prominence to the areas of the entity's activities that are most relevant to an understanding of the financial performance and financial position, e.g. by grouping together information about particular operating activities
   (b) grouping together information about items that are measured similarly, e.g. assets measured at fair value, or
   (c) following the order of the line items in the financial statements, by disclosing
      (i) a statement of compliance with HKFRS (see paragraph 16 of HKAS 1)
      (ii) a summary of material accounting policy information applied (paragraph 117 of HKAS 1)
      (iii) supporting information for items presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, in the order in which each statement and each line item is presented, and
      (iv) other disclosures, including:
         - contingent liabilities (see HKAS 37) and unrecognised contractual commitments, and
         - non-financial disclosures (e.g. the entity's financial risk management objectives and policies, see HKFRS 7).
3. Traditionally, most financial reports have used the structure suggested in para 2(c) above. However, financial report preparers increasingly consider annual reports to be an important tool in the communication with stakeholders and not just a mere compliance exercise. As a consequence, there is a growing interest in alternative formats of the financial statements.

HKAS1(114)

4. This trend is supported by the HKICPA's Disclosure Initiative. As part of this project, the HKICPA made amendments to HKAS 1 *Presentation of Financial Statements* which have provided preparers with more flexibility in presenting the information in their financial reports.
5. The notes relating to individual line items in the financial statements disclose the relevant accounting policies. Accounting policies that merely summarise mandatory requirements are disclosed at the end of the financial report, as they are not relevant for the majority of users. This structure makes the information in the financial report more accessible for users and provides a basis for considering the most useful structure for your entity's report.

   However, it is important to note that this structure used in this publication is not mandatory and is only one possible example of improved readability. In fact, our experience has shown that there is not one structure that is suitable for all entities. Rather, the appropriate structure depends on the entity's business and each entity should consider what would be most useful and relevant for their stakeholders based on their individual circumstances.

Materiality matters

HKAS1(30A)

6. When drafting the disclosures in the notes to the financial statements, also remember that too much immaterial information could obscure the information that is actually useful to readers. Some of the disclosures in this publication would likely be immaterial if VALUE HKFRS Limited was a 'real life' company. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the company only provides the framework for these disclosures and the amounts disclosed are not always realistic. Disclosures should not be included where they are not relevant or not material in specific circumstances.

Hong Kong Companies Ordinance Cap. 622

7. The requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation since the first financial reporting year beginning on or after 3 March 2014. Q&As have been published by the Hong Kong Companies Registry and the Hong Kong Institute of Certified Public Accountants to address those frequently asked questions relating to the presentation and disclosures requirements under Cap.622. See Alerts A40/14, A29/15 and A31/15.
8. On 7 December 2018, the Hong Kong Government published the Companies (Amendment) (No. 2) Ordinance 2018 ("the 2018 Amendment Ordinance") to amend some of the provisions in the new CO so as to improve the clarity and operation of the new CO and further facilitate business in Hong Kong. In order to streamline the operation of the accounting and financial reporting requirements, one of the key amendment is to align the definition/meaning of parent undertaking in Schedule 1 to be consistent with the accounting standards applicable to its financial statements (e.g. HKFRS). The 2018 Amendment Ordinance comes into effect on 1 February 2019 (for financial year ending on or after 1 February 2019). Earlier application is not permitted. See Alert A23/18 for further details.

HKAS1(10)(e)

Notes to the consolidated financial statements

1 General information

HKAS1(138)(b),(c) VALUE HKFRS Limited ('the company') and its subsidiaries (together 'the group') manufacture goods, provides services and holds investment property.

HKAS1(51)(a),(b) HKAS1(138)(a) The company is a limited liability company incorporated in Hong Kong. The address of its registered office is 21/F Nice Building, City Plaza Three, 14 Taikoo Wan Road, Taikoo Shing, Island East, Hong Kong.

4Sch.p1.3
A28(1)(b)(iii)
GEM18.07A(1)(b)(iii)

Instruction note # for disclosure of "ultimate parent undertaking":

For Hong Kong listed issuers and Hong Kong incorporated companies, if the company is the subsidiary of another undertaking, the financial statements of that company must contain:

- the name of the 'ultimate parent undertaking'; and
- the country of incorporation of the ultimate parent undertaking (if the undertaking is a body corporate); or
- the address of its principal place of business of the ultimate parent undertaking (if the undertaking is not a body corporate).

(Main Board Listing Rules Appendix D2 paragraph28(1)(b)(iii)/ GEM Listing Rules 18.07A(1)(b)(iii)) and Paragraph 3 of Part 1 of Schedule 4 of HKCO (Cap. 622))

Such information is currently included in Note 44 "Related party transactions". If such information is not disclosed in Note 44, please disclose such information in other parts of the financial statements, e.g. Note 1 "General Information".

The company has its primary listing on The Stock Exchange of Hong Kong Limited.

HKAS1(51)(c)(d) These financial statements are presented in HK dollars, unless otherwise stated.

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

- The acquisition of VALUE HKFRS Electronics Group in April 2023 (see note 43) which resulted in an increase in property, plant and equipment (note 15) and the recognition of goodwill and other intangible assets (note 17).
- The sale of the engineering subsidiary in February 2023 (see note 26).
- The sale of surplus land by VALUE HKFRS Consulting Inc (see note 6).
- A fire in Springfield in March 2023 which resulted in the impairment of a number of assets (see note 6).
- A review of the furniture manufacturing and wholesale operations, which led to redundancies and a goodwill impairment charge (see notes 36 and 17).

Some of the amounts reported for the previous period have been restated to correct an error. Detailed information about these adjustments can be found in note 4.3.

Recent developments that could affect the financial position and performance

When preparing their financial report, entities should also consider the impact of the following developments:

1. *Inflation and rising interest rates – see In depth INT2022-12 Navigating HKFRS in periods of rising inflation and interest rates.*
2. Climate change – see Appendix G.
3. Russia/Ukraine conflicts – see In depth *INT2022-05 Accounting implications of the Russia/Ukraine conflicts.*
4. Whether an economy has become hyperinflationary or has ceased to be hyperinflationary – see Viewpoint for regular updates on economies that are identified as hyperinflationary.

Significant changes in the current reporting period

1. There is no requirement to disclose a summary of significant events and transactions that have affected the company's financial position and performance during the period under review. We believe that information such as this would help readers understand the entity's performance and any changes to the entity's financial position during the year and make it easier finding the relevant information. However, information such as this could also be provided in the (unaudited) operating and financial review rather than the (audited) notes to the financial statements.
2. At the time of writing, the COVID-19 pandemic continues to have a significant impact on the financial statements of entities all around the world. Many entities will be affected in one form or another and should discuss the impact prominently in their financial statements. However, as the impact varies significantly between entities and countries, this publication is not providing any illustrative examples or guidance. Instead, we are referring our readers to our Link: dedicated COVID-19 web site, which provides many useful resources, including disclosure examples, and which is constantly being updated to reflect latest developments.

Disclosures not illustrated: going concern disclosures

HKAS1(25)

Consider impact of climate change – see Appendix G

3. When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. Where the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.
4. Where there are material uncertainties about the entity's ability to continue as a going concern, this fact should be disclosed upfront, e.g. in a note.
3. A disclosure of material uncertainties about the entity's ability to continue as a going concern should:
   - HKSA570(19)(a) (a) adequately describe the principal events and conditions that give rise to the significant doubt on the entity's ability to continue as a going concern
   - HKSA570(19)(a) (b) explain management's plans to deal with these events or conditions, and
   - HKSA570(19)(b) (c) state clearly that:
     - (i) there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, and
     - (ii) the entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

HKSA570(19)(b) The following provides an example of an entity's going concern disclosure:

The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group's products; and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the group's borrowings is given in note 33.

HKAS1(117)

2 Basis of preparation and changes in accounting policies

HKAS1(112)(a),(117)

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

4Sch.p1.4
HKAS1(16)
A2.1, A5, GEM18.19,
GEM18.20, GEM18.04

The consolidated financial statements of the VALUE HKFRS Limited group have been prepared in accordance with Hong Kong Financial Reporting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKFRS”) and requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

Commentary: Basis of preparation for overseas incorporated listed issuers (i.e. incorporated outside Hong Kong)

(i) Compliance with HKFRS and the disclosure requirements of HKCO

The consolidated financial statements of the VALUE HKFRS Limited group have been prepared in accordance with Hong Kong Financial Reporting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

Commentary: Compliance statement

Paragraph 4(a) of Part 1 of Schedule 4 requires that the financial statements for a financial year must state whether they have been prepared in accordance with applicable accounting standards within the meaning of section 380. Those accounting standards that are applicable to the financial statements are those as are, in accordance with their terms, relevant to company’s circumstances and to the financial statements. For Hong Kong incorporated companies, the applicable accounting standards are HKFRS, as they are the only accounting standards which are issued by the Hong Kong Institute of Certified Public Accountants. The preface to HKFRS (Revised 2022), paragraph 25 makes clear that a Hong Kong incorporated company will be in breach of section 380(4)(b) unless the statutory financial statements of the company contains an explicit and unreserved statement of compliance with HKFRS as issued by the HKICPA. This statement may be in addition to a statement of compliance with a basis or standard of accounting other than HKFRSs provided the financial statements satisfy the requirements of both accounting frameworks.

(ii) Historical cost convention

HKAS1(117)(a)

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment, and investment property – measured at fair value or revalued amount
- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value.

Revised requirements

(iii) New and amended standards adopted by the group

HKAS8(28)

The group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- *HKFRS 17 Insurance Contracts*
- *Definition of Accounting Estimates – amendments to HKAS 8*
- *International Tax Reform – Pillar Two Model Rules – amendments to HKAS 12.*

[If not already adopted last year, the list should also include:

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12*
- *Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2.*]

The group also elected to adopt the following amendments early:

- *Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current* and *Amendments to HKAS 1 – Non-current Liabilities with Covenants.*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
[Entities that were significantly impacted by the adoption of HKFRS 17 *Insurance Contracts* will need to explain any adjustments made to their accounting policies. See the commentary to note 2.2 for details.]

Revised requirements

HKAS8(30)

(iv) New and amended standards and interpretations not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

(a) Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which will be effective from 1 May 2025 (the "Transition Date"). Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("MPF Benefits") of an entity would no longer be eligible to offset against its obligations on long service payment ("LSP") for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the "practical expedient") to account for the offsetable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "Guidance") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a 'simple type of contributory plans' to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). This change in accounting policy upon the cessation in applying the practical expedient has resulted in a catch-up adjustment for past service costs and a corresponding increase in the Group's LSP obligations in the year of enactment of the Amendment Ordinance (i.e. year ended 31 December 2022). The adjustment is recognised as past service costs in profit or loss for the year ended 31 December 2022 as the Amendment Ordinance is not contemplated in the original LSP legislation.

This change in accounting policy has been applied retrospectively by restating the balances as at 31 December 2022 and the results for the year then ended as summarised below:

	As previously reported HK$'000	Effect of change in accounting policy HK$'000	As restated HK$'000
As at 31 December 2022			
Employee benefit obligations	XX	XX	XX
Current tax liabilities	XX	XX	XX
Retained earnings	XX	XX	XX
For the year ended 31 December 2022			
Cost of providing services	XX	XX	XX
Distribution costs	XX	XX	XX
Administrative expenses	XX	XX	XX
Finance costs	XX	XX	XX
Income tax expense	XX	XX	XX
	Cents	Cents	Cents
Basic earnings per share	XX	XX	XX
Diluted earnings per share	XX	XX	XX

The abovementioned change in accounting policy does not have any impact to the consolidated balance sheet as at 1 January 2022.

Changes in accounting policies

1. The disclosures in this publication show how a corporate group may be affected by the enactment of the Amendment Ordinance and the Guidance issued by HKICPA. We have assumed historically VALUE HKFRS adopted the practical expedient under para 93(b) of HKAS 19 to account for the deemed employee contributions.

   The Amendment Ordinance is equally applicable to severance payment in Hong Kong. Severance payment is classified as termination benefits under HKAS 19 and is recognised only when the entity is no longer able to withdraw the termination offer and has the unavoidable obligation. We have not illustrated the severance payment in this publication.

   The Amendment Ordinance is also prohibit the offsetting of LSP against the accrued benefits attributable to employer's contributions within a Reference Amount** to an ORSO scheme. We have not illustrated ORSO scheme in this publication.

   This illustration demonstrates one of the acceptable accounting approaches – deemed employee contribution approach in accounting for the offsetting mechanism of the long service payment. We have not illustrated another acceptable accounting approach - reimbursement right approach in this publication. If reimbursement right approach is adopted, please disclose the material accounting policy and other disclosure requirements in relation to the reimbursement right (HKAS 19 paragraphs140(b) & 141) and potential increment in service cost in future. Any resulting change in accounting policy should be applied retrospectively in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the impracticability constraint in HKAS 8 paragraphs 50-53.

   Regarding government subsidy scheme, entities should consider the latest developments with respect to the government subsidy and evaluate the impact of those developments to the financial statements. This includes the need to provide any relevant subsequent event disclosures based on relevant facts and circumstances up to the time the financial statements are authorised for issue.

   ** Reference Amount, as defined in paragraph 3(5) of Part 2 of New Ordinance

   = employee's final average monthly relevant income × years of service to which the employer-funded exempt ORSO scheme benefit is attributable × 5% × 12

Voluntary changes in accounting policy

HKAS8(28),(29)

2. The disclosures for mandatory and voluntary changes in accounting policies are similar. Amongst others, entities must disclose in both cases the nature of the change in accounting policy, adjustments for the current and prior periods presented and adjustments relating to periods before those presented. However, entities that have voluntarily changed an accounting policy shall also explain the reasons why applying the new accounting policy provides reliable and more relevant information.

Impact of change on the current period

HKAS8(28)(f)

3. HKAS 8 specifically requires disclosure of the effect of a change in accounting policy not only on prior periods but also on the current period, unless it is impracticable to determine the amount of the adjustment. To make this disclosure, entities will need to apply both the old accounting policy and the new policies parallel in the year of adoption. The standard includes a definition of impracticable and a set of criteria that must be satisfied for the exemption to be applied, setting quite a high hurdle for using this exemption.

HKFRS15(C4)

4. The HKICPA did consider requiring this disclosure only for voluntary changes of accounting policies and not where the change is a result of changes in the accounting standards. However, they did not proceed with the amendment but decided instead to give relief on a case-by-case basis. For example, relief was provided for the adoption of HKFRS 15 *Revenue from Contracts with Customers,* but not for entities that adopted HKFRS 16 *Leases* without using the simplified transitional approach.

Change of accounting policy in response to IFRS Interpretations Committee agenda decisions

5. While IFRS Interpretations Committee agenda decisions do not form part of IFRSs, they often produce explanatory material that provides new information 'that was not otherwise available and could not otherwise reasonably have been expected to be obtained' relating to the application of accounting standards.Therefore, an entity might be required to change its previous accounting treatment following the issue of an IFRS Interpretations Committee agenda decision. Often, but not always, changes resulting from an agenda decision would be a voluntary accounting policy change in accordance with HKAS 8 as it arises from 'new information' and would generally have to be applied retrospectively. For a list of agenda decisions issued in the last 12 months see Appendix F(b).

HKAS 28(29)

6. Where the entity has to change its accounting treatment, it should apply HKAS 8 to determine the nature of and provide sufficient disclosure of the reasons for the change, having regard to the particular facts of the individual case. Entities might consider the following description for the change in accounting treatment:

The group previously accounted for [explanation of previous accounting practice]. Following the IFRS Interpretations Committee agenda decision on *[subject matter]* in *[date]*, the group has reconsidered its accounting treatment. The group has adopted the treatment set out in the agenda decision *[description of the new treatment]*. This change in accounting treatment has been accounted for retrospectively and comparative information has been restated. *[Disclose details of the effect]*

9. When management has concluded that a change in an accounting policy is required as a result of an agenda decision but that change has not been made yet, they should consider providing disclosures similar to those provided about forthcoming standards in accordance with paragraphs 30 and 31 of HKAS 8.

Additional comparative information – third statement of financial position

HKAS1(40A),(40C)

10. If an entity has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements and this had a material effect on the information in the statement of financial position at the beginning of the preceding period, the entity must present a third statement of financial position as at that date (1 January 2022 for entities with a 31 December 2023 year-end). However, it is not necessary to include the additional comparative information in the affected notes, provided the entity has disclosed all of the quantitative information that is required by HKAS 8.

HKAS1(40D)

11. The third statement of financial position must be presented as at the beginning of the preceding period even if the entity presents comparative information for earlier periods.

Impact of change on prior interim financial reports

HKAS1(112)(c)

12. There is no 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 as part of the disclosures made under paragraphs 28 and 29 of HKAS 8.

3 Financial risk management

Risk management disclosures may need to be updated for the impacts of rising inflation and interest rates – see commentary paras 15 and 16 at the end of this note.

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

HKFRS7(21A)(a),(21C),(31),(32),(33)

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Hong Kong dollar (HK$)	Cash flow forecasting Sensitivity analysis	Foreign currency forwards and foreign currency options
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk – security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversification
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, debt investments and contract assets	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit Investment guidelines for debt investments
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

HKFRS7(33)(b) The group's risk management is predominantly controlled 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 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.

HKFRS7(21A)(c) Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedenenged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases.

3.1 Financial risk factors

HKFRS7(33) **(a) Market risk**

HKFRS7(21C) *(i) Foreign exchange risk*

Instrument used by the group

HKFRS7(33)(b),(22A)(a) The group operates internationally and is exposed to foreign exchange risk, primarily the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable US dollar expenditures. The risk is hedged with the objective of minimising the volatility of the Hong Kong dollar cost of highly probable forecast inventory purchases.

HKFRS7(22A)(b),(c) The group treasury's risk management policy is to hedge between 65% and 80% of forecasted US dollar cash flows for inventory purchases up to one quarter in advance, subject to a review of the cost of implementing each hedge. For the year ended 31 December 2023, approximately 80% of inventory purchases were hedged in respect of foreign currency risk. At 31 December 2023, 90% of forecasted US dollar inventory purchases during the first quarter of 2024 qualified as 'highly probable' forecast transactions for hedge accounting purposes (for 2022, approximately 85% of inventory purchases were hedged and 93% of the purchases qualified as 'highly probable' as at 31 December 2022).

The US dollar-denominated bank loans are expected to be repaid with receipts from US dollar-denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

HKFRS7(22B)(a) The group uses a combination of foreign currency options and foreign currency forwards to hedge its exposure to foreign currency risk. Under the group's policy, the critical terms of the forwards and options must align with the hedged items.

HKFRS9(6.5.16) The group only designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. It is discounted, where material.

HKFRS9(6.5.15) The intrinsic value of foreign currency options is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the discounted spot market exchange rate is defined as the time value. It is discounted, where material.

HKAS1(117)
HKFRS7(21) The changes in the forward element of the foreign currency forwards and the time value of the options that relate to hedged items are deferred in the costs of hedging reserve.

HKFRS7(7),(21) The group also entered into foreign currency forwards in relation to projected purchases for the next 12 months that do not qualify as 'highly probable' forecast transactions and hence do not satisfy the requirements for hedge accounting (economic hedges). The foreign currency forwards are subject to the same risk management policies are all other derivative contracts. However, they are accounted for as held for trading with gains (losses) recognised in profit or loss.

Hedge of net investment in foreign entity

HKFRS7(22A) In 2023, VALUE HKFRS Limited has entered into a bank loan amounting to HK$1,699,000 which is denominated in Chinese renminbi (RMB) and which was taken out to fund an additional equity investment in the Chinese subsidiary. The forward rate of the loan has been designated as a hedge of the net investment in this subsidiary. There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

Exposure

HKFRS7(31),(34)(c),(22A)(c) The group's exposure to foreign currency risk at the end of the reporting period, expressed in Hong Kong dollar, was as follows:

	31 December 2023			31 December 2022		
	RMB	**EUR**	**USD**	RMB	EUR	USD
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Trade receivables	**5,150**	**2,025**	**-**	4,130	945	-
Bank loans	**(18,765)**	**-**	**(1,509)**	(8,250)	-	-
Trade payables	**(4,250)**	**-**	**-**	(5,130)	-	-
Foreign currency forwards						
buy foreign currency (cash flow hedges)	**11,519**	**-**	**-**	10,613	-	-
buy foreign currency (held for trading)	**12,073**	**-**	**-**	11,422	-	-
Foreign currency options	**10,000**	**-**	**-**	8,000	-	-

HKAS21(52)(a) The aggregate net foreign exchange gains/losses recognised in profit or loss were:

		2023 HK$'000	2022 HK$'000
HKAS21(52)(a)	Net foreign exchange gain/(loss) included in other gains/(losses)	**518**	(259)
HKAS23(6)(e)	Exchange losses on foreign currency borrowing included in finance costs	**(1,122)**	(810)
HKAS21(52)(a)	Total net foreign exchange (losses) recognised in profit before income tax for the period	**(604)**	(1,069)

Effects of hedge accounting on the financial position and performance

The effects of the foreign currency-related hedging instruments on the group's financial position and performance are as follows:

		2023 HK$'000	2022 HK$'000
HKFRS7(24A)(b)	*Foreign currency options*		
HKFRS7(24A)(a)	Carrying amount (current asset)	**1,709**	1,320
HKFRS7(24A)(d)	Notional amount	**10,000**	8,000
HKFRS7(23B)(a)	Maturity date	**January 2024 – March 2024**	Jan 2023 – April 2023
HKFRS7(22B)(c)	Hedge ratio*	**1:1**	1:1
HKFRS7(24A)(c)	Change in intrinsic value of outstanding hedging instruments since inception of the hedge	**596**	1,353
HKFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge ineffectiveness	**(596)**	(1,353)
HKFRS7(23B)(b)	Weighted average strike rate for outstanding hedging instruments	**RMB0.9612:HK$1**	RMB0.8543:HK$1
HKFRS7(24A)(b)	*Foreign currency forwards*		
HKFRS7(24A)(a)	Carrying amount (current liability)	**(766)**	(777)
HKFRS7(24A)(d)	Notional amount	**11,519**	10,612
HKFRS7(23B)(a)	Maturity date	**January 2024 – March 2024**	January 2023 – March 2023
HKFRS7(22B)(c)	Hedge ratio*	**1:1**	1:1
HKFRS7(24A)(c)	Change in discounted spot value of outstanding hedging instruments since inception of the hedge	**(218)**	(935)
HKFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge ineffectiveness	**222**	937
HKFRS7(23B)(b)	Weighted average hedged rate for outstanding hedging instruments (including forward points)	**RMB0.9612:HK$1**	RMB0.9428:HK$1

HKFRS7(22B)(c) * The foreign currency forwards and options are denominated in the same currency as the highly probable future inventory purchases (RMB), therefore the hedge ratio is 1:1.

		2023 HK$'000	2022 HK$'000
HKFRS7(24A)(b)	*Net investment in foreign operation*		
HKFRS7(24A)(a)	Carrying amount (non-current borrowings)	**(1,509)**	-
HKFRS7(24A)(d)	RMB carrying amount	**RMB 6,946,000**	-
HKFRS7(22B)(c)	Hedge ratio	**1:1**	-
HKFRS7(24A)(c)	Change in carrying amount of bank loan as a result of foreign currency movements since 1 January, recognised in OCI – see note 29	**190**	-
HKFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	**(190)**	-
HKFRS7(23B)(b)	Weighted average hedged rate for the year (including forward points)	**RMB5.93214:HK$1**	-

Sensitivity

HKFRS7(40)(a),(b),(c) As shown in the table above, the group is primarily exposed to changes in RMB/HK$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from RMB-dollar denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

	Impact on post-tax profit		**Impact on other components of equity**	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB/HK$ exchange rate – increase 9% (2022-10%) *	**(1,494)**	(1,004)	**(806)**	(743)
RMB/HK$ exchange rate – decrease 9% (2022-10%) *	**1,223**	822	**660**	608

* Holding all other variables constant

Profit is more sensitive to movements in the HK dollar/RMB exchange rates in 2023 than 2022 because of the increased amount of RMB denominated borrowings. Equity is more sensitive to movements in the HK dollar/RMB exchange rates in 2023 than 2022 because of the increased amount of foreign currency forwards contracts. The group's exposure to other foreign exchange movements is not material.

HKFRS7(21C) *(ii) Cash flow and fair value interest rate risk*

HKFRS7(22A)(a),(b),(33)(a),(b) The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Group policy is to maintain at least 50% of its borrowings at fixed rate using floating-to-fixed interest rate swaps to achieve this when necessary. Generally, the group enters into 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. During 2023 and 2022, the group's borrowings at variable rate were mainly denominated in Hong Kong dollar and US dollars.

The group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

HKFRS7(22A)(c),(34)(a) The exposure of the group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2023 HK$'000	**% of total loans**	2022 HK$'000	% of total loans
Variable rate borrowings	**54,689**	**56%**	50,150	59%
Fixed rate borrowings – repricing or maturity dates:				
Less than 1 year	**4,735**	**5%**	3,895	5%
1 – 5 years	**26,626**	**27%**	19,550	23%
Over 5 years	**11,465**	**12%**	11,000	13%
	97,515	**100%**	84,595	100%

An analysis by maturities is provided in note 3.1(c). The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

Instruments used by the group

HKFRS7(22B)(a),(23B) Swaps currently in place cover approximately 18% (2022 – 8%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 7.8% and 8.3% (2022 – 9.0% and 9.6%) and the variable rates of the loans are between 0.5% and 1.0% above the 90 day bank bill rate which at the end of the reporting period was 8.2% (2022 – 9.4%).

HKFRS7(22B)(a) The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the group's financial position and performance are as follows:

		2023 **HK$'000**	2022 HK$'000
HKFRS7(24A)(b)	*Interest rate swaps*		
HKFRS7(24A)(a)	Carrying amount (current and non-current asset)	**453**	809
HKFRS7(24A)(d)	Notional amount	**10,010**	8,440
HKFRS7(23B)(a)	Maturity date	**2023**	2022
HKFRS7(22B)(c)	Hedge ratio	**1:1**	1:1
HKFRS7(24A)(c)	Change in fair value of outstanding hedging instruments since 1 January	**(202)**	1,005
HKFRS7(24B)(b)(i)	Change in value of hedged item used to determine hedge effectiveness	**202**	1,005
HKFRS7(23B)(b)	Weighted average hedged rate for the year	**8.1%**	9.3%

Sensitivity

HKFRS7(40)(a)

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings and the fair value of debt investments at fair value through other comprehensive income.

	Impact on post-tax profit		**Impact on other components of equity**	
	2023 **HK$'000**	2022 HK$'000	**2023** **HK$'000**	2022 HK$'000
Interest rates – increase by 70 basis points (2022-60 bps) *	**138**	(18)	**(90)**	(16)
Interest rates – decrease by 100 basis points (2022-80 bps) *	**(127)**	96	**129**	22

* Holding all other variables constant

HKFRS7(21C)

(iii) Price risk

Exposure

HKFRS7(33)(a)

Consider impact of climate change – see Appendix G

The group's exposure to equity securities price risk arises from investments held by the group and classified in the statement of financial position either as at fair value through other comprehensive income (FVOCI) (note 20) or at fair value through profit or loss (FVPL) (note 24).

HKFRS7(33)(b)

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 majority of the group's equity investments are publicly traded and are included either in the Hong Kong Stock Exchange 200 Index or the NYSE International 100 Index.

Sensitivity

HKFRS7(40)(a),(b)

The table below summarises the impact of increases/decreases of these two indexes on the group's equity and post-tax profit for the period. The analysis is based on the assumption that the equity indexes had increased by 9% and 7% respectively or decreased by 6% and 5% with all other variables held constant, and that all of the group's equity instruments moved in line with the indexes.

	Impact on post-tax profit		**Impact on other components of equity**	
	2023 **HK$'000**	2022 HK$'000	**2023** **HK$'000**	2022 HK$'000
Hong Kong Stock Exchange 200 – increase 9% (2022 – 7.5%)	**385**	361	**284**	266
NYSE International 100 – increase 7% (2022 – 6.5%)	**254**	184	**-**	-
Hong Kong Stock Exchange 200 – decrease 6% (2022 – 4%)	**(257)**	(193)	**(189)**	(177)
NYSE International 100 – decrease 5% (2022 – 3.5%)	**(182)**	(99)	**-**	-

Post-tax profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at FVPL. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as FVOCI.

(b) Credit risk

HKFRS7(33)(a),(b)
Consider impact of climate change – see Appendix G

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, at fair value through comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

HKFRS7(35B)

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

HKFRS7(34)(c)

If wholesale customers are independently rated, these ratings are used. Otherwise, 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 compliance with credit limits by wholesale customers is regularly monitored by line management.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

For derivative financial instruments, management has established limits so that, at any time, less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty.

The group's investment in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

HKFRS7(15)(b),(36)(a),(b)

(ii) Security

For some trade receivables the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets

The group has four types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory and from the provision of consulting services
- contract assets relating to IT consulting contracts
- debt investments carried at amortised cost, and
- debt investments carried at FVOCI.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

HKAS1(117),HKFRS7(21)
HKFRS9(5.5.15)

The group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

HKFRS7(35F)(c)
Consider impact of climate change – see Appendix G

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

HKFRS7(35G)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 1 January 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for both trade receivables and contract assets:

HKFRS7(35N)			**More than 30**	**More than 60**	**More than 120**	
	31 December 2023	**Current**	**days past due**	**days past due**	**days past due**	**Total**
	Expected loss rate	1.8%	5%	16%	52%	
HKFRS7(35K)(a),(6)	Gross carrying amount – trade receivables	13,627	1,428	893	360	16,308
HKFRS7(35K)(a),(6)	Gross carrying amount – contract assets	1,547	-	-	-	1,547
	Loss allowance	**273**	**71**	**143**	**187**	**674**

HKFRS7(35N)			More than 30	More than 60	More than 120	
	31 December 2022	Current	days past due	days past due	days past due	Total
	Expected loss rate	1.4%	5%	14%	46%	
HKFRS7(35K)(a),(6)	Gross carrying amount– trade receivables	6,815	975	480	300	8,570
HKFRS7(35K)(a),(6)	Gross carrying amount – contract assets	2,597	-	-	-	2,597
	Loss allowance	132	49	67	138	386

HKFRS7(35H)(b)(iii)

The loss allowances for trade receivables and contract assets as at 31 December reconcile to the opening loss allowances as follows:

		Contract assets		**Trade receivables**	
		2023	2022	**2023**	2022
		HK$'000	HK$'000	**HK$'000**	HK$'000
	Opening loss allowance at 1 January	**36**	30	**350**	115
	Increase in loan loss allowance recognised in profit or loss during the year	**-**	6	**846**	635
HKFRS7(35I)(c)	Receivables written off during the year as uncollectible	**-**	-	**(530)**	(345)
HKFRS7(35I)(c)	Unused amount reversed	**(8)**	-	**(20)**	(55)
	Closing loss allowance at 31 December	**28**	36	**646**	350

HKFRS7(35F)(e)

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt investments

HKFRS7(35F)(a)(i)

All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost

HKAS1(117) Other financial assets at amortised cost include debenture assets, zero coupon bonds and listed corporate bonds, loans to related parties and key management personnel and other receivables.

The loss allowance for other financial assets at amortised cost as at 31 December reconciles to the opening loss allowance as follows:

		Related parties HK$'000	Key management personnel HK$'000	Debentures and bonds HK$'000	Other receivables HK$'000	Total HK$'000
HKFRS7(35H)(a)	**Opening loss allowance as at 1 January 2022**	**-**	**1**	**4**	**2**	**7**
HKFRS7(20)(a)(vi)	Increase in the allowance recognised in profit or loss during the period	2	1	3	3	9
	Closing loss allowance as at 31 December 2022	2	2	7	5	16
HKFRS7(20)(a)(vi)	Increase in the allowance recognised in profit or loss during the period	2	1	17	3	23
	Closing loss allowance as at 31 December 2023	**4**	**3**	**24**	**8**	**39**

Debt investments at fair value through other comprehensive income

HKAS1(117)
HKFRS9(5.5.2) Debt investments at fair value through other comprehensive income (FVOCI) include listed and unlisted debt securities. The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

HKFRS7(35H)(a)
HKFRS7(16A) The loss allowance for debt investments at FVOCI as at 31 December reconciles to the opening loss allowance as follows:

		HK$'000
	Loss allowance as at 1 January and 31 December 2022	-
HKFRS7(20)(a)(viii)	Increase in loan loss allowance recognised in profit or loss during the year	8
	Closing loss allowance as at 31 December 2023	8

Net impairment losses on financial and contract assets recognised in profit or loss

Not mandatory During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

		2023 HK$'000	2022 HK$'000
	Impairment losses		
	- movement in loss allowance for trade receivables and contract assets	**(846)**	(641)
	Impairment losses on other financial assets	**(23)**	(9)
	Reversal of previous impairment losses	**28**	**55**
HKFRS7(20)(a)(vi)	Impairment losses on financial assets at amortised cost	**(841)**	(595)
HKFRS7(20)(a)(viii)	Impairment losses on financial assets at FVOCI	**(8)**	-
HKAS1(82)(ba)	Net impairment losses on financial and contract assets	**(849)**	595

HKFRS15(113)(b) Of the above impairment losses, HK$739,000 (2022 – HK$607,000) relate to receivables arising from contracts with customers (see note 5).

(vi) Financial assets at fair value through profit or loss

HKFRS7(36) The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (HK$2,390,000; 2022 – nil).

(c) Liquidity risk

HKFRS7(33)(a),(b),(39)(c),(B11E)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held deposits at call of HK$44,657,000 (2022 – HK$24,093,000) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

HKFRS7(34)(a)

Consider impact of climate change – see Appendix G

Management monitors rolling forecasts of the group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 25) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the group, in accordance with practice and limits set by the group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(i) Financing arrangements

HKFRS7(7),(34)(a)
HKAS7(50)(a)

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2023 **HK$'000**	2022 HK$'000
Floating rate		
- Expiring within one year (bank overdraft and bill facility)	**12,400**	10,620
- Expiring beyond one year (bank loans)	**9,470**	8,100
	21,870	18,720

HKFRS7(7),(39)(c)
HKAS7(50)(a)

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The unsecured bill acceptance facility may be drawn at any time and is subject to annual review. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either Hong Kong dollar units or US dollars and have an average maturity of 6.5 years (2022 – 6.9 years).

(ii) Maturities of financial liabilities

HKFRS7(39)(a),(b),(B11B)

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and
(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

HKFRS7(B11D)

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

HKFRS7(39)(a),(B11B)

The group's trading portfolio of derivative instruments with a negative fair value has been included at their fair value of HK$610,000 (2022 – HK$621,000) within the "less than 6 months" 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.

HKFRS7(39)(a),(b),
(B11)

HKFRS16(58)

Contractual maturities of financial liabilities **At 31 December 2023**	**Less than 6 months HK$'000**	**6 – 12 months HK$'000**	**Between and 2 years HK$'000**	**Between and 5 years HK$'000**	**Over 5 years HK$'000**	**Total contractual cash flows HK$'000**	**Carrying amount (assets)/ liabilities HK$'000**
Non-derivatives							
Trade payables	**13,700**	**-**	**-**	**-**	**-**	**13,700**	**13,700**
Borrowings *	**4,439**	**4,639**	**9,310**	**46,195**	**40,121**	**104,704**	**97,515**
Lease liabilities**	**1,455**	**1,456**	**2,911**	**5,337**	**2,340**	**13,499**	**11,501**
Total non-derivatives	**19,594**	**6,095**	**12,221**	**51,532**	**42,461**	**131,903**	**122,716**
Derivatives							
Trading derivatives	**610**	**-**	**-**	**-**	**-**	**610**	**610**
Gross settled (foreign currency forwards – cash flow hedges)							
- (inflow)	**(17,182)**	**(13,994)**	**-**	**-**	**-**	**(31,176)**	**-**
- outflow	**17,521**	**14,498**	**-**	**-**	**-**	**32,019**	**766**
	949	**504**	**-**	**-**	**-**	**1,453**	**1,376**

HKFRS7(39)(a),(b),
(B11)

Contractual maturities of financial liabilities At 31 December 2022	**Less than 6 months HK$'000**	**6 – 12 months HK$'000**	**Between and 2 years HK$'000**	**Between and 5 years HK$'000**	**Over 5 years HK$'000**	**Total contractual cash flows HK$'000**	**Carrying amount (assets)/ liabilities HK$'000**
Non-derivatives							
Trade payables	10,281	-	-	-	-	10,281	10,281
Borrowings *	4,513	4,118	9,820	44,476	30,235	93,162	84,595
Lease liabilities **	1,174	1,174	2,415	6,845	2,017	13,625	11,291
Total non-derivatives	15,968	5,292	12,235	51,321	32,252	117,068	106,167
Derivatives							
Trading derivatives	621	-	-	-	-	621	621
Gross settled (forward currency forwards – cash flow hedges)							
- (inflow)	(11,724)	(6,560)	-	-	-	(18,284)	-
- outflow	11,885	7,228	-	-	-	19,113	777
	782	668	-	-	-	1,450	1,398

HKFRS7(B10A)(a)
HKAS1R(75A)
Revised illustration

* Of the HK$46.195m disclosed in the 2023 borrowings time band 'between 2 and 5 years', the group is considering early repayment of HK$5,000,000 in the first quarter of the 2024 financial year (2022– nil).

** The amounts disclosed for the lease liabilities include cash flows relating to extension options if they have been included in the lease term, and therefore the measurement of the lease liability as disclosed in note15(b)(v).

Financial risk factors

Classes of financial instruments

HKFRS7(6),(B1)-(B3)

1. Where HKFRS 7 requires disclosures by class of financial instrument, the entity shall group 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 classes are determined by the entity and are therefore distinct from the categories of financial instruments specified in HKFRS 9. As a minimum, the entity should distinguish between financial instruments measured at amortised cost and those measured at fair value, and treat as separate class any financial instruments outside the scope of HKFRS 9. The entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position. Guidance on classes of financial instruments and the level of required disclosures is provided in Appendix B of HKFRS 7.

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

HKFRS7(34)(a)

2. The disclosures in relation to the financial risk management of an entity 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 these illustrative financial statements are only one example of the kind of information that may be disclosed and you should consider carefully what may be appropriate in your individual circumstances.

Market risk

Foreign currency risk

HKFRS7(B23)

3. 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 which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks; this is because, even though the balances eliminate in the consolidated statement of financial position, the effect on profit or loss of their revaluation under HKAS 21 is not fully eliminated.
4. For the purpose of HKFRS 7, currency risk does also not arise from financial instruments that are non-monetary items. VALUE HKFRS Limited has therefore excluded its US dollar- denominated equity securities from the analysis of foreign exchange risk. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the other price risk disclosures as part of the fair value gains and losses.

Interest rate risk – fixed rate borrowings

5. Sensitivity to changes in interest rates is normally only relevant to financial assets or financial liabilities bearing floating interest rates. However, sensitivity will also be relevant to fixed rate financial assets and financial liabilities which are remeasured to fair value.

Financial risk factors

Credit risk

HKFRS15(107),(108)

6. The impairment rules in HKFRS 9 also apply to contract assets. A contract asset is the entity's right to consideration in exchange for goods or services that the entity has transferred to the customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis as financial assets that are within the scope of HKFRS 9.

HKFRS9(5.5.3),(5.5.4)
HKFRS9(5.4.1)(b)

7. If there is a significant increase in credit risk in relation to any of the debt instruments since initial recognition, the group would need to recognise lifetime expected credit losses for those instruments, but would continue to calculate interest revenue on the gross carrying amount of the asset. If there is objective evidence of impairment, lifetime expected credit losses must be recognised and interest revenue will be calculated on the net carrying amount (that is, net of credit allowance). In these cases, additional disclosures will be required similar to those that are illustrated for customer loans on page 41.

Liquidity risk

Maturity analysis

HKFRS7(B11B)

8. All financial liabilities must be included in the maturity analysis. The analysis should generally be based on contractual maturities. However, for derivative financial liabilities the standard provides entities with a choice to base the maturity grouping on expected rather than contractual maturities, provided the contractual maturities are not essential for an understanding of the timing of the cash flows. This could be the case for derivative contracts that are held for trading. For contracts such as interest rate swaps in a cash flow hedge of a variable rate financial asset or liability and for all loan commitments, the remaining contractual maturities will be essential for an understanding of the timing of the cash flows. These contracts must therefore be grouped based on their contractual maturities.

HKFRS7(39)

9. The amounts disclosed should be the amounts expected to be paid in future periods, determined by reference to the conditions existing at the end of the reporting period. However, HKFRS 7 does not specify whether current or forward rates should be used. For floating rate financial liabilities and foreign currency-denominated instruments, the use of forward interest rates and forward foreign exchange rates might be conceptually preferable, but the use of a spot rate at the end of the period is also acceptable. Whichever approach is adopted (that is, current/spot rate or forward rate at the reporting date), it should be applied consistently.

HKFRS7(B11C)(c)

10. The specific time buckets presented are not mandated by the standard but are based on what is reported internally to the key management personnel. For financial guarantee contracts, the maximum amount of the guarantee must be allocated to the earliest period in which the guarantee could be called.

11. As the amounts included in the maturity tables are the contractual undiscounted cash flows, including principal and interest payments, these amounts will not reconcile to the amounts disclosed in the statement of financial position. This is in particular as far as borrowings or derivative financial instruments are concerned. Entities can choose to add a column with the carrying amounts which ties into the statement of financial position and a reconciling column if they so wish, but this is not mandatory.

Financing arrangements

HKAS7(50)(a)
HKFRS7(39)(c)

12. Committed borrowing facilities are a major element of liquidity management. Entities should therefore consider providing information about their undrawn facilities. HKAS 7 *Statement 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.

Terms and conditions of financial instruments

HKFRS7(7),(31)

13. Entities shall disclose sufficient information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance and the nature and extent of risks arising from these financial instruments. However, the intention of HKFRS 7 was to decrease the potentially voluminous disclosures that were required by HKAS 32 and replace them with shorter but more meaningful information. Under normal circumstances entities will therefore no longer need to disclose the significant terms and conditions for each of their major borrowings. Nevertheless, if an entity has a borrowing or other financial instrument with unusual terms and conditions, some information should be provided to enable users to assess the nature and extent of risks associated with these instruments.

Financial risk factors

HKAS1R(69)(d),(75A),(17)(c),(76)(d)

Early adoption of Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 – Non-current Liabilities with Covenants

14. An entity must classify a liability as non-current if it has a right to defer settlement of the liability for at least 12 months after the reporting period. This applies regardless of whether the entity intends to settle the liability within the next 12 months, and even if it settles the liability before the financial statements are authorised for issue. However, in these cases, the entity may need to disclose information about the timing of the settlement to enable users of its financial statements to understand the impact of the liability on the entity's financial position. We have illustrated this in note 3.1(c)(ii).

Impact of rising inflation and interest rates on risk management disclosures

HKFRS7(40),(41)

15. Rising inflation and interest rates may also affect the financial risk management disclosures. For example:
    (a) Sensitivity disclosures would need to be updated if the magnitude of a reasonably possible change in interest rates is materially different from that disclosed in the previous annual financial statements. Where there are changes in expected volatility, prior year disclosures should not be restated. An entity could choose, however, to present additional sensitivity information for the comparative period in addition to the required comparative figures from the prior year.

    HKFRS7(34)(c),(B8)

    (b) Concentration risk disclosures may need to be updated where entities have made changes to cash deposits and deposit facilities.

    HKFRS7(35M)

    (c) Credit risk rating disclosures required for loan loss allowances (illustrated in the commentary on page 41) may need to be revised to reflect changed credit ratings.

    HKFRS7(39)(c),(B11F)

    (d) Liquidity risk disclosures may need to reflect changes to the availability of financing and the condition of the financial institution that is providing finance, in particular where the entity is relying on supplier finance arrangements. Increasing margin calls on derivatives requiring the posting of collateral can also pose a significant liquidity risk that may need to be disclosed. Entities may further be impacted where contractual terms include inflation-linked interest rates, for example in leasing contracts. If such contractual terms give rise to significant liquidity risk, entities should provide quantitative disclosures of their collateral and contractual arrangements to explain how this liquidity risk is managed.

    HKFRS7(B11F)(d),(IG18)

    (e) Increased concentration of liquidity risks may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets.

HKFRS7(32)

16. HKFRS 7 does not limit disclosure of risks to only credit risk, liquidity risk and market risk. Hence, an entity may need to provide specific disclosures relating to inflation risk, if this information is not already captured in other market risk disclosures. For example, if an entity has an inflation-linked financial instrument, the sensitivity of such an instrument to changes in inflation rates should be disclosed.

Financial risk factors

Disclosure not illustrated: not applicable to VALUE HKFRS Limited

17. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

General financial risk management disclosures

	Issue not illustrated	Relevant disclosures or references
HKFRS7(15)	Collateral held by the entity which can be sold or re-pledged	Disclose the fair value of the collateral held, the fair value of collateral sold or re-pledged and whether it must be returned, and the terms and conditions associated with the collateral.
HKFRS7(35),(42)	Quantitative data is unrepresentative of the entity's risk exposure	Provide further information as necessary.
HKFRS7(39)(a),(B10)(c),(B11C)(c) HKFRS9(Appendix A)	Financial guarantee contract (maturity table)	This must be included in the maturity table in the earliest time bucket in which it can be called. The existence of such contracts will also need to be discussed in the context of the credit risk disclosures.

Impairment disclosures

	Issue not illustrated	Relevant disclosures or reference
HKFRS7(35F)-(35M)	The entity has adopted the general expected credit loss model for material financial assets, eg in relation to customer loans.	Provide the disclosures required by paragraphs 35F – 35M of HKFRS 7, see illustration in paragraph 17 below.
HKFRS7(35F)(f),(35I)(b),(35J)	The entity has financial assets which are subject to the impairment requirements of HKFRS 9 and which have had modifications to their contractual cash flows.	Provide the disclosures required by paragraphs 35F(f), 35I(b) and 35J of HKFRS 7.
HKFRS7(35H)(c) HKFRS7(35I)(a)	The entity has purchased or originated financial assets which are credit impaired.	Disclose the information required paragraphs 35H(c) and 35I of HKFRS 7.
HKFRS7(35K)	The entity has received collateral or other credit enhancements in relation to its financial assets.	Explain the effect of the collateral and other credit enhancements on the amounts arising from expected credit losses by disclosing the information set out in paragraph 35K of HKFRS 7.
HKFRS7(35L)	Financial assets written off during the period but still subject to enforcement activity	Disclose contractual amount outstanding
HKFRS7(36)	The entity has financial assets that are within the scope of HKFRS 7 but which are not subject to the impairment requirements of HKFRS 9.	Disclose the amount that best represent the maximum exposure to credit risk and describe any collateral held as security and other credit enhancements and their financial effect.
HKFRS7(35E)	The entity believes that the credit risk disclosures are not sufficient to meet the objective of paragraph 35B of HKFRS 7.	Provide additional disclosures relevant to the users of the financial statements.

Financial risk factors

18. The following disclosure examples may be useful where relevant to an entity:

HKAS1(117) *Accounting policy for fair value hedges*

HKFRS9(6.5.8) Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other gains/(losses).

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 using a recalculated effective interest rate.

Designation of a specific risk component of an asset in a hedge relationship

HKFRS7(22C) The company purchases fuel for use in its manufacturing process. The fuel supplier charges the company for fuel delivered based on a formula which includes the spot price of Brent Crude oil at the delivery date. The future purchases of fuel are subject to market price risk, which the company hedges using Brent Crude oil futures with critical terms matching the terms of the forecast purchase.

Brent Crude oil is a separately identifiable component of the forecast purchase as it is explicitly specified in the supply contract price. As there is a market for Brent Crude oil futures, the exposure is considered to be reliably measurable.

Accordingly, the Brent Crude oil futures are designated as cash flow hedges of the forecast purchases of fuel.

Historically, the Brent Crude oil component has accounted for 80% of the cost of fuel supplied.

Credit risk disclosures – customer loans, general expected credit loss model applied

HKFRS7(35F)(a) The company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available) HKFRS9(B.5.5.17)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

HKFRS7(35F)(b) A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

HKFRS7(35F)(e) Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises a loan or receivable for write off when a debtor fails to make contractual payments more than 120 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

(i) Loans to customers

HKFRS7(35F)(a) The company uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

Financial risk factors

A summary of the assumptions underpinning the company's expected credit loss model is as follows

HKFRS7(35F)(b),(d)-(e)
HKFRS7(35G)(a)

Category	**Company definition of category**	**Basis for recognition of expected credit loss provision**
Performing	Loans whose credit risk is in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Underperforming	Loans for which a significant increase has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Lifetime expected losses (stage 2).
Non-performing (credit impaired)	Interest and/or principal repayments are 60 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses (stage 3).
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery.	Asset is written off

Interest bearing loans are provided to small-business customers to assist them with new business start-up costs as part of the company's ongoing support for local entrepreneurs. The company does not require the small-business customers to pledge collateral as security against the loan.

HKFRS7(35G)(b)

Over the term of the loans, the company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers, and adjusts for forward-looking macroeconomic data. The company provides for credit losses against loans to customers as follows:

HKFRS7(35G)(a),(35m)

Company internal credit rating as at 31 December 2023 **	**External credit rating***	**Expected credit loss rate**	**Gross carrying amount at default (stage 1) HK$'000**	**Gross carrying amount at default (stage 2) HK$'000**	**Gross carrying amount at default (stage 3) HK$'000**
High	AAA	0.9%	45,776	123	-
	AA	1.3%	31,668	80	
	A	2.2%	14,117	221	
Moderate	BBB	7.3%	679	325	-
	BB	10.0%	140	223	
	B	12.2%	67	54	
Low	CCC	14.0%	44	252	-
	CC	18.0%	13	134	
	C	30.0%	-	78	
Credit impaired	D	50.0%	-	-	20

HKFRS7(35M)

*or equivalent internal rating.

** Information for the comparative period would also need to be provided as per HKAS 1 paragraph 38.

Financial risk factors

HKFRS7(35G)(c) No significant changes to estimation techniques or assumptions were made during the reporting period.

HKFRS7(35H) The loss allowance for loans to customers as at 31 December 2022 and 31 December 2023 reconciles to the opening loss allowance for that provision as follows:

		Performing HK$'000	Under performing HK$'000	Non-performing HK$'000	Total HK$'000
HKAS1(38)	Opening loss allowance as at 1 January 2022	666	12	162	840
HKFRS7(35H)(b)(i)	Individual financial assets transferred to under-performing (lifetime expected credit losses)*	(xx)	xx	-	xx
HKFRS7(35H)(b)(ii)	Individual financial assets transferred to non-performing (credit-impaired financial assets)	-	(x)	(x)	(xx)
HKFRS7(35I)(a)	New financial assets originated or purchased	xxx	-	-	xxx
HKFRS7(35I)(c)	Write-offs	-	-	(xx)	(xx)
HKFRS7(35I)(c)	Recoveries	(x)	(x)	(x)	(x)
	Change in risk parameters **	xx	-	-	Xx
	Other changes	xx	xx	xx	xxx
	Loss allowance as at 31 December 2022	**721**	**82**	**192**	**995**
HKFRS7(35H)(b)(i)	Individual financial assets transferred to under-performing (lifetime expected credit losses)*	(25)	33	-	8
HKFRS7(35H)(b)(ii)	Individual financial assets transferred to non-performing (credit-impaired financial assets)	-	(2)	2	-
HKFRS7(35I)(a)	New financial assets originated or purchased	367	-	-	367
HKFRS7(35I)(c)	Write-offs	-	-	(109)	(109)
HKFRS7(35I)(c)	Recoveries	(14)	(5)	(12)	(31)
	Change in risk parameters**	53	-	-	53
	Other changes	6	5	5	16
	Closing loss allowance as at 31 December 2022	**1,108**	**113**	**78**	**1,299**

* The increase in the loss allowance of 8 is due to moving assets being measured at 12-month expected credit losses to lifetime expected credit losses.

HKFRS7(35I)(d) ** The increase in the loss allowance is due to an increase in the probability of default (PD) used to calculate the 12-month expected credit loss for the performing loans.

HKFRS7(35L) Loans with a contractual amount of HK$60,000 written off during the period are still subject to enforcement activity.

HKFRS7(35K)(a) The gross carrying amount of loan receivables, and thus the maximum exposure to loss, is as follows:

	31 December 2023 HK$'000	31 December 2022 HK$'000
Performing	**91,560**	xxx
Underperforming	**1,421**	xxx
Non-performing	**499**	xxx
Loans written off	**20**	xxx
Total gross loan receivables	**93,500**	xxx
Less: Loan loss allowance	**(1,299)**	xxx
Less: Write-off	**(10)**	xxx
Loan receivables net of expected credit losses	**92,191**	xxx

3.2 Capital management

(a) Risk management

HKAS1(134),(135),(136) The group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- 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 following gearing ratio:

Net debt as per note 38
divided by
Total 'equity' (as shown in the statement of financial position, including non-controlling interests).

HKAS1(134), (135),(136) During 2023, the group's strategy, which was unchanged from 2022, was to maintain a gearing ratio within 25% to 50% and a B credit rating. The credit rating was unchanged and the gearing ratios at 31 December 2023 and 31 December 2022 were as follows:

	2023 **HK$'000**	2022 Restated HK$'000
Net debt	**42,633**	54,672
Total equity	**157,391**	115,999
Net debt to equity ratio	**27%**	47%

HKAS1(135)(c) The net debt to equity ratio decreased from 47% to 27% as a result of the rights issue (see note 27) and tighter monitoring of trade debtor payments, which has resulted in an increase of operating cash flows and cash held by the group at the end of the year.

Revised illustration

(i) Loan covenants

HKAS1(135)(d)
HKAS1R(76ZA)(a)

Under the terms of the major bank loan, which has a carrying amount of HK$35,000 (2022 – HK$37,000), the group is required to comply with the following financial covenants at the end of each annual and interim reporting period:

- the gearing ratio must be not more than 50%, and
- HKAS1R(76ZA)(b) the ratio of net finance cost to EBITDA must be not more than 10%.

Early adoption of Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 – Non-current Liabilities with Covenants

The group has complied with these covenants throughout the reporting period. As at 31 December 2023, the ratio of net finance cost to EBITDA was 8% (10% as at 31 December 2022).

There are no indications that the entity may have difficulties complying with the covenants when they will be next tested as at the 30 June 2024 interim reporting date.

Capital management

Capital risk management

HKAS1(134),(135)

1. Capital is not defined in any of the HKFRS. Entities must describe what they manage as capital based on the type of information that is provided internally to the key management personnel. It therefore depends on the individual entity as to whether capital includes interest-bearing debt or not. If such debt is included, however, and the loan agreements include capital requirements such as financial covenants that must be satisfied, then these need to be disclosed under paragraph 135(d) of HKAS 1 *Presentation of Financial Statements*.

HKAS1R(76ZA)
Early adoption of Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 – Non-current Liabilities with Covenants

2. In November 2022, the HKICPA made amendments to HKAS 1 which require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:
   (a) the carrying amount of the liability
   (b) information about the covenants, and
   (c) facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.
3. The amendments apply to financial years beginning on or after 1 January 2024 but can be applied early. We have revised the disclosure in note 3.2(a) to reflect early adoption of these requirements

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

Consider impact of climate change – see Appendix G

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

HKFRS13(93)(b)

Recurring fair value measurements		**Level 1**	**Level 2**	**Level 3**	**Total**
At 31 December 2023	Notes	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets					
Financial assets at fair value through profit or loss (FVPL)					
US listed equity securities	24	**5,190**	**-**	**-**	**5,190**
Hong Kong listed equity securities	24	**6,110**	**-**	**-**	**6,110**
Preference shares – property sector	20	**-**	**1,100**	**-**	**1,100**
Other (contingent consideration)	20	**-**	**-**	**1,290**	**1,290**
Hedging derivatives – interest rate swaps	21	**-**	**453**	**-**	**453**
Hedging derivatives – foreign currency options	21	**-**	**1,709**	**-**	**1,709**
Financial assets at fair value through other comprehensive income (FVOCI)					
Equity securities – property sector	20	**1,286**	**-**	**-**	**1,286**
Equity securities – retail sector	20	**2,828**	**-**	**-**	**2,828**
Equity securities – forestry sector	20	**-**	**-**	**1,150**	**1,150**
Debentures – property sector	20	**378**	**-**	**-**	**378**
Debentures – retail sector	20	**350**	**790**	**-**	**1,140**
Total financial assets		**16,142**	**4,052**	**2,440**	**22,634**
Financial liabilities					
Hedging derivatives – foreign currency forwards	21	**-**	**766**	**-**	**766**
Trading derivatives	21	**-**	**275**	**335**	**610**
Total financial liabilities		**-**	**1,041**	**335**	**1,376**

HKAS1(38)

Recurring fair value measurements		**Level 1**	**Level 2**	**Level 3**	**Total**
At 31 December 2022	Notes	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets					
Financial assets at FVPL					
US listed equity securities	24	4,035	-	-	4,035
Hong Kong listed equity securities	24	6,880	-	-	6,880
Preference shares – property sector	20	-	980	-	980
Hedging derivatives – interest rate swaps	21	-	809	-	809
Hedging derivatives – foreign currency options	21	-	1,320	-	1,320
Financial assets at FVOCI					
Equity securities – property sector	20	1,378	-	-	1,378
Equity securities – retail sector	20	2,748	-	-	2,748
Equity securities – forestry sector	20	-	-	1,622	1,622
Debentures – property sector	20	300	-	-	300
Debentures – retail sector	20	350	750	-	1,100
Total financial assets		15,691	3,859	1,622	21,172
Financial liabilities					
Hedging derivatives – foreign currency forwards	21	-	777	-	777
Trading derivatives	21	-	621	-	621
Total financial liabilities		-	1,398	-	1,398

HKFRS13(93)(c)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers into and out of level 3 measurements see (iii) below.

HKFRS13(95)

The group’s policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

HKFRS13(76),(91)(a)

Revised illustration

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

HKFRS13(81),(91)(a)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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.

HKFRS13(86)

Revised illustration

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

(ii) Valuation techniques used to determine fair values

HKFRS13(91)(a),(93)(d)

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- for interest rate swaps - the present value of the estimated future cash flows based on observable yield curves
- for forward currency forwards – the present value of future cash flows based on forward exchange rates at the reporting date
- for foreign currency options – option pricing models (e.g. Black Scholes model), and
- for other financial instruments - discounted cash flow analysis.

HKFRS13(93)(b)

Revised illustration

All of the resulting fair value estimates are included in level 2, except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk. The group did not change any valuation techniques in determining the level 2 and level 3 fair values.

(iii) Fair value measurements using significant unobservable inputs (level 3)

HKFRS13(93)(e)

The following table presents the changes in level 3 items for the periods ended 31 December 2023 and 31 December 2022:

	Unlisted equity securities HK$’000	**Contingent consideration HK$’000**	**Trading derivatives at FVPL HK$’000**	**Total HK$’000**
Opening balance as at 1 January 2022	**1,322**	**-**	**-**	**1,322**
Gains recognised in other comprehensive income	300	-	-	300
Closing balance 31 December 2022	**1,622**	**-**	**-**	**1,622**
Transfer from level 2	-	-	(365)	(365)
Acquisitions	-	1,200	-	1,200
Disposals	(200)	-	-	(200)
(Losses) recognised in other comprehensive income	(272)	-	-	(272)
Gains recognised in discontinued operations *	-	90	-	90
Gains/(losses) recognised in other income *	-	-	30	30
Closing balance as at 31 December 2023	**1,150**	**1,290**	**(335)**	**2,105**
HKFRS13(93)(f) * includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period 2023	-	90	15	105
2022				

(iv) Transfers between levels 2 and 3

HKFRS13(93)(d),(h)(ii)

Revised illustration

The group further assessed the need for transfers between levels in the hierarchy given the changes in economic conditions and considering whether a lack of observable information existed for factors relevant to the value of certain instruments.

HKFRS13(93)(d)

In 2023 the group transferred a hedging foreign currency forward from level 2 into level 3 as the counterparty for the derivative encountered significant financial difficulties. This resulted in a significant increase to the discount rate, which is not based on observable inputs, as it reflects credit risk specific to the counterparty. Credit risk was not considered to be a significant input factor in previous years.

(v) Valuation inputs and relationships to fair value

HKFRS13(93)(d),(99)
Consider impact of climate change – see Appendix G

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (ii) above for the valuation techniques adopted):

HKFRS13(91)(a),(93)(d),(h)(i),(ii),(99)

See commentary para 4 at the end of this note for the impact of rising inflation and interest rates on fair value

	Fair value at			**Range of inputs (probability-weighted average)**		
Description	**31 Dec 2023 HK$'000**	31 Dec 2022 HK$'000	**Un-observable inputs ***	**2023**	2022	**Relationship of unobservable inputs to fair value**
Unlisted equity securities	**1,150**	1,622	Earnings growth factor	**2.5% - 3.5% (3%)**	2% - 3% (2.7%)	Increased earnings growth factor (+50 basis points (bps)) and lower discount rate (-100 bps) would increase FV by HK$70,000; lower growth factor (-50 bps) and higher discount rate (+100 bps) would decrease FV by HK$80,000. 2022: increasing/decreasing the growth factor and the discount rate by +/- 50bps and 100 bps respectively would change the FV by +HK$55,000/-HK$65,000
			Risk-adjusted discount rate	**9% - 11% (10%)**	9.5% - 11% (10.2%)	
Trading derivatives	**(335)**	(365)	Credit default rate	**25%**	30%	A shift of the credit default rate by +/- 5% results in a change in FV of HK$30,000 (2022: change in default rate by +/- 6% changed FV by HK$33,000)
Contingent consideration	**1,290**	n/a	Risk-adjusted discount rate	**14%**	n/a	A change in the discount rate by 100 bps would increase/ decrease the FV by HK$40,000
			Expected cash inflows	**HK$2,150,000 - HK$2,570,000 (HK$2,360,000)**	n/a	If expected cash flows were 10% higher or lower, the FV would increase/ decrease by HK$35,000

HKFRS13(93)(h)(i)

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(vi) Valuation processes

HKFRS13(93)(g)

The finance department of the group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the group's half-yearly reporting periods.

See commentary para 5 at the end of this note for guidance on determining the discount rate in times of high economic uncertainty

The main level 3 inputs used by the group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by VALUE HKFRS Limited's internal credit risk management group.
- Earnings growth factors for unlisted equity securities are estimated based on market information for similar types of companies.
- Contingent consideration – expected cash inflows are estimated based on the terms of the sale contract (see note 26) and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and level 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

(b) Non-financial assets and liabilities

(i) Fair value hierarchy

Consider impact of climate change – see Appendix G

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 3.3(a).

HKFRS13(93)(a),(b)

At 31 December 2023	Notes	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Investment properties					
Office buildings – West Harbourcity	16	-	-	**13,300**	**13,300**
Land and buildings					
Manufacturing sites – Hong Kong	15	-	-	**43,750**	**43,750**
Manufacturing sites – China				**17,750**	**17,750**
Land held for sale	26	-	**250**	-	**250**
Total non-financial assets		-	**250**	**74,800**	**75,050**

HKAS1(38)

At 31 December 2022	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Investment properties					
Office buildings – West Harbourcity	16	-	5,135	4,915	10,050
Land and buildings					
Manufacturing sites – Hong Kong	15	-	-	32,487	32,487
Manufacturing sites – China				15,153	15,153
Total non-financial assets		-	5,135	52,555	57,690

HKFRS13(95)

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

HKFRS13(93)(c)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers into and out of level 3 measurements see (iv) below.

(ii) Valuation techniques used to determine level 2 and level 3 fair values

HKFRS13(91)(a),(93)(d)
HKAS16(77)(a)
HKAS40(75)(e)

The group obtains independent valuations for its investment properties at least annually and for its freehold land and buildings related to manufacturing sites (classified as property, plant and equipment) at least every three years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3 except for land held for resale. The level 2 fair value of land held for resale has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size).

(iii) Fair value measurements using significant unobservable inputs (level 3)

HKFRS13(93)(e) The following table presents the changes in level 3 items for the periods ended 31 December 2022 and 31 December 2023 for recurring fair value measurements:

		Manufacturing sites		
	Office buildings HK$'000	**Hong Kong HK$'000**	**China HK$'000**	**Total HK$'000**
HKAS1(38) **Opening balance as at 1 January 2022**	3,470	27,043	12,357	42,870
Acquisitions	810	2,584	1,780	5,174
Disposals	(112)	(424)	-	(536)
Reclassification to inventory	(250)	-	-	(250)
Amounts recognised in profit or loss				
Depreciation and impairment	-	(1,100)	(440)	(1,540)
Gains recognised in other income *	997	-	-	997
Gains recognised in other comprehensive income	-	4,384	1,456	5,840
Closing balance as at 31 December 2022	4,915	32,487	15,153	52,555
Transfer from level 2	5,135	-	-	5,135
Acquisitions	1,900	7,135	2,247	11,282
Disposals	-	(550)	-	(550)
Amounts recognised in profit or loss				
Depreciation and impairment	-	(1,360)	(855)	(2,215)
Gains recognised in other income *	1,350	-	-	1,350
Gains recognised in other comprehensive income	-	6,038	1,205	7,243
Closing balance as at 31 December 2023	13,300	43,750	17,750	74,800
HKFRS13(93)(f) * includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period				
2023	1,350	-	-	1,350
2022	907	-	-	907

(iv) Transfers between levels 2 and 3 and changes in valuation techniques

HKFRS13(93)(d) The group commenced redevelopment of an office building in Hong Kong during the year. The redevelopment will greatly expand the net lettable area of the building and is expected to be completed in early 2024. Prior to redevelopment, the building was valued using the sales comparison approach based on recent sales of comparable properties in the area. This resulted in a level 2 fair value. Upon redevelopment, the group had to revise its valuation technique for the property under construction. The revised valuation technique uses significant unobservable inputs. Accordingly, the fair value measurement was reclassified to level 3.

HKFRS13(93)(d) The revised valuation technique for the building under construction estimates the fair value of the completed office building and deducts:

- estimated construction and other costs to completion that would be incurred by a market participant, and
- estimated profit margin that a market participant would require to hold and develop the property to completion, based on the state of the property as at 31 December 2023.

Other than described above, there were no changes in valuation techniques during the year.

(v) Valuation inputs and relationships to fair value

HKFRS13(93)(d),(99)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements (see (ii) above for the valuation techniques adopted):

HKFRS13(91)(a),(93)(d),(h)(i)
See commentary para 4 at the end of this note for the impact of rising inflation and interest rates on fair value

	Fair value at			**Range of inputs (probability-weighted average)**		
Description	**31 December 2023 HK$'000**	31 December 2022 HK$'000	**Unobservable inputs ***	**2023**	**2022**	**Relationship of unobservable inputs to fair value**
Leased office buildings	7,765	4,915	Discount rate	4% - 5% (4.8%)	3% - 4% (3.6%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	6% - 7% (6.6%)	5.5% - 6% (5.8%)	
			Capitalisation rate	4% - 4.5% (4.4%)	4% - 4.5% (4.2%)	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
			Expected vacancy rate	9% - 10% (9.2%)	8% - 10% (8.7%)	
			Rental growth rate	3% - 3.6% (3.2%)	2% - 2.5% (2.2%)	The higher the rental growth rate, the higher the fair value
Office building under re-development	5,535	n/a - Level 2 fair value	Estimated cost to completion	HK$3,230,000 - HK$3,510,000 (HK$3,395,000)	n/a	The higher the estimated costs the lower the fair value
			Estimated profit margin required to hold and develop property to completion	12.5% of property value	n/a	The higher the profit margin required, the lower the fair value
Manufacturing sites - Hong Kong	43,750	32,487	Discount rate	6% - 7% (6.7%)	8% - 9% (7.7%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	8% - 9% (8.2%)	9.5% - 10% (9.7%)	
Manufacturing sites - China	17,750	15,153	Discount rate	10% - 12% (11%)	9% - 10% (9.4%)	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	14% - 15% (14.3%)	13% - 14% (13.2%)	

HKFRS13(93)(h)(i)

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

HKFRS13(93)(g)

(vi) Valuation processes

HKAS40(75)(e)
HKAS16(77)(a),(b)

The group engages external, independent and qualified valuers to determine the fair value of the group's investment properties at the end of every financial year and for other land and buildings at least every three years. As at 31 December 2023, the fair values of the investment properties have been determined by ABC Property Surveyors Limited. A directors' valuation has been performed for the land and buildings classified as property, plant and equipment as at 31 December 2023. The last independent valuation of these land and buildings was performed as at 31 December 2022.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Leased office buildings – discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by ABC Property Surveyors Limited or management based on comparable transactions and industry data.
- Office building under redevelopment – costs to completion and profit margin are estimated by ABC Property Surveyors Limited based on market conditions as at 31 December 2023. The estimates are consistent with the budgets developed internally by the group based on management's experience and knowledge of market conditions.

Changes in level 2 and level 3 fair values are analysed at each reporting date during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion, the team presents a report that explains the reason for the fair value movements.

Fair value estimation

Financial assets and liabilities

Classes of assets and liabilities

HKFRS13(94) 1. The disclosures in HKFRS 13 must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering:

(a) the nature, characteristics and risks of the asset or liability, and

(b) the level of the fair value hierarchy within which the fair value measurement is categorised.

HKFRS13(94) 2. A class of assets and liabilities will often require greater disaggregation than the line items presented in the statement of financial position. The number of classes may also need to be greater for fair value measurements categorised within level 3 of the hierarchy, as those measurements have a greater degree of uncertainty and subjectivity. Entities shall disclose sufficient information to allow a reconciliation back to the line items disclosed in the statement of financial position.

Unrealised gains and losses relating to recurring level 3 measures

HKFRS13(93)(f) 3. HKFRS 13 does not provide guidance on how to calculate the unrealised gains and losses for recurring level 3 measures. A similar requirement previously existed under US GAAP where three methods were acceptable. In our view, all of these methods would be acceptable under HKFRS, provided they are consistently applied. The methods are:

(a) Statement of financial position view: determine unrealised gains and losses as the fair value of the security less its amortised cost base. Under this view, gains and losses are realised at maturity or sale date. Therefore the entire gain or loss is considered unrealised until maturity.

(b) Statement of profit or loss view: determine unrealised gains and losses as the total gains and losses during the period less the cash received or paid for those items. Under this view each cash receipt or settlement represents a realised gain or loss in its entirety.

(c) Cash flow view: first determine any realised gains or losses as the difference between the expected cash flows at the beginning of the period and the actual cash flows at the end of the period. Then, determine unrealised gains or losses for items still held at the reporting date as the remaining expected cash flows for future periods at the end of the period less the remaining expected cash flows for future periods at the beginning of the period.

Impact of rising inflation and interest rates on fair value measurements and associated disclosures

4. Entities may need to consider the impact of changes in economic conditions on the fair value measurement, having regard to both direct and indirect impacts. The associated disclosures might be affected, for example, where:

(a) the entity had to change the valuation methodology (for example, from a market multiple approach to a discounted cash flow approach), or change the weighting where multiple valuation techniques are used;

(b) the sensitivity analysis that is required for recurring fair value measurements categorised within level 3 of the fair value hierarchy has been revised, because there may be additional indirect impacts, e.g. changes to the credit risk of counterparties;

(c) the entity has changed how it determines the discount rates as a consequence of revisiting the systematic and unsystematic risks inherent in an asset (see paragraph 5).

For guidance, see our In depth INT2022-12 *Navigating HKFRS in periods of rising inflation and interest rates* on Viewpoint.

Determining discount rates in times of high economic uncertainty

5. When determining discount rates in times of high economic uncertainty, entities may also need to consider the systematic and unsystematic risks to ensure that the discount rate and cash flows appropriately reflect the risks inherent to the asset. In this context:
   (a) The systematic risk is measured in relation to the market as a whole. It represents the risk that cannot be reduced through diversification, and it is rewarded with a risk premium or higher level of expected return. This risk is derived from external macroeconomic factors that affect all companies in some way, although in different magnitudes.
   (b) The unsystematic risk reflects the diversifiable risk, which is the risk specific to the particular asset. Factors considered include customer concentration risk, key person risk and regulatory risk. Where relevant, unsystematic risk should be reflected in the asset's cash flows, by using different scenarios with appropriate weightings.

Fair value disclosures: Financial instruments carried at other than fair value

6. An entity shall disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. However, fair values do not need to be disclosed for the following:
   (a) where the carrying amount is a reasonable approximation of fair value (eg for cash, short-term trade receivables and payables)
   (b) a contract containing a discretionary participation feature (*as described in HKFRS 4 Insurance Contracts)* where the fair value of that feature cannot be measured reliably, or
   (c) for lease liabilities.

   Guidance on what are appropriate classes of financial assets and liabilities is given in paragraph 6 of HKFRS 7, see commentary para 1 to note 3.1.

Carrying amounts are a reasonable approximation of fair value

7. A statement that the carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value should only be made if it can be substantiated. That is, entities must have made a formal assessment of the carrying amounts of their financial assets and liabilities in comparison to their fair values and documented this assessment. If the fair values are not a reasonable approximation of the carrying amounts, the fair values must be disclosed.

Fair value estimation

Non-financial assets and liabilities

8. Property assets are often unique and not traded on a regular basis. As a consequence, there is a lack of observable input data for identical assets. Fair value measurements of property assets will therefore often be categorised as 'level 2' or 'level 3' valuations. Whether it is appropriate to classify the fair value as a 'level 2' measurement will depend on the individual facts and circumstances. Examples of 'level 2' inputs include sales price per square metre for similar properties in a similar location in an active market, or property yields derived from the latest transactions in active markets for similar properties. Where significant adjustments to market based data are made, or where other significant inputs are unobservable, the valuation would be categorised as 'level 3'. If the assets are located in a less developed market, this would also be an indication for a 'level 3' classification. Assets classified as level 2 measurements based on recent sales may need to be reclassified in subsequent periods if there have been no more sales of comparable properties in the area. HKFRS13(B35)(g)
9. As a typical diversified manufacturing company, VALUE HKFRS Limited only has a limited number of assets and liabilities that are measured at fair value. For alternative disclosures covering biological assets refer to Appendix E.

Impairment assessment – additional information

HKEx Review 2019, para 15

8. Where an asset impairment is supported by an independent valuation, the issuer should disclose:
   (a) details of the value of inputs used for the valuation together with the basis and assumptions;
   (b) the reasons for any significant changes in the value of the inputs and assumptions from those previously adopted;
   (c) the valuation method and the reasons for using that method; and
   (d) an explanation of any subsequent changes to the valuation method adopted.

Note: These are recommended disclosures in annual report from "Review of Issuers' Annual Report Disclosures" issued by HKEx. Issuers can disclose such information either inside or outside the financial statements as HKEx has not specified that the information has to be disclosed inside the financial statements.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

9. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

Other non-financial assets and liabilities

HKFRS13(93)(i)

Issue not illustrated	Relevant disclosures or references
Fair value of non-financial assets: highest and best use differs from current use	Disclose that fact and why the asset is used in a manner that differs from its highest and best use.

3.4 Offsetting financial assets and financial liabilities

HKAS32(42)
HKFRS7(13A),(13B)
Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where VALUE HKFRS Limited currently has 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. VALUE HKFRS Limited has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2023 and 31 December 2022. The column 'net amount 'shows the impact on the group's statement of financial position if all set-off rights were exercised.

HKFRS7(13C)

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position	Amounts subject to master netting arrange-ments	Financial instrument collateral	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2023						
Financial assets						
Cash and cash equivalents (c)	**55,083**	**-**	**55,083**	**-**	**(24,678)**	**30,405**
Trade receivables (a)(i),(c)	**16,661**	**(999)**	**15,662**	**-**	**(10,410)**	**5,252**
Financial assets at FVPL (c)	**11,300**	**-**	**11,300**	**-**	**(11,300)**	**-**
Other financial assets (a)(ii)	**1,000**	**(1,000)**	**-**	**-**	**-**	**-**
Derivative financial instruments (b),(c)	**2,162**	**-**	**2,162**	**(308)**	**(1,088)**	**766**
Total	**86,206**	**(1,999)**	**84,207**	**(308)**	**(47,476)**	**36,423**
Financial liabilities						
Trade payables (a)(i)	**10,999**	**(999)**	**10,000**	**-**	**-**	**10,000**
Borrowings (a)(ii),(c)	**98,515**	**(1,000)**	**97,515**	**-**	**(47,476)**	**50,039**
Derivative financial instruments (b)	**1,376**	**-**	**1,376**	**(308)**	**-**	**1,068**
Total	**110,890**	**(1,999)**	**108,891**	**(308)**	**(47,476)**	**61,107**
2022						
Financial assets	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Cash and cash equivalents (c)	30,299	-	30,299	-	(11,154)	19,145
Trade receivables (a)(i),(c)	8,670	(450)	8,220	-	(6,542)	1,678
Financial assets at FVPL (c)	10,915	-	10,915	-	(10,915)	-
Other financial assets (a)(ii)	1,000	(1,000)	-	-	-	-
Derivative financial instruments (b),(c)	2,129	-	2,129	(621)	(640)	868
Total	53,013	(1,450)	51,563	(621)	(29,251)	21,691
Financial liabilities						
Trade payables (a)(i)	8,681	(450)	8,231	-	-	8,231
Borrowings (a)(ii),(c)	85,595	(1,000)	84,595	-	(29,251)	55,344
Derivative financial instruments (b)	1,398	-	1,398	(621)	-	777
Total	53,013	(1,450)	51,563	(621)	(29,251)	21,691

(a) Offsetting arrangements

(i) Trade receivables and payables

HKFRS7(13B)

VALUE HKFRS Manufacturing Limited gives volume-based rebates to selected wholesalers. Under the terms of the supply agreements, the amounts payable by VALUE HKFRS Manufacturing Limited are offset against receivables from the wholesalers and only the net amounts are settled. The relevant amounts have therefore been presented net in the statement of financial position.

(ii) Borrowings

HKFRS7(13B)

VALUE HKFRS Limited is required to maintain cash on deposit of HK$1,000,000 in respect of certain borrowings. The cash cannot be withdrawn or used by the company for liquidity purposes whilst the borrowing is outstanding. Upon maturity of the borrowing, the company and the lender intend to net settle. As a result, VALUE HKFRS Limited's borrowings have been presented net of the cash on deposit, as the requirements under HKFRS to offset have been met.

(b) Master netting arrangements – not currently enforceable

HKFRS7(13E),(B50) Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), will the net position owing/ receivable to a single counterparty in the same currency be taken as owing and all the relevant arrangements terminated. As VALUE HKFRS Limited does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the table above.

(c) Collateral against borrowings

HKFRS7(13C) VALUE HKFRS Limited has pledged financial instruments as collateral against a number of its borrowings. See note 41 for further information on financial and non-financial collateral pledged as security against borrowings.

Offsetting financial assets and financial liabilities

Scope

1. Because of the broad scope of the offsetting requirements, the disclosures are relevant not only to financial institutions but also to corporate entities.

HKFRS7(13A),(B40)

2. The offsetting disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with paragraph 42 of HKAS 32. While there is no definition of 'master netting arrangement', a master netting arrangement will commonly:
   (a) provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract
   (b) be used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations, and
   (c) create a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

HKAS32(50)

HKFRS7(B41)

3. The offsetting disclosures do not apply to arrangements, such as:
   (a) financial instruments with only non-financial collateral agreements
   (b) financial instruments with financial collateral agreements but no other rights of set-off, and
   (c) loans and customer deposits with the same financial institution, unless they are set off in the statement of financial position

Location of disclosures

HKFRS7(13F)

4. Where the disclosures are provided in more than one note to the financial statements, cross-references between the notes shall be included. Entities with significant offsetting arrangements should consider including this information more prominently, for example together with the information about financial risk management or as part of their financial assets/financial liabilities disclosures.

Master netting without offsetting

HKFRS7(36)(b)

5. An entity may have entered into one or more master netting arrangements that serve to mitigate its exposure to credit loss but do not meet the criteria for offsetting. Where a master netting arrangement significantly reduces the credit risk associated with financial assets not offset against financial liabilities with the same counterparty, the entity must provide additional information concerning the effect of the arrangement.

Collateral arrangements

HKFRS7(13C)(d),(B41)

6. Where an entity has pledged financial instruments (including cash) as collateral, this is only required to be disclosed as part of the offsetting disclosures where there are other set-off arrangements currently in place in relation to the same instrument(s). That is, disclosure is not required where the only potential effect of the set off relates to a collateral agreement. VALUE HKFRS Limited illustrates an example where cash has been set off against borrowings held by the entity. As a result, it is required to disclose other financial instrument collateral provided in relation to this borrowing.

Cash pooling arrangements

HKAS32(42)

7. Some groups have cash pooling arrangements in place whereby cash surpluses and overdrafts residing in an entity's or group's various bank accounts are pooled together to create a net surplus or overdraft. Positive cash balances and overdrafts cannot be offset to the extent that the entity does not intend to settle the period end balances on a net basis. Some arrangements are unlikely to satisfy the offsetting requirements in HKAS 32 unless the balances are settled or transferred into a netting account as at the reporting date.

4 Critical estimates, judgements and errors

HKAS1(122),(125) The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates

(a) Significant estimates – uncertain tax position and tax-related contingency

HKAS1(122),(125) HK(IFRIC)23(A5) HKAS37(86),(88) The tax legislation in relation to expenditures incurred in association with the establishment of the retail division is unclear. The group considers it probable that a tax deduction of HK$1,933,000 will be available and has calculated the current tax expense on this basis. However, the group has applied for a private ruling to confirm its interpretation. If the ruling is not favourable, this would increase the group's current tax payable and current tax expense by HK$580,000 each. The group expects to get a response, and therefore certainty about the tax position, before the next interim reporting date.

(b) Estimation of the fair value of certain financial assets

HKFRS13(91)(a) HKAS1(125) The fair value of financial instruments that are not traded in an active market is determined 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. For details of the key assumptions used and the impact of changes to these assumptions see note 3.3(a).

(c) Estimation of the fair values of land and buildings and investment property

Information about the valuation of land and buildings and investment property is provided in note 3.3(b).

HKAS1(125) *(d) Estimation of the useful life of intangible asset*

The group has recently completed the development of software that is used to analyse business processes by the IT consulting division. As at 31 December 2023, the carrying amount of this software was HK$722,000 (2022 – nil). The group estimates the useful life of the software to be at least 5 years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on technical innovations and competitor actions. If it were only 3 years, the carrying amount would be HK$702,000 ,but if the group estimated it to be eight years, the carrying amount would be HK$732,000 as at 31 December 2023.

(e) Estimation of goodwill impairment

HKAS36(134)(c), (d)(i),(iii),(iv)

Consider impact of climate change – see Appendix G

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 and 2022 reporting periods, the recoverable amount of cash-generating units (CGUs) was determined based on value in use calculations which require the use of assumptions. The calculations use 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 in note 17. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in note 17.

HKAS1(125) *(f) Estimation of defined benefit pension obligation*

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. Any changes in these assumptions will impact the carrying amount of pension obligations.

Details of key assumptions and impact of possible changes in key assumptions are disclosed in note 35.

HKAS1(125) *(g) Estimation of provision for warranty claims*

HKFRS15(119)(e) The group generally offers 12-month 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. The assumptions made in relation to the current period are consistent with those in the prior year. 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. As at 31 December 2023, this particular provision had a carrying amount of HK$330,000 (2022 - HK$450,000). If claims costs were to differ by 10% from management's estimates, the warranty provisions would be an estimated HK$33,000 higher or lower (2022 – HK$45,000 higher/lower).

HKAS1(125)

(h) Estimation of fair value of contingent purchase consideration

HKFRS3(B64)(g)(i)

In the event that certain pre-determined sales volumes are achieved by the subsidiary for the year ended 31 December 2023, additional consideration of up to HK$1,000,000 may be payable in cash on 1 September 2024.

HKFRS3(B64)(g)(ii),(iii)

The potential undiscounted amount payable under the agreement is between HK$0 for sales below HK$10,000,000 and HK$1,000,000 for sales above HK$18,000,000. The fair value of the contingent consideration of HK$135,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 6% and assumed probability-adjusted sales of VALUE HKFRS Electronics Group of between HK$12,000,000 and HK$12,500,000.

HKFRS3(B67)(b)

As at 31 December 2023, the contingent consideration has been derecognised, as the actual sales revenue achieved by VALUE HKFRS Electronics Group was below HK$10,000,000. A gain of HK$135,000 was included in other income.

(i) Recognition of deferred tax asset for carried-forward tax losses

HKAS1(125)
HKAS12(82)
Consider impact of climate change – see Appendix G

The deferred tax assets include an amount of HK$1,378,000 which relates to carried-forward tax losses of VALUE HKFRS Manufacturing Limited. The subsidiary has incurred the losses over the last two financial years following the acquisition of the manufacturing operations in Springfield. They relate to the one-off costs of integrating the operations and will not recur in future. The group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2025 onwards. The losses can be carried forward indefinitely and have no expiry date.

(j) Estimation of the amount payable under residual value guarantees

HKFRS16(59)(b)(iii),(B51)(b),(d)

The group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the group does not expect to pay anything under the guarantees.

At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices. As at 31 December 2023, HK$220,000 is expected to be payable and is included in calculating the lease liabilities while HK$350,000 (undiscounted) is not expected to be payable and has hence been excluded from the lease liabilities (2022 – HK$250,000 and HK$307,000 respectively).

4.2 Critical accounting judgements

(a) Consolidation decision and classification of joint arrangement

HKFRS12(7),(9)(a)
HKAS1(122)

Non-consolidation of entities with 100% ownership

The directors have determined that they do not control a company called VALUE HKFRS Trustee Limited even though VALUE HKFRS Limited owns 100% of the issued capital of this entity. VALUE HKFRS Trustee Limited is the trustee of the VALUE HKFRS Employees' Superannuation Fund. It is not a controlled entity of VALUE HKFRS Limited because VALUE HKFRS Limited is not exposed, and has no right, to variable returns from this entity and is not able to use its power over the entity to affect those returns. The investment has a fair value of HK$2 (2022 – HK$2) and is included in unlisted securities.

HKAS1(122)
HKFRS12(7)(a),(9)(b)

Consolidation of entities with less than 50% ownership

The directors have concluded that the group controls VALUE HKFRS Overseas Ltd, even though it holds less than half of the voting rights of this subsidiary. This is because the group is the largest shareholder with a 45% equity interest while the remaining shares are widely dispersed. An agreement signed between the shareholders grants VALUE HKFRS Limited the right to appoint, remove and set the remuneration of management responsible for directing the relevant activities. A 67% majority vote is required to change this agreement, which cannot be achieved without the group's consent as the group holds 45% of the voting rights.

HKFRS12(9)(e)

Existence of significant influence

Through the shareholder agreement, VALUE HKFRS Limited is guaranteed two seats on the board of Big Hide Pet SA and participates in all significant financial and operating decisions. The group has therefore determined that it has significant influence over this entity, even though it only holds 15% of the voting rights.

HKFRS12(7)(c)

Classification of joint arrangement

The joint venture agreements in relation to the Fernwood Partnership require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in note 48.1.

(b) Recognition of revenue and allocation of transaction price

HKFRS15(123),(126)(a),(b)

Critical judgements in recognising revenue

The group has recognised revenue amounting to HK$2,950,000 for sale of furniture to a wholesale customer in December 2023. The buyer has the right to rescind the sale if there is 5% dissatisfaction with the quality of the first 100 pieces of furniture sold. This specific concession was made because this is a new product line specifically designed for this customer. However, consistent with other contracts, the group does not have a right to payment until the furniture has been delivered to the customer. Based on the quality assurance system implemented, the group is confident that the quality of the product is such that the dissatisfaction rate will be well below 5%. Management has determined that it is highly probable that there will be no rescission of the contract, and that a significant reversal in the amount of revenue recognised will not occur. It is therefore appropriate to recognise revenue on this transaction during 2023 as control of the product is transferred to the customer. The profit recognised for this sale was HK$1,625,000. The group would suffer an estimated pre-tax loss of HK1,760,000 in its 2024 financial statements if the sale is cancelled (HK$1,625,000 for the reversal of 2023 profits and HK$135,000 of costs connected with returning the stock to the warehouse).

In 2022, the group did not recognise revenue of HK$280,000 in relation to a wholesale contract with volume discounts for a new customer and new product line. The group did not have any experience with the customer’s purchase pattern and the product line. Management therefore determined that it was not highly probable that a portion of the revenue will not reverse. Of the HK$280,000 of revenue not recognised in 2022, HK$150,000 was recognised in the current financial year based on the actual volume sold for the contract period, see note 5(h).

HKFRS15(123)(b),(126)(c)

Critical judgements in allocating the transaction price

The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience.

The stand-alone selling price of the product sold is estimated on the basis of the retail price. Discounts are not considered as they are only given in rare circumstances.

HKFRS15(123)(b),(126)(c)

Critical judgements in allocating the transaction price

Some fixed-price IT support contracts include an allowance for one free of charge hardware replacement per contract period up to a specified value. Because these contracts include two performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis.

Management estimates the stand-alone selling price at contract inception based on observable prices of the type of hardware likely to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices.

(c) Impairment of financial assets

HKFRS9(5.5.17)
HKAS1(125)
Consider impact of climate change – see Appendix G

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group’s past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 3.

(d) Recognition of contingent liability

HKFRS3(B64)(j)
HKAS37(85)
HKFRS3(B67)(c)

A contingent liability of HK$450,000 was recognised on the acquisition of VALUE HKFRS Electronics 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 June 2024. 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$250,000 and HK$700,000. As at 31 December 2023, there has been no change in the amount recognised for the liability in April 2023 (except for the unwinding of the discount of HK$27,000), as there has been no change in the probability of the outcome of the lawsuit.

(e) Determination of the lease term

HKFRS16(59)(b)(ii),(B50) In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

HKFRS16(20) For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

As at 31 December 2023, potential future cash outflows of HK$3,000,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated) (2022 – HK$3,570,000).

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of HK$150,000. (2022 – decrease of HK$57,000).

HKAS1(117),(122) *(f) Supplier finance arrangement*

The group has agreed to support a strategic supplier with their cash flows by entering into a supplier finance arrangement. Under the arrangement, a bank acquires the rights to selected trade receivables from the supplier. Following this acquisition, the group will no longer be able to make earlier direct payments to the supplier and will not be able to offset any of the acquired payables against credit notes received from the supplier. However, the group has determined that the terms of the trade payable are otherwise substantially unchanged and that it is therefore appropriate to continue presenting the relevant amounts within trade and other payables in the statement of financial position.

For the purpose of the cash flow statement, management considers that the bank settles the invoices as a payment agent on behalf of the entity. The payments made by the bank are therefore presented as operating cash outflow and financing cash inflow. When the group subsequently pays the amount outstanding to the bank, this is presented as a financing cash outflow. As a consequence, the payables under supplier finance arrangements are included in the net debt reconciliation in note 38(c).

Recent developments that could affect estimates and judgements

When preparing their financial report, entities should also consider the impact of the following developments on any significant estimates or judgements made:

1. *Inflation and rising interest rates – see In depth INT2022-12 Navigating HKFRS in periods of rising inflation and interest rates.*
2. Climate change – see Appendix G.
3. Russia/Ukraine conflicts – see In depth *INT2022-05 Accounting implications of the Russia/Ukraine conflicts.*

4.3 Correction of material error in calculating depreciation

HKAS8(49)(a)

In September 2023, a subsidiary discovered a computational error in calculating depreciation on some of its equipment. The error resulted in a material understatement of depreciation recognised for the 2022 and prior financial years and a corresponding overstatement of property, plant and equipment.

HKAS8(49)(b)(i),(c)

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of financial position (extract)	**31 December 2022 HK$'000**	**Increase/ (Decrease) HK$'000**	**31 December 2022 (Restated) HK$'000**	**31 December 2021 HK$'000**	**Increase/ (Decrease) HK$'000**	**1 January 2022 (Restated) HK$'000**
Property, plant and equipment	103,630	(1,550)	102,280	94,445	(1,300)	93,145
Deferred tax liability (HKAS12(81)(a))	(7,285)	465	(6,820)	(4,745)	390	(4,355)
Net assets	**117,084**	**(1,085)**	**115,999**	**95,818**	**(910)**	**94,908**
Retained earnings	(35,588)	1,085	(34,503)	(21,115)	910	(20,205)
Total equity	**(117,084)**	**1,085**	**(115,999)**	**(95,818)**	**910**	**(94,908)**

	2022 HK$'000	**Profit Increase/(Decrease) HK$'000**	**2022 (Restated) HK$'000**
Statement of profit or loss (extract)			
Cost of sales of goods	(64,909)	(250)	(65,159)
Profit before income tax	**39,867**	**(250)**	**39,617**
Income tax expense	(11,650)	75	(11,575)
Profit from discontinued operation	399	-	399
Profit for the period	**28,616**	**(175)**	**28,441**
Profit is attributable to:			
Owners of VALUE HKFRS Limited	26,298	(175)	26,123
Non-controlling interests	2,318	-	2,318
	28,616	**(175)**	**28,441**
Statement of comprehensive income (extract)			
Profit for the period	28,616	(175)	28,441
Other comprehensive income for the period	3,665	-	3,665
Total comprehensive income for the period	**32,281**	**(175)**	**32,106**
Total comprehensive income is attributable to:			
Owners of VALUE HKFRS Limited	29,705	(175)	29,530
Non-controlling interests	2,576	-	2,576
	32,281	(175)	**32,106**

HKAS8(49)(b)(ii)

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of HK$0.4 and HK$0.3 cents per share respectively.

The correction further affected some of the amounts disclosed in note 9 and note 13(a). Depreciation expense for the prior year increased by HK$250,000, and deferred tax expense decreased by HK$75,000.

4.4 Revision of useful lives of plant and equipment

HKAS8(39)
HKAS16(76)

During the year the estimated total useful lives of certain items of plant and equipment used in the manufacture of furniture at a subsidiary were revised. The net effect of the changes in the current financial year was an increase in depreciation expense of HK$980,000.

Assuming the assets are held until the end of their estimated useful lives, depreciation in future years in relation to these assets will be increased by the following amounts:

Year ending 31 December	**HK$'000**
2024	740
2025	(610)
2026	(460)
2027	(650)

Critical estimates, judgements and errors

Impairment assessment – additional information

HKEx Review 2019, para 121

1. Issuers should disclose whether an impairment test has been performed and the event triggered the test and the result. Also, issuers should provide sufficient information for investors to understand how issuers assess the reasonableness of key assumptions and the following additional information:
   - (a) additional quantitative data of key assumptions (other than discount rate and terminal growth rate, e.g. gross and net margins), comparative information in the previous year and the explanation of significant changes of assumptions;
   - (b) a negative statement indicating that reasonably possible change in the key assumptions on which the management had based its determination of the CGU's recoverable amount would not cause an impairment loss;
   - (c) the recoverable amount of the CGU and the headroom available;
   - (d) whether the impairment assessment is based on a valuation by an independent professional valuer; and
   - (e) details of further development of the CGU or segment, such as business plan and contracts with new customers in the coming year and their impact on the revenue and margins.

HKEx Review 2019, para 15

2. Where an asset impairment is supported by an independent valuation, the issuer should disclose:
   - (a) details of the value of inputs used for the valuation together with the basis and assumptions;
   - (b) the reasons for any significant changes in the value of the inputs and assumptions from those previously adopted;
   - (c) the valuation method and the reasons for using that method; and
   - (d) an explanation of any subsequent changes to the valuation method adopted.

Note: These are recommended disclosures in annual report from "Review of Issuers' Annual Report Disclosures" issued by HKEx. Issuers can disclose such information either inside or outside the financial statements as HKEx has not specified that the information has to be disclosed inside the financial statements.

Disclosure not illustrated: not applicable to VALUE HKFRS Limited

Sources of estimation uncertainty

HK(IFRIC)14(10)

1. The recognition of a net defined benefit asset may also warrant additional disclosures. For example, the entity should explain any restrictions on the current realisability of the surplus and the basis used to determine the amount of the economic benefits available.

Significant judgements

HKAS1(123)

2. Examples of significant judgements that may require disclosures are judgements made in determining:
   - (a) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities
   - (b) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue
   - (c) whether the contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
   - (d) whether an asset should be classified as held-for-sale or an operation meets the definition of a discontinued operation
   - (e) whether multiple assets should be grouped to form a single cash-generating unit (where this would affect whether an impairment is recognised)
   - (f) whether there are material uncertainties about the entity's ability to continue as a going concern.

HKAS1((122),(125)
HKFRS16(51),(59)

3. The accounting for leases under HKFRS 16 involves making various judgements and estimates which may need to be disclosed. While we have illustrated some of these in note 15(b), the level of detail provided will depend on the individual circumstances of the entity and the materiality of the amounts involved. For example, the following judgements and estimates may also require explanations:
   - (a) how the entity has determined whether a contract is, or contains, a lease
   - (b) how the entity has determined the incremental borrowing rate, for example where third-party financing cannot be obtained (or can only be obtained at a significant premium), or by adjusting rates to reflect the term, security, value or economic environment
   - (c) what the entity considers to be an index or rate in determining lease payments
   - (d) how the entity accounts for costs incurred in connection with a lease that are not part of the cost of the right-of-use asset, and
   - (e) the interpretation of what constitutes a penalty in determining the lease term (but see paragraph below).

IFRS IC September 2019 and November 2019

The IFRS Interpretations Committee (IFRS IC) has provided guidance on how to determine the incremental borrowing rate, including how to reflect the payment profile of a lease when determining that rate, and the lease term for specific types of cancellable or renewable leases. Entities should refer to this guidance when making judgements in relation to these issues.

Investment property

4. Normally, cash outflows in respect of the purchase of long-term assets (including property, plant and equipment and investment property) are classified as investing activities. However, paragraph 14 of HKAS 7 requires cash flows that are primarily derived from the principal revenue-producing activities of the entity to be classified as operating activities. If the entity with investment property has leasing as its principal revenue-producing activity, the entity could either classify the cash outflow as investing (in line with paragraph 16 of HKAS 7) and the rental inflows as operating, or it could treat both the cash inflow and outflow as operating. An accounting policy should be developed and applied on a consistent basis. VALUE HKFRS Limited has chosen to present the outflows as investing activities and disclosed this in note 16.

Change of accounting estimate in final interim period

HKAS34(26)

5. If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the annual reporting period but separate financial statements are not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that annual reporting period.

5 Segment information

(a) Description of segments and principal activities

HKFRS8(22) HKAS1(138)(b) The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, examines the group's performance both from a product and geographic perspective and has identified six reportable segments of its business:

1,2: Furniture manufacturing and wholesale: this part of the business manufactures and sells commercial office furniture, hardwood side boards, chairs and tables in Hong Kong and China. The committee monitors the performance in those two regions separately.

HKFRS8(22)(aa) **3: Furniture retail –** since January 2021, the manufacturing business has been supplemented by a chain of retail stores in Hong Kong. While the committee receives separate reports for each region, the stores have been aggregated into one reportable segment as they have similar average gross margins and similar expected growth rates.

4,5: IT consulting – business IT management, design, implementation and support services are provided in the US and in a number of European countries. Performance is monitored separately for those two regions.

6: Electronic equipment – although this part of the business is not large enough to be required to be reported under the accounting standards, it has been included here as it is seen as a potential growth segment which is expected to materially contribute to group revenue in the future. This segment was established following the acquisition of VALUE HKFRS Electronics Group in April 2023.

HKFRS8(16),(22) **All other segments –** the development of residential land, currently in the Someland Canal Estate in Nicetown and the Mountain Top Estate in Alpville, and the ownership of investment properties, principally in Nicetown and Harbourcity and the management of investment properties are not reportable operating segments, as they are not separately included in the reports provided to the strategic steering committee. The results of these operations are included in the 'all other segments' column. The column also includes head office and group services.

The engineering subsidiary was sold effective from 1 March 2023. Information about this discontinued segment is provided in note 26.

The steering committee primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA, see below) to assess the performance of the operating segments. However, the steering committee also receives information about the segments' revenue and assets on a monthly basis.

(b) Adjusted EBITDA

HKFRS8(23) HKFRS8(27)(b),(28) Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, legal expenses and impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments. Interest income and finance cost 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.

HKFRS8(23)

	2023 **HK$'000**	2022 HK$'000
Furniture manufacturing and wholesale		
Hong Kong	**14,581**	16,733
China	**12,900**	6,990
Furniture retail – Hong Kong	**15,880**	5,664
IT consulting		
US	**16,500**	14,035
Europe	**7,766**	9,580
Electronic equipment - Hong Kong	**3,473**	-
All other segments	**4,558**	4,730
Total adjusted EBITDA	**75,658**	57,732

HKFRS8(28)(b)
HKFRS8(23)

Adjusted EBITDA reconciles to operating profit before income tax as follows:

	Notes	**2023** **HK$'000**	2022 Restated* HK$'000
Total adjusted EBITDA		**74,658**	57,732
Intersegment eliminations		**(390)**	(360)
Finance costs – net	11	**(5,875)**	(5,830)
Interest income on financial assets held as investments	7	**258**	249
Depreciation and amortisation	9	**(12,540)**	(10,080)
Litigation settlement	6	**-**	(370)
Goodwill impairment	6	**(2,410)**	-
Restructuring costs	6	**(1,377)**	-
Fair value gains/(losses) on financial assets at FVPL	8	**955**	(620)
Share options and rights granted to directors and employees	31	**(2,156)**	(1,353)
Impairment of other assets	6	**(1,287)**	-
Other		**250**	249
Profit before income tax from continuing operations		**51,086**	39,617

* See note 5(f) for details regarding the restatement as a result of an error on the segment information.

(c) Other profit and loss disclosures

HKFRS8(23)(e),(f),(g),(h)

2023	**Material items** **HK$'000**	**Depreciation and amortisation** **HK$'000**	**Income tax expense** **HK$'000**	**Share of profit from associates and joint ventures** **HK$'000**
Furniture manufacturing and wholesale				
Hong Kong	**(910)**	**(5,165)**	**(3,748)**	**48**
China	**(3,787)**	**(2,161)**	**(3,650)**	**-**
Furniture retail – Hong Kong	**-**	**(2,716)**	**(3,965)**	**-**
IT consulting				
US	**1,270**	**(831)**	**(2,164)**	**250**
Europe	**-**	**(430)**	**(750)**	**-**
Electronic equipment - Hong Kong	**-**	**(342)**	**(800)**	**-**
All other segments	**-**	**(895)**	**(556)**	**42**
Unallocated items	**-**	**-**	**(549)**	**-**
Total	**(3,427)**	**(12,540)**	**(16,182)**	**340**

2022	Material items HK$'000	Depreciation and amortisation HK$'000	Income tax expense HK$'000	Share of profit from associates and joint ventures HK$'000
Furniture manufacturing and wholesale				
Hong Kong*	715	(4,109)	(3,559)	60
China	-	(2,068)	(2,506)	-
Furniture retail – Hong Kong	-	(2,081)	(793)	-
IT consulting				
US	-	(543)	(2,724)	220
Europe	-	(447)	(727)	-
All other segments	(370)	(832)	(860)	75
Unallocated items	-	-	(406)	-
Total	345	(10,080)	(11,575)	355

* See 5(f) below for details regarding the restatement as a result of an error on the segment information.

There was no impairment charge or other significant non-cash item recognised in 2022. For details about the material items see note 6 below.

(d) Segment assets

HKFRS8(27)(c)

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

HKFRS8(23),(24)

	Year ended 31 December 2023			Year ended 31 December 2022		
	Seg-ment assets HK$'000	**Invest-ments in associ-ates and joint ventures HK$'000**	**Additions to non-current assets * HK$'000**	Seg-ment assets Restated** HK$'000	Invest-ments in associ-ates and joint ventures HK$'000	Additions to non-current assets * HK$'000
Furniture manufacturing and wholesale						
Hong Kong**	**63,286**	**550**	**9,705**	65,163	490	5,970
China	**45,500**	**-**	**5,685**	45,700	-	4,370
Furniture retail – Hong Kong	**54,950**	**-**	**4,935**	20,200	-	-
IT consulting						
US	**31,640**	**2,250**	**2,600**	31,043	1,900	3,887
Europe	**23,510**	**-**	**11,350**	23,325	-	1,695
Electronic equipment - Hong Kong	**32,815**	**-**	**1,300**	-	-	-
All other segments	**28,632**	**975**	**1,764**	25,603	885	1,115
Total segment assets	**280,333**	**3,775**	**37,339**	211,034	3,275	17,037
Intersegment eliminations	**(1,300)**			(1,270)		
Discontinued operation (Engineering – see note 26)	**-**			4,955		
Unallocated:						
Deferred tax assets	**7,849**			5,524		
Financial assets at fair value through other comprehensive income	**6,782**			7,148		
Debenture assets and bonds at amortised cost	**1,304**			1,265		
Financial assets at fair value through profit or loss	**13,690**			11,895		
Derivative financial instruments	**2,162**			2,129		
Total assets as per the statement of financial position	**310,820**			242,680		

HKFRS8(28)(c)

* Other than financial assets and deferred tax

** See note 5(f) for details regarding the restatement as a result of an error on the segment information.

HKFRS8(27)(c)

Investments in financial assets that are managed by the treasury department are not considered to be segment assets. These are investments in debt and equity instruments that are classified as at fair value through other comprehensive income, fair value through profit or loss and at amortised cost.

HKFRS8(33)(b)

The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following:

	2023 HK$'000	2022 HK$'000
Hong Kong	**113,127**	61,325
China	**28,647**	30.877
US	**19,920**	20,974
Other countries	**14,802**	29,407
	176,496	**142,583**

(e) Segment liabilities

HKFRS8(27)(d) Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

HKFRS8(27)(d) The group's borrowings and derivative financial instruments are not considered to be segment liabilities, but are managed by the treasury function.

HKFRS8(23)

	2023 **HK$'000**	2022 HK$'000
Furniture manufacturing and wholesale		
Hong Kong	**12,238**	13,381
China	**4,800**	2,150
Furniture retail – Hong Kong	**11,390**	7,979
IT consulting		
US	**3,900**	5,079
Europe	**2,600**	2,270
Electronic equipment – Hong Kong	**6,087**	-
All other segments	**1,112**	2,773
Total segment liabilities	**42,127**	33,632
Intersegment eliminations	**(1,175)**	(1,120)
Discontinued operation (Engineering – see note 26)	**-**	500
Unallocated:		
Deferred tax liabilities	**12,456**	6,820
Current tax liabilities	**1,130**	856
Current borrowings	**8,400**	7,995
Non-current borrowings	**89,115**	76,600
HKFRS8(28)(d) Derivative financial instruments	**1,376**	1,398
Total liabilities as per the statement of financial position	**153,429**	126,681

(f) Restatements for error

Due to a computational error, segment assets of the Hong Kong Furniture manufacturing and wholesale segment for the year ended 31 December 2022 were overstated by HK$1,550,000. The error also increased depreciation charged for the prior year but did not affect adjusted EBITDA. It has been corrected by restating the affected segment information line item for the prior year.

Further information on the error is set out in note 4.3.

(g) Disaggregation of revenue from contracts with customers

HKFRS15(114) The group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

		Furniture – manufacturing and wholesale	Furniture-retail	IT consulting	Electronic equipment		All other segments		Total
		Hong Kong	China	Hong Kong	US	Europe	Hong Kong		
	2023	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
HKFRS15(115)	Segment revenue	55,100	35,100	31,609	33,300	16,900	13,850	16,600	202,459
HKFRS8(23)(b)	Inter-segment revenue	(1,200)	(700)	(900)	(800)	(300)	(500)	(400)	(4,800)
HKFRS8(23)(a),(28)(a)	Revenue from external customers	53,900	34,400	30,709	32,500	16,600	13,350	16,200	197,659
HKFRS15(B87)-(B89)	Timing of revenue recognition								
	At a point in time	53,900	34,400	30,709	1,000	600	13,350	16,200	150,159
	Over time	-	-	-	31,500	16,000	-	-	47,500
		53,900	34,400	30,709	32,500	16,600	13,350	16,200	197,659

		Furniture – manufacturing and wholesale	Furniture-retail	IT consulting	Electronic equipment		All other segments		Total
		Hong Kong	China	Hong Kong	US	Europe	Hong Kong		
	2022	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
HKFRS15(115)	Segment revenue	60,350	36,860	20,365	22,600	14,790	-	10,199	165,164
HKFRS8(23)(b)	Inter-segment revenue	(1,150)	(1,100)	-	(600)	(610)	-	(100)	(3,560)
HKFRS8(23)(a),(28)(a)	Revenue from external customers	59,200	35,760	20,365	22,000	14,180	-	10,099	161,604
HKFRS15(B87)-(B89)	Timing of revenue recognition								
	At a point in time	59,200	35,760	20,365	800	500	-	10,099	126,724
	Over time	-	-	-	21,200	13,680	-	-	34,880
		59,200	35,760	20,365	22,000	14,180	-	10,099	161,604

HKFRS8(32) 1Revenues from external customers come from the sale of furniture on a wholesale and retail basis, from the provision of IT consulting services and from the sale of electronic equipment. The revenue from wholesale sales of furniture relates only to the group's own brand, Pina Colada Furniture. The retail sales relate to the group's own brand as well as other major retail brands.

HKFRS8(34) Revenues of approximately HK$26,320,000 (2022 – HK$24,280,000) are derived from a single external customer. These revenues are attributed to the Hong Kong furniture manufacturing and wholesale segment.

HKFRS8(33)(a) The entity is domiciled in Hong Kong. The amount of its revenue from external customers broken down by location of the customers is shown in the table below.

	2023	2022
	HK$'000	HK$'000
Hong Kong	**106,650**	74,170
China	**34,400**	35,760
US	**32,500**	32,500
Other countries	**24,109**	19,174
	197,659	161,604

(h) Assets and liabilities related to contracts with customers

The group has recognised the following assets and liabilities related to contracts with customers:

		Notes	**31 Dec 2023 HK$'000**	31 Dec 2022 HK$'000	1 Jan 2022 HK$'000
HKAS1(77)	Current contract assets relating to IT consulting contracts	(i)	**1,547**	2,597	1,897
	Loss allowance	3.1(b)	**(28)**	(36)	(30)
HKFRS15(116)(a)	Total contract assets		**1,519**	2,561	1,867
HKAS1(77)	Non-current asset recognised for costs incurred to fulfil a contract	(iv)	**312**	520	-
HKAS1(77), HKFRS15(120)(a)	Contract liabilities – customer loyalty programme		**552**	536	450
HKAS1(77)	Contract liabilities – IT consulting contracts	(iii)	**1,430**	989	205
HKFRS15(116)(a)	Total current contract liabilities		**1,982**	1,525	655

(i) Significant changes in contract assets and liabilities

HKFRS15(118),(113)(b) Contract assets have decreased as the group has provided fewer services ahead of the agreed payment schedules for fixed-price contracts. The group also recognised a loss allowance for contract assets in accordance with HKFRS 9, see note 3.1(b) for further information.

Contract liabilities for IT consulting contracts have increased by HK$473,000 partly as a result of the acquisition of VALUE HKFRS Electronics Group, see note 43. The increase in 2022 was due to the negotiation of larger prepayments and an increase in overall contract activity.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

		2023 HK$'000	2022 HK$'000
HKFRS15(116)(b)	*Revenue recognised that was included in the contract liability balance at the beginning of the period*		
	IT consulting contracts	**989**	205
	Customer loyalty programme	**536**	450 *
HKFRS15(116)(c)	*Revenue recognised from performance obligations satisfied in previous periods*		
	Consideration from furniture wholesale contract, not previously recognised due to the constraint, see note 4.2(b) below.	**150**	-

(iii) Unsatisfied long-term consulting contracts

The following table shows unsatisfied performance obligations resulting from fixed-price long-term IT consulting contracts:

		2023 HK$'000	2022 HK$'000
HKFRS15(120)(a)	Aggregate amount of the transaction price allocated to long-term IT consulting contracts that are partially or fully unsatisfied as at 31 December	**8,881**	-

HKFRS15(120)(b),(122) Management expects that 60% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2023 will be recognised as revenue during the next reporting period (HK$5,328,000). The remaining 40% (HK$3,553,000) will be recognised in the 2025 financial year. The amount disclosed above does not include variable consideration which is constrained.

HKFRS15(121),(122) All other IT consulting contracts are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the group has also recognised an asset in relation to costs to fulfil a long-term IT contract. This is presented within other assets in the statement of financial position.

		2023 **HK$'000**	2022 HK$'000
HKFRS15(128)(a)	Asset recognised from costs incurred to fulfil a contract at 31 December	**312**	520
HKFRS15(128)(b)	Amortisation and impairment loss recognised as cost of providing services during the period	**208**	-

HKFRS15(95),(127) HKAS36(126)(a) In December 2022, the group incurred costs of HK$520,000 in respect of data transfer for the set-up of an IT platform relating to a long-term IT contract. The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. They were therefore recognised as an asset from costs to fulfil a contract. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. Due to an increase in expected costs by 30% in the financial year 2023, management does not expect the capitalised costs to be completely recovered. An impairment loss of HK$77,000 has therefore been recognised for the excess of the capitalised cost over the expected remaining consideration less any directly related costs not yet recognised as expense.

HKFRS15(119)

(i) Accounting policies of revenue recognition

Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

(i) Sale of goods – wholesale

HKFRS15(119)(a)(c), (123)(a), (125) The group manufactures and sells a range of furniture and electronic equipment in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered 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 occurs when 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.

HKFRS15(119)(b),(d),(e) (123)(b),(126) The furniture is often sold with retrospective volume discounts based on aggregate sales over a 12 month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. The group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see note 36.

HKFRS 15(117) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Sale of goods – retail

HKFRS 15(119)(a),(c), (123), (125) The group operates a chain of retail stores selling household furniture. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

HKFRS15(117),(119)(b),(d) (123)(b),(126) Payment of the transaction price is due immediately when the customer purchases the furniture and takes delivery in store. It is the group's policy to sell its products to the end customer with a right of return within 28 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

HKFRS15(119)(e) The group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see note 36.

(iii) Sale of goods – customer loyalty programme (deferred revenue)

HKFRS15(119)(a),(c),(120)(b),(125) The group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognised at the time of sale. Revenue is recognised when the points are redeemed or when they expire 12 months after the initial sale.

A contract liabilities is recognised until the points are redeemed or expired.

(iv) IT consulting services

HKFRS15(119)(a),(c)(124) The IT consulting division provides business IT management, design, implementation and support services under fixed-price and variable-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

HKFRS15(119)(c) Some contracts include multiple deliverables, such as the sale of hardware and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation.

HKFRS15(22),(73),(79),119(a),(125) Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

HKFRS15(119)(a),(123)(a) Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

HKFRS15(117) In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by VALUE HKFRS Limited exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

HKFRS15(117),(B16) If the contract includes an hourly fee, revenue is recognised in the amount to which VALUE HKFRS Limited has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(v) Land development and resale

HKFRS15(119)(a),(c)(123),(125) The group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

HKFRS15(117),(119)(b)(123)(b),(126),(129),(63) The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component.

(vi) Financing components

HKFRS15(129),(63) The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

Segment information and revenue from contracts with customers

Description of segments

HKFRS8(22)

1. Entities shall disclose factors used to identify its reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. They must also disclose the judgements made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics.

Non-GAAP segment measures

HKFRS8(25),(27)

2. The measure of profit or loss that must be disclosed is the measure that is reported to the chief operating decision maker (CODM). The standard is not prescriptive as to how this measure should be calculated and a non-GAAP or non-HKFRS measure is acceptable, as long as it is clear from the disclosures how the measure is calculated and there is a detailed reconciliation of the disclosed measure to the respective HKFRS amount. Having said that, entities will also need to consider the view of their local regulator on the use of non-GAAP segment measures in the financial report (see Appendix C for further guidance).

Other profit and loss disclosures

HKFRS8(23)

3. The disclosure of other profit and loss items such as depreciation, amortisation and income tax by segment is only required where these amounts are reviewed by, or are otherwise regularly provided to, the CODM.

Using graphs to disclose quantitative information

4. There is nothing in the segment standard or any other HKFRS that would appear to prohibit the use of graphics for disclosing quantitative information. However, entities will need to confirm whether this is acceptable under their own local regulatory requirements.

Errors and changes in accounting policies

5. HKFRS 8 does not provide any guidance on how to deal with the correction of errors and changes in accounting policies in the segment disclosures. Management may decide not to restate comparative information and may not adjust segment measures for changes made to the accounting policies. In this case, the impact of the error or changes in accounting policies will be disclosed in the reconciliation to the reported results. Where the entity has restated prior year segment information and the adjustments are material, information about the adjustments is likely to be relevant to the understanding of segment information, and disclosure along the lines of that shown in the illustrative note may be necessary to adequately explain the information presented. Likewise, entities may consider disclosing the impact of changes in accounting policies on the current period where comparatives have not been restated. Changes made to the measurement methods adopted in preparing the segment information will need to be disclosed under paragraph 27(e) of HKFRS 8.

Discontinued operations

6. HKFRS 8 does not provide guidance as to whether segment disclosures apply to discontinued operations. VALUE HKFRS Limited has not disclosed the results of the discontinued operation within the segment disclosures. This decision was based on the fact that the CODM did not separately review the results of this division since the decision to dispose of it. A discontinued operation should be presented within the segment note if it meets the quantitative threshold for disclosure and if the CODM reviews the results of the division.

Segment information and revenue from contracts with customers

Entity-wide information requirements

HKFRS8(31)-(34)

7. The standard requires all entities that report in accordance with 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). [HKFRS 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 HKFRS8p32-34 are not required if they are otherwise provided as part of the reportable segment information required by the standard. [HKFRS 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. [HKFRS 8 p32, 33].

   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.

   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 counties 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.

Segment information and revenue from contracts with customers

Objective

HKFRS15(110) 8. Users of the financial statements should be given sufficient information to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve this, entities must provide qualitative and quantitative information about their contracts with customers, significant judgements made in applying HKFRS 15 and any assets recognised from the costs to obtain or fulfil a contract with customers.

Disaggregation of revenue

HKFRS15(114), (B87)-(B89) 9. Entities must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will depend on the specific circumstances of each entity as to how much detail is disclosed. VALUE HKFRS Limited has determined that a disaggregation of revenue using existing segments and the timing of the transfer of goods or services (at a point in time vs over time) is adequate for its circumstances. However, this is a judgement and will not necessarily be appropriate for other entities.

10. Other categories that could be used as basis for disaggregation include:
    (a) type of good or service (e.g. major product lines)
    (b) geographical regions
    (c) market or type of customer
    (d) type of contract (e.g. fixed price vs time-and-materials contracts)
    (e) contract duration (short-term vs long-term contracts), or
    (f) sales channels (directly to customers vs wholesale).

HKFRS15(B88) 11. When selecting categories for the disaggregation of revenue entities should also consider how their revenue is presented for other purposes, e.g. in earnings releases, annual reports or investor presentations, and what information is regularly reviewed by the chief operating decision makers. Where revenue is disaggregated on a basis other than reportable segments, the entity must disclose sufficient information so users of its financial statements can understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each reportable segment. HKFRS15(115)

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

HKFRS8(22) 12. The following disclosures are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:
    HKFRS8(23)(c),(d) (a) information about interest revenue and interest expense for each reportable segment (if provided to the CODM)
    HKFRS8(27)(f) (b) the nature and effect of asymmetrical allocations to reportable segments
    HKFRS8(28)(e) (c) reconciliations for other material amounts disclosed in the segment note
    HKFRS8(29),(30) (d) explanations regarding restatements of previously reported information following an internal reorganisation
    HKAS36(129)(b) (e) reversal of impairment losses by reportable segment
    HKAS7(50)(d) (f) cash flows by reportable segment (encouraged but not mandatory), and
    HKFRS8(27)(e) (g) changes in measurement methods (explain impact on reported segment profit or loss).

	Issue not illustrated	Relevant disclosures or reference
HKFRS15(113)	Revenue from contracts with customers is disclosed together with other sources of revenue in the statement of profit or loss	Disclose items of revenue from contracts with customers separately from other sources of revenue
HKFRS15(127)-(129),(94)	Costs incurred to obtain a contract	For assets recognised, provide disclosures as per HKFRS 15 paragraphs 127 and 128. Where no asset is recognised because the period of amortisation is one year or less, disclose that fact.

6 Material profit or loss items

HKAS1(119),(97) The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group.

			2023	2022
		Notes	**HK$'000**	HK$'000
HKAS1(97),(98)(c)	Gain on sale of freehold land	(a)	**1,270**	-
HKAS1(97),(98)(b)	Restructuring costs	36	**(1,377)**	-
HKAS1(97)	Impairment of goodwill	17	**(2,410)**	-
HKAS36(126)(a)	Impairment of other assets	(b)		
HKAS36(130)(b)	Office and warehouse building		**(465)**	-
	Plant and equipment		**(210)**	-
HKAS2(36)(e)	Inventories		**(535)**	-
HKAS1(97)	Total impairment losses – other assets		**(1,210)**	-
	Insurance recovery	(b)	**300**	-
	COVID-19-related rent concessions (see note 48.24)		**-**	XXX
HKAS1(97),(98)(c)	Loss on disposal of plant and equipment	(c)	**-**	(230)
HKAS1(97),(98)(f)	Litigation settlement relating to claim against the land development division	(d)	**-**	(370)
	Recognition of tax losses	(e)	**-**	945
HKAS1(97)	Total material items from continuing operations		**(3,427)**	345
	Gain on sale of discontinued operation	26	**481**	-

(a) Sale of freehold land

Following the re-zoning of land held by VALUE HKFRS Consulting Inc, the entity sold a large parcel of freehold land at a significant profit and realised a gain of HK$1,270,000 (included in the IT consulting – US segment).

(b) Impairment of other assets

HKAS36(129)(a), (130)(a),(c) A fire in Springfield in March 2023 damaged a major office and warehouse building owned by a subsidiary that is part of the Hong Kong furniture manufacturing and wholesale segment. The fire also destroyed equipment and inventories stored in the warehouse.

HKAS36(130)(e),(f) The office and warehouse building was written down to its recoverable amount of HK$1,220,000, which was determined by reference to the building's fair value less costs of disposal. The main valuation inputs used were a market value of HK$105 per square metre (determined by an independent valuer) and costs of repair, estimated by management to be approximately HK$430,000. Since the estimated costs of repair are a significant unobservable input, the fair value of the office and warehouse building is classified as a level 3 fair value.

As the inventory and equipment were destroyed beyond repair, their net realisable value/fair value less costs of disposal was nil.

HKAS36(126)(a) The impairment loss is included in administrative expenses in the statement of profit or loss.

HKAS16(74A)(a) An insurance recovery of HK$300,000 has been received and recognised as other income.

(c) Disposal of plant and equipment

VALUE HKFRS Manufacturing upgraded its plant and equipment by installing a large new production line in its Springfield factory in the previous financial year. There were several items of old equipment that had to be removed to make place for the new plant. Since the items were using superseded technology, the entity was not able to sell them at their carrying amounts but incurred a loss of HK$230,000 on disposal (included in the Furniture manufacture – Hong Kong segment).

(d) Litigation settlement

In January 2022, VALUE HKFRS Development Limited paid HK$370,000 as settlement for a claim lodged against the company following the termination of the Pinetree development in Alpville (included in 'all other segments' in the segment note).

(e) Recognition of tax losses

Following a significant improvement in trading conditions in the Hong Kong furniture manufacturing and wholesale segment in 2022, the group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utilised. As a consequence, a deferred tax asset of HK$945,000 was recognised for these losses in 2022.

Material profit or loss items

HKAS1(97),(98)

1. Where items of income and expense are material, their nature and amount shall be disclosed separately either in the statement of comprehensive income, the statement of profit or loss (where applicable), or in the notes. Circumstances that would give rise to the separate disclosure of items of income and expense include:
   - (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs
   - (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring
   - (c) disposals of items of property, plant and equipment
   - (d) disposals of investments
   - (e) discontinued operations (see note 26)
   - (f) litigation settlements
   - (g) other reversals of provisions, and
   - (h) gains or losses recognised in relation to a business combination.
2. Material items do not need to be presented in a separate note. However, in our view it will be easier for users to assess the impact of such items on the entity's performance, if this information is presented together.

7 Other income

HKAS1(112)(c)

		Notes	**2023** **HK$'000**	2022 HK$'000
	Rental and sub-lease rental income		**7,240**	7,240
HKAS18(35)(b)(v)	Dividends	(i)	**3,300**	4,300
HKAS1(82)(a)	Interest on financial assets held as investments	(ii)	**258**	249
	Other items	(iii)	**550**	244
			11,348	12,033

(i) Dividends

HKAS1(117)
HKFRS9(5.7.1A),(B5.7.1)

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

(ii) Interest income

HKAS1(117)

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 8 below. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income.

HKFRS9(5.4.1)

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 11 below. Any other interest income is included in other income.

HKFRS7(20)(b)

Total interest income on financial assets that are measured at amortised cost for the year was HK$1,670,000 and interest income from debt investments that are measured at FVOCI was HK$200,000 (2022 – HK$1,154,000 interest income form financial assets not measured at FVPL).

(iii) Government grants

HKAS20(39)(b),(c)

Export market development grants of HK$250,000 (2022 – HK$244,000) are included in the 'other items' line item. There are no unfulfilled conditions or other contingencies attaching to these grants. The group did not benefit directly from any other forms of government assistance.

HKAS20(12),(29)
Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

Deferral and presentation of government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

HKAS20(24),(26)
Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

8 Other gains/(losses)

		Notes	**2023** **HK$'000**	2022 HK$'000
A4(1)(a), GEM18.50B(1)(a)	Net gain/(loss) on disposal of property, plant and equipment (excluding property, plant and equipment sold as part of the engineering division)	15	**1,620**	(530)
HKAS40(76)(d)	Fair value adjustment to investment property	16	**1,350**	1,397
HKFRS7(20)(a)(i)	Net fair value gains/(losses) on financial assets at fair value through profit or loss	24	**955**	(620)
HKAS21(52)	Net foreign exchange gains/(losses)	3.1	**518**	(259)
HKFRS7(20)(a)(i)	Net fair value gains on derivatives held for trading	21	**11**	(621)
	Other items		**139**	(38)
			4,593	(671)

9 Expenses by Nature

		Notes	2023 HK$'000	2022 Restated HK$'000
	Changes in inventories of finished goods and work in progress	23	**(6,681)**	(5,255)
	Raw materials and consumables used	23	**62,218**	54,108
HKAS1(104),(105)	Employee benefits expenses	10	**56,594**	52,075
HKAS1(104),(105)	Depreciation	15	**10,374**	9,350
HKAS1(104),(105)	Amortisation	17	**2,166**	730
HKAS1(97)	Impairment of goodwill	17	**2,410**	-
HKAS1(97)	Impairment of assets damaged by fire	6	**1,210**	-
4sch.p2.1, A28(1)(b)(iv) GEM18.07A(1)(b)(iv)	Auditors' remuneration			
	- Audit services		**1,200**	1,100
MB Code Part 1I GEM Code Part 1I	- Non-audit services		**800**	900
	Other expenses		**25,839**	16,270
	Total cost of sales, distribution cost and administrative expenses		**156,130**	127,278

Auditor's remuneration

MB Code Part 1I
GEM Code Part 1I

For listed companies (whether or not incorporated in Hong Kong), management should ensure:

(a) an analysis of audit and non-audit fees is given in the Corporate Governance Report in accordance with Part 1I of Appendix C1 to the Stock Exchange of Hong Kong (SEHK) Main Board Rules or Part 1I of Appendix C1 to the SEHK GEM Rules, in particular, details of the nature of each significant non-audit service and the fee paid should be disclosed separately; and

(b) the sum of the audit fee and related expenses is given in the financial statements as required by section 1 of Part 2 of Schedule 4 to the Companies Ordinance.

FS Review 2016, para. 35, 36

An explanation or reconciliation should be provided if the details of the auditor's remuneration in the Corporate Governance Report were different from information on audit fees disclosed in the financial statements. For any amount paid/payable not recognised in profit or loss, a separate disclosure is expected.

The SEHK expects Audit Committees to ensure that disclosures in annual reports are enhanced where auditors are engaged for performing significant non-audit services.

Other Expenses

HKEx Review 2019, para. 88

Listed issuers should provide appropriate breakdown of their material "other expenses" to enhance shareholders' understanding of their financial performances. On the same basis, issuers are reminded to provide appropriate breakdown of material "other income", "other assets" and "other liabilities".

Note: These are recommended disclosures in annual report from "Review of Issuers' Annual Report Disclosures" issued by HKEx. Issuers can disclose such information either inside or outside the financial statements as HKEx has not specified that the information has to be disclosed inside the financial statements.

10 Employee benefit expense

		Notes	**2023** **HK$'000**	2022 HK$'000
HKAS19(171)	Wages and salaries		**xxx**	xxx
HKFRS2(51)(a)	Share options granted to directors and employee		**xxx**	xxx
HKAS19(53)	Pension costs – defined contribution plans		**xxx**	xxx
HKAS19(141)	Pension Costs – defined benefit plans		**xxx**	xxx
HKAS19(141)	Other post-employment benefits		**xxx**	xxx
HKAS1(104)	Total employee benefit expense		**56,594**	52,075

(a) Pensions – defined contribution plans

A26 (2), GEM18.34(2) Forfeited contributions totalling HK$xxx (2022: HK$xxx) were utilised during the year leaving HK$xxx available at the year-end to reduce future contributions.

[OR if there is no forfeited contribution being utilised, include a negative statement: During the year ended 31 December 2023, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2022: Nil), leaving HK$xxx available at the year-end to reduce future contributions.*]*

Contributions totalling HK$xxx (2022: HK$xxx) were payable to the fund at the year-end.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year include three (2022: four) directors whose emoluments are reflected in the analysis shown in note 45. The emoluments payable to the remaining two (2022: one) individuals during the year are as follows:

		2023 **HK$'000**	**2022** **HK$'000**
A25(1)-(5) GEM18.30(1)-(5)	Basic salaries, housing allowances, share options, other allowances and benefits in kind	xxx	xxx
	Contribution to pension scheme	xxx	xxx
	Discretionary bonuses	xxx	xxx
	Inducement fee to join or upon joining the Group	xxx	xxx
	Compensation for loss of office:	xxx	xxx
	- contractual payments	xxx	xxx
	- other payment	xxx	xxx
		xxx	xxx

Reminder: Please use the exact categories as stated above to disclose the amount paid / payable to the 5 highest paid individuals.

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

	Number of individuals	
	2023	**2022**
Emolument bands (in HK dollar)		
HK$1,000,001 - HK$1,500,000	2	-
HK$2,000,000 - HK$2,500,000	-	1

Employee benefits expenses

HKAS19(25),(158),(171) 1. Although HKAS 19 *Employee Benefits* does not require specific disclosures about employee benefits other than post-employment benefits, other standards may require disclosures, for example, where the expense resulting from such benefits is material and so would require disclosure under paragraph 97 of HKAS 1 *Presentation of Financial Statements*. Similarly, termination benefits may result in an expense needing disclosure in order to comply with paragraph 97 of HKAS 1.

11 Finance income and costs

		Notes	**2023** **HK$'000**	2022 HK$'000
	Finance income			
	Interest income from financial assets held for cash management purposes	7	**1,261**	905
HKFRS7(20)(a)(iv) HKFRS7(20)(a)(v)	Net gain on settlement of debt	33	**355**	-
	Finance income		**1,616**	905
	Finance costs			
HKFRS7(20)(b)	Interest and finance charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	38(c)	**(6,956)**	(6,367)
HKAS37(60)	Provisions: unwinding of discount	36	**(93)**	(78)
HKFRS7(24C)(b)(iv)	Fair value gain on interest rate swaps designated as cash flow hedges – transfer from OCI	3.1	**155**	195
HKAS21(52)(a)	Net exchange losses on foreign currency borrowings	3.1	**(1,122)**	(810)
			(8,016)	(7,060)
HKAS23(26)(a)	Amount capitalised	(i)	**525**	325
	Finance costs expensed		**(7,491)**	(6,735)
	Net finance costs		**(5,875)**	(5,830)

(i) Capitalised borrowing costs

HKAS23(26)(b) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 7.02% (2022 – 7.45%).

Finance income and costs

Finance costs

1. Finance costs will normally include:
   - (a) costs that are borrowing costs for the purposes of HKAS 23 *Borrowing Costs:* HKAS23(5),(6)
     - (i) interest expense calculated using the effective interest rate method as described in HKFRS 9 *Financial Instruments:* HKFRS7(IG13)
     - (ii) interest in respect of lease liabilities (see note 48.24), and
     - (iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs
   - (b) the unwinding of the effect of discounting provisions HKAS37(60)
   - (c) dividends on preference shares that are classified as debt HKAS32(35),(40)
   - (d) the amortisation of discounts and premiums on debt instruments that are liabilities HKFRS9(B5.4.4)
   - (e) interest on tax payable where the interest element can be identified separately, and
   - (f) the increase in the present value of the costs to sell in relation to assets that are held for sale, where the sale is expected to occur beyond one year. HKFRS5(17)
2. Interest expense on lease liabilities must also be presented as a component of finance cost in the statement of profit or loss and other comprehensive income. HKFRS16(49)
3. Amounts disclosed under paragraph 1(a)(iii) above shall also be included in the net foreign exchange gain or loss disclosed under HKAS 21 *The Effects of Changes in Foreign Exchange Rates* paragraph (52)(a). VALUE HKFRS Limited discloses this amount in note 3.1(a). HKAS21(52)(a)
4. Costs which may also be classified as finance cost include other costs associated with the entity's management of cash, cash equivalents and debt; e.g. fair value changes on interest rate hedges, the ineffective portion of cash flow interest rate hedges or a loss on the extinguishment of a liability.

Finance income

5. The classification of finance income depends on the entity's accounting policy for such items. Where earning interest income is part of the entity's ordinary activities rather than an incidental benefit, the interest income should be included within the main 'revenue' heading and separately disclosed in the statement of profit or loss, if material. In other cases, entities may take the view that finance income is most appropriately included as 'other operating income' or as a separate line item in arriving at operating profit (if disclosed). VALUE HKFRS Limited includes finance income that arises from treasury activity (e.g. income on surplus funds invested for the short term) outside operating profit whilst including other types of finance income as operating items. Although entities have some discretion in the way in which finance income is included in the statement of comprehensive income, the presentation policy adopted should be applied consistently and disclosed if material. HKFRS15 (Appendix A) HKAS1(82)(a)
6. In addition, entities must disclose the total interest revenue (calculated using the effective interest rate method) for financial assets that are measured at amortised cost and those that are measured at fair value through other comprehensive income. This applies regardless of the presentation chose in the primary financial statement as illustrated in note 7.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

7. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:
   - (a) Where material, entities must separately disclose any fee income accrued on impaired financial assets and fee income arising from financial assets not at fair value through profit or loss and from trust and other fiduciary activities. HKFRS7(20)(c),(d)

12a Subsidiaries

HKFRS12(10)(a)

The group's principal subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

HKFRS12(10)(a)(i),(ii)
HKAS24(13)
HKFRS12(12)(a)-(d)

A9, GEM 18.10

Name of entity	**Place of incorporation and kind of legal entity**	**Principal activities and place of operation**	**Particulars of issued share capital and debt securities[27]**	**Ownership interest held by the group**		**Ownership interest held by non-controlling interests**	
				2023	2022	**2023**	2022
				%	%	**%**	%
VALUE HKFRS Retail Limited	Hong Kong, limited liability company	Furniture retail stores in Hong Kong	10,000 Ordinary shares HK$20,000	**100**	100	**-**	-
VALUE HKFRS Manufacturing Limited	Hong Kong, limited liability company	Furniture manufacture in Hong Kong and Mainland China	10,000 Ordinary shares HK$20,000 2,000 Preference shares HK$2,000	**90**	85	**10**	15
VALUE HKFRS Electronics Group	Hong Kong, limited liability company	Electronic equipment manufacture in Hong Kong	10,000 Ordinary shares HK$20,000	**70**	-	**30**	-
VALUE HKFRS Overseas Ltd. (i)	People's Republic of China, limited liability company*	Furniture manufacture in China	1,000 Ordinary shares of RMB 1 each RMB10,000	**45**	45	**55**	55
VALUE HKFRS PRC Ltd. (i)	People's Republic of China, limited liability company#	Furniture manufacture in Mainland China	1,000 Ordinary shares of RMB 1 each RMB10,000	**45**	45	**55**	55
VALUE HKFRS ABC Ltd. (i)	People's Republic of China, limited liability company@	Furniture manufacture in Mainland China	1,000 Ordinary shares of RMB 1 each RMB10,000	**45**	45	**55**	55
VALUE HKFRS Consulting Inc	US, limited liability company	IT consulting in US	2,000,000 Ordinary shares of US$1 each US$2,000,000	**100**	100	**-**	-
VALUE HKFRS Development Limited	Hong Kong, limited liability company	Development of residential land in Hong Kong	10,000 Ordinary shares HK$20,000	**100**	100	**-**	-
VALUE HKFRS Engineering GmbH	Germany, limited liability company	Engineering business in Germany; see note 26	10,000 Ordinary shares of EUR 1 each EUR 10,000	**-**	100	**-**	-

* Registered as sino- foreign cooperative joint ventures under PRC law
# Registered as wholly foreign owned enterprises under PRC law
@ Registered as sino- foreign equity joint venture under PRC law

Remarks:

For MB listed companies , for all of its subsidiaries, it shall show their names, particulars of its issued share capital and debt securities, their respective principal country of operation and country of incorporation or other establishment, and, in the case of a subsidiary established in the PRC, the kind of legal entity it is registered as under PRC law (such as a contractual or cooperative joint venture) (MB Rule: A9).

For GEM listed companies, for all of its subsidiaries, it shall show their names, particulars of its issued share capital and debt securities, their respective principal country of operation and country of incorporation or other establishment, the kind of legal entity the subsidiary is registered as (for the purposes of the relevant jurisdiction) and its nature of business (GEM 18.10).

Note:

For both MB and GEM listed companies, if a listed issuer has an excessive number of subsidiaries, the statement need only include details for subsidiaries which, in the opinion of the directors, materially contribute to the net income of the group or hold a material portion of the assets or liabilities of the group (MB Rule: A9.2 and GEM 18.10).

(i) Significant restrictions

HKFRS12(10)(b)(i),(13) Cash and short-term deposits held in Asian countries (including China) are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

HKFRS12(13)(c) The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is HK$650,000 (2022 – HK$410,000).

(a) Non-controlling interests (NCI)

HKFRS12(12)(g) HKFRS12(B11) Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

HKFRS12(B10)(b)

HKFRS12(12)(f)

Summarised statement of financial position	**VALUE HKFRS Manufacturing Limited**		**VALUE HKFRS Overseas Ltd**		**VALUE HKFRS Electronics Group**	
	31 Dec 2023 HK$'000	31 Dec 2022 HK$'000	**31 Dec 2023 HK$'000**	31 Dec 2022 HK$'000	**31 Dec 2023 HK$'000**	31 Dec 2022 HK$'000
Current assets	**13,870**	13,250	**11,500**	9,800	**7,875**	-
Current liabilities	**12,570**	7,595	**10,570**	8,300	**1,200**	-
Current net assets	**1,300**	5,655	**930**	1,500	**6,675**	
Non-current assets	**28,010**	22,910	**15,570**	12,730	**18,900**	-
Non-current liabilities	**5,800**	3,400	**12,735**	10,748	**10,100**	-
Non-current net assets	**22,210**	19,510	**2,835**	1,982	**8,800**	-
Net assets	**23,510**	25,165	**3,765**	3,482	**15,475**	-
Accumulated NCI	**2,751**	3,775	**2,071**	1,914	**4,641**	**-**

HKFRS12(B10)(b)

HKFRS12(12)(e)

HKFRS12(B10)(a)

Summarised statement of comprehensive income	**VALUE HKFRS Manufacturing Limited**		**VALUE HKFRS Overseas Ltd**		**VALUE HKFRS Electronics Group**	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Revenue	**30,200**	27,800	**14,100**	14,450	**3,850**	-
Profit for the period	**10,745**	7,900	**2,412**	2,062	**1,405**	-
Other comprehensive income	**1,265**	830	**(447)**	243	**-**	**-**
Total comprehensive income	**12,010**	8,730	**1,965**	2,305	**1,405**	-
Profit allocated to NCI	**1,257**	1,185	**1,327**	1,134	**422**	-
Dividends paid to NCI	**1,262**	935	**925**	893	**830**	-

HKFRS12(B10)(b)

Summarised cash flows	**VALUE HKFRS Manufacturing Limited**		**VALUE HKFRS Overseas Ltd**		**VALUE HKFRS Electronics Group**	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Cash flows from operating activities	**2,989**	2,780	**1,203**	1,160	**980**	-
Cash flows from investing activities	**(1,760)**	(1,563)	**(584)**	(859)	**(870)**	-
Cash flows from financing activities	**390**	(950)	**256**	330	**(235)**	-
Net increase/ (decrease) in cash and cash equivalents	**1,619**	267	**875**	631	**(125)**	-

(b) Transaction with non-controlling interests

HKRS12(10)(b)(iii),(18) On 21 October 2023, the group acquired an additional 5% of the issued shares of VALUE HKFRS Manufacturing Limited for HK$1,500,000. Immediately prior to the purchase, the carrying amount of the existing 15% non-controlling interest in VALUE HKFRS Manufacturing Limited was HK$3,501,000. The group recognised a decrease in non-controlling interests of HK$1,167,000 and a decrease in equity attributable to owners of the parent of HK$333,000. The effect on the equity attributable to the owners of VALUE HKFRS Limited during the year is summarised as follows:

	2023 **HK$'000**	2022 HK$'000
Carrying amount of non-controlling interests acquired	**1,167**	-
Consideration paid to non-controlling interests	**(1,500)**	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(333)**	-

There were no transactions with non-controlling interests in 2022.

12b Investments accounted for using the equity method

(a) Joint operations

HKFRS12(7)(b),(21)(a) A subsidiary has a 50% interest in a joint arrangement called the Fernwood Partnership which was set up as a partnership together with House of Cards Constructions Limited to develop properties for residential housing in regional areas in the south of Hong Kong.

HKFRS12(21)(a)(iii) The principal place of business of the joint operation is in Hong Kong.

(b) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the group as at 31 December 2023 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

HKFRS12(21)(a), (b)(i),(iii)

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**		**Nature of relationship**	**Measurement method**	**Quoted fair value**		**Carrying amount**	
		2023 **%**	2022 %			**2023** **HK$'000**	2022 HK$'000	**2023** **HK$'000**	2022 HK$'000
Big Hide Pet SA	France	15	15	Associate (1)	Equity method	**585**	560	**568**	540
Cuddly Bear Plc	Hong Kong	35	35	Associate (2)	Equity method	**495**	505	**492**	490
Squirrel Ltd	Hong Kong	40	40	Joint Venture (3)	Equity method	**- ***	- *	**2,340**	1,900
Immaterial associates (iii) below									
Delux Ltd	Hong Kong	51	51	Associate (4)	Equity method	**- ***	- *	**300**	295
Other immaterial associates								**75**	50
Total equity account investments								**3,775**	3,275

HKFRS12(21)(a)(ii)

(1) Big Hide Pet SA is a manufacturer of specialised furniture for the hospitality industry, including cafés and restaurants. Its product range complements the group's commercial furniture range and provides access to markets not previously serviced by the group.

(2) Cuddly Bear Plc develops residential land. It is a strategic investment which utilises the group's knowledge and expertise in the development of residential land but at the same time limits the group's risk exposure through a reduced equity holding.

(3) Squirrel Ltd distributes computer software to wholesale customers in the Hong Kong market. It is a strategic investment for the group which complements the services provided by the IT consulting segment.

(4) Delux Ltd distributes computer hardware to wholesale customers in the Hong Kong market. It is a strategic investment for the group which provide access to markets not previously serviced and the group does not have control over the company.

* **Private entity – no quoted price available.**

(i) Commitments and contingent liabilities in respect of associates and joint ventures

		2023 **HK$'000**	2022 HK$'000
HKFRS12(23)(a),(B18)	*Commitments – joint ventures*		
HKFRS12(B19)(a)	Commitment to provide funding for joint venture's capital commitments, if called	**250**	200
HKFRS12(23)(b)	*Contingent liabilities – associates*		
	Share of contingent liabilities incurred jointly with other investors of the associate	**150**	120
	Contingent liabilities relating to liabilities of the associate for which the company is severally liable	**-**	80
	Contingent liabilities – joint ventures		
	Share of joint venture's contingent liabilities in respect of a legal claim lodged against the entity	**200**	180
		350	380

(ii) Summarised financial information for associates and joint ventures

HKFRS12(21)(b)(ii),(B14) The tables below provide summarised financial information for those joint ventures and associates that are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not VALUE HKFRS Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

		Big Hide Pet SA		**Cuddly Bear Plc**		**Squirrel Ltd**	
HKFRS12(B12),(B13)	**Summarised statement of financial position**	**31 Dec 2023 HK$'000**	31 Dec 2022 HK$'000	**31 Dec 2023 HK$'000**	31 Dec 2022 HK$'000	**31 Dec 2023 HK$'000**	31 Dec 2022 HK$'000
HKFRS12(B12)(b)(i)	Current assets						
HKFRS12(B13)(a)	Cash and cash equivalents	*	*	*	*	**300**	275
	Other current assets	*	*	*	*	**1,700**	1,475
	Total current assets	**1,333**	1,083	**243**	371	**2,000**	1,750
HKFRS12(B12)(b)(ii)	Non-current assets	**5,754**	5,083	**1,834**	1,800	**7,350**	6,500
HKFRS12(B12)(b)(iii)	Current liabilities						
HKFRS12(B13)(b)	Financial liabilities (excluding trade payables)	*	*	*	*	**150**	250
	Other current liabilities	*	*	*	*	**1,100**	**625**
	Total current liabilities	**583**	400	**271**	171	**1,250**	875
HKFRS12(B12)(b)(iv)	Non-current liabilities						
HKFRS12(B13)(c)	Financial liabilities (excluding trade payables)	*	*	*	*	**1,900**	2,250
	Other non-current liabilities	*	*	*	*	**350**	375
	Total non-current liabilities	**2,717**	2,166	**400**	600	**2,250**	2,625
	Net assets	**3,787**	3,600	**1,406**	1,400	**5,850**	4,750
HKFRS12(B14)(b)	**Reconciliation to carrying amounts:**						
	Opening net assets 1 January	**3,600**	2,967	**1,400**	1,286	**4,750**	4,500
	Profit for the period	**322**	400	**34**	171	**625**	550
	Other comprehensive income	**132**	767	**-**	-	**750**	-
	Dividends paid	**(267)**	(534)	**(28)**	(57)	**(275)**	(300)
	Closing net assets	**3,787**	3,600	**1,406**	1,400	**5,850**	4,750
	Group's share in %	**15%**	15%	**35%**	35%	**40%**	40%
	Group's share in HK$	**568**	540	**492**	490	**2,340**	1,900
	Goodwill	**-**	-	**-**	-	**-**	-
	Carrying amount	**568**	540	**492**	490	**2,340**	1,900
HKFRS12(B12)(b)(v)	Revenue	**8,733**	8,400	**2,657**	2,457	**10,038**	9,800
HKFRS12(B13)(e)	Interest income	*	*	*	*	**-**	-
HKFRS12(B13)(d)	Depreciation and amortisation	*	*	*	*	**(2,800)**	(1,890)
HKFRS12(B13)(f)	Interest expense	*	*	*	*	**(340)**	(280)
HKFRS12(B13)(g)	Income tax expense	*	*	*	*	**-**	-
HKFRS12(B12)(b)(vi)	**Profit from continuing operations**	**322**	400	**34**	171	**625**	550
HKFRS12(B12)(b)(vii)	Profit from discontinued operations	**-**	-	**-**	-	**-**	-
	Profit for the period	**322**	400	**34**	171	**625**	550
HKFRS12(B12)(b)(viii)	Other comprehensive income	**132**	**767**	**-**	**-**	**750**	**-**
HKFRS12(B12)(b)(ix)	Total comprehensive income	**454**	1,167	**34**	171	**1,375**	550
HKFRS12(B12)(a)	Dividends received from associates and joint venture entities	**40**	80	**10**	20	**110**	120

* Shading indicates disclosures that are not required for investments in associates.[3]

(iii) Individually immaterial associates

HKFRS12(21)(c),(B16) In addition to the interests in associates disclosed above, the group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2023 **HK$'000**	2022 HK$'000
Aggregate carrying amount of individually immaterial associates	**375**	345
Aggregate amounts of the group's share of:		
Profit from continuing operations	**30**	15
Post-tax profit or loss from discontinued operations	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**30**	15

Interests in other entities

Listing of significant subsidiaries

HKFRS12(10)(a) HKFRS12(4)

1. HKFRS 12 requires entities to disclose information about the composition of the group. This information can be provided in different ways; eg by identifying major subsidiaries as we have done in this note. However, preparers of financial statements should consider what level of detail is necessary to satisfy the overall disclosure objective of the standard. Useful information should not be obscured by including a large amount of insignificant detail (eg a complete listing of all subsidiaries within the group). It may also not always be necessary to disclose the principal activity of each subsidiary.

Joint operations – summary of assets employed/liabilities incurred

HKAS1(112)(c)

2. If an entity has significant interests in joint operations, it should consider disclosing the group's interests in the assets employed and liabilities incurred in relation to these joint operations. This information will assist users in assessing the extent and financial impact of the joint operations and may – in certain circumstances – be required on the basis that it is relevant to an understanding of the financial statements (HKAS 1 paragraph 112(c)).

Summarised financial information of associates and joint ventures

3. The disclosure requirements in relation to summarised financial information of joint ventures are more onerous than those for interests in associates. Where certain information is not required for interests in associates, the relevant parts of the table have been shaded. We have chosen this form of presentation primarily to illustrate the similarities and differences in the disclosures for associates and joint ventures. This form of presentation may not be suitable for all entities.

Entities classified as held for sale

HKFRS12(5A),(B17)

4. The disclosure requirements of HKFRS 12 also apply to interests in entities that are classified as held for sale, except for the summarised information in paragraphs B10 to B16 of HKFRS 12.

Particulars of subsidiaries

A9(1), GEM18.10(1)

5. For a MB listed parent company the kind of legal entity information is required only for its subsidiaries established in the PRC. For GEM listed parent company, the kind of legal entity information and nature of business is required to be shown for each subsidiary.
6. Unlisted companies need not disclose the place of operation of subsidiaries.
7. Unlisted companies need not disclose the particulars of subsidiaries' debt securities and classes of issued share capital not held by them.

PN600.1(24)

8. 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."

Interests in other entities

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

9. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	Relevant disclosures or references
HKFRS12(14)-(17)	Consolidated structured entities	Provide information as specified in HKFRS 12 paragraphs 14 – 17. Entities such as employee share trusts will often qualify as structured entities. To the extent they are significant, the disclosures in HKFRS 12 should therefore be considered in this context. Note 31 illustrates the disclosures that would apply to the VALUE HKFRS Employee Share Trust.
HKFRS12(11),(22)(b)	Subsidiaries, associates or joint ventures with different reporting dates	Disclose the reporting date and the reasons for using a different date or period.
HKFRS12(21)(c),(B16)	Individually immaterial joint ventures	Disclose the same information as illustrated in note 12(b) for immaterial associates.
HKFRS12(22)(a)	Significant restrictions – associates or joint ventures	Disclose the nature and extent of the restrictions on the ability of a joint venture or associate to transfer funds in the form of cash dividends, or to repay loans or advances made by the entity.
HKFRS12(22)(c)	Unrecognised share of losses of joint ventures and associates	Disclose the unrecognised amounts both for the reporting period and cumulatively.
HKFRS12(B15)	Interests in associates and joint ventures measured at fair value	The summarised financial information that must be provided for each material associate or joint venture may be presented based on non-HKFRS compliant financial statements if preparation of HKFRS compliant financial statements would be impracticable or cause undue cost.
HKFRS12(B17)	Interest in subsidiary, associate or joint venture classified as held for sale	Summarised financial information does not need to be provided for associates or joint ventures that are held for sale.
HKFRS12(B19)(b)	Commitment to acquire another party's ownership interest in a joint venture	Disclose as part of the disclosures of unrecognised commitments.
HKFRS12(24)-(31)	Information about unconsolidated structured entities	Various disclosures, see HKFRS 12 paragraphs 24 – 31 for details.
HKFRS12(9A),(9B), (19A)-(19G),(25A)	Investment entities – information about unconsolidated subsidiaries	Various disclosures, see HKFRS 12 paragraphs (9A), (9B), (19A)-(19G) and (25A) for details.

10. While not required under HKFRS 12, readers of the financial statements may find it useful if the note for equity-accounted investments also provides a reconciliation of the aggregate carrying amounts from opening to closing balances. This could look as follows:

	2023 **HK$'000**	**2022** **HK$'000**
Opening balance 1 January	**3,275**	3,025
Share of operating profits	**340**	355
Share of other comprehensive income	**320**	115
Dividends received	(160)	(220)
Closing balance 31 December	3,775	3,275

13 Income tax expense

This note provides an analysis of the group's income tax expense and shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the group's tax position.

HKAS12(79),(81)(g)(ii)

(a) Income tax expense

		2023 HK$'000	2022 Restated* HK$'000
	Current tax		
HKAS12(80)(a)	Current tax on profits for the year	**17,116**	11,899
HKAS12(80)(b)	Adjustments for current tax of prior periods	**(369)**	135
	Total current tax expense	**16,747**	12,034
HKAS12(80)(c)	*Deferred income tax*		
	Decrease/(increase) in deferred tax assets (see note 34)	**(4)**	(1,687)
	(Decrease)/increase in deferred tax liabilities (see note 34)	**(177)**	1,399
	Total deferred tax expense/(benefit)	**(181)**	(288)
	Income tax expense	**16,566**	11,746
	Income tax expense is attributable to:		
	Profit from continuing operations	**16,182**	11,575
	Profit from discontinued operation	**384**	171
		16,566	11,746

* See note 4.3 for details regarding the restatement as a result of an error.

HKAS12(81)(c)(i), (84),(85)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

		2023 HK$'000	2022 Restated* HK$'000
	Profit from continuing operations before income tax expense	**51,086**	39,617
	Profit from discontinued operation before income tax expense	**1,111**	570
		52,197	40,187
HKAS12(81)(d),(85)	Tax at the Hong Kong tax rate of 16.5% (2022 – 16.5%)	**15,659**	12,056
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Goodwill impairment	**723**	-
	Amortisation of intangibles	**92**	158
	Research and development expenditure	**365**	303
	Entertainment	**82**	79
	Employee option plan	**277**	99
	Dividends paid to preference shareholders	**378**	378
	Recycling of foreign currency translation reserve on sale of subsidiary (note 26)	**(51)**	-
	Sundry items	**189**	14
	Subtotal	**17,349**	12,784

* See note 4.3 for details regarding the restatement as a result of an error.

		2023 HK$'000	2022 Restated* HK$'000
	Subtotal	**17,349**	12,784
HKAS12(85)	Difference in overseas tax rates	**(248)**	(127)
HKAS12(80)(b)	Adjustments for current tax of prior periods	**(369)**	135
	Research and development tax credit (i)	**(121)**	(101)
HKAS12(80)(f)	Previously unrecognised tax losses used to reduce deferred tax expense (see note 6(e))	**(-)**	(945)
HKAS12(80)(e)	Previously unrecognised tax losses now recouped to reduce current tax expense	**(45)**	-
	Income tax expense	**16,566**	11,746

* See note 4.3 for details regarding the restatement as a result of an error.

(i) Accounting for research and development tax credit

Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

Companies within the group are entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure under the Research and Development Tax Incentive regime in Oneland. The group accounts for these allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

		Notes	2023 HK$'000	2022 HK$'000
	(c) Amounts recognised directly in equity			
HKAS12(81)(a),(62A)	Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
	Deferred tax: Convertible note and share issue costs	34	**990**	-
			990	-

In addition, the group recognised deterred tax amounts correctly in retained earnings as a result of restatement of an error note 4.3 and changes in accounting policies see note 2.2.

		2023 HK$'000	2022 HK$'000
	(d) Tax losses		
HKAS12(81)(e)	Unused tax losses for which no deferred tax asset has been recognised	**1,740**	2,796
	Potential tax benefit @ 16.5%	**522**	839

The unused tax losses were incurred by a dormant subsidiary that is not likely to generate taxable income in the foreseeable future. They can be carried forward indefinitely. See note 34 for information about recognised tax losses and note 4.1(i) for significant judgements made in relation to them.

		2023 HK$'000	2022 HK$'000
	(e) Unrecognised temporary differences		
HKAS12(81)(f)	Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:		
	Foreign currency translation	**2,190**	1,980
	Undistributed earnings	**1,350**	-
		3,540	1,980
HKAS12(87)	Unrecognised deferred tax liabilities relating to the above temporary differences	**1,062**	594

Temporary differences of HK$2,190,000 (2022 – HK$1,980,000000) have arisen as a result of the translation of the financial statements of the group's subsidiary in China. However, a deferred tax liability has not been recognised as the liability will only crystallise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

VALUE HKFRS Retail Limited has undistributed earnings of HK$1,350,000 (2022 – nil) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as VALUE HKFRS Limited is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

New requirements

(g) OECD Pillar Two model rules

HKAS12R(88A)

The group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Oneland, the jurisdiction in which VALUE HKFRS Limited is incorporated, and will come into effect from 1 January 2025. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

HKAS12R(88C)

Under the legislation, the group is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion Proposal ('GloBE') effective tax rate for each jurisdiction and the 15% minimum rate. All entities within the group have an effective tax rate that exceeds 15%, except for one subsidiary that operates in jurisdiction A.

HKAS12R(88C)

For 2023, the average effective tax rate (calculated in accordance with paragraph 86 of HKAS 12) of the entity operating in jurisdiction A is:

	Group entity operating in jurisdiction A HK$'000
Tax expense for year ended 31 December 2023	250
Accounting profit for year ended 31 December 2023	3,000
Average effective tax rate	8.3%

HKAS12R(88C)

The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. This assessment indicates for jurisdiction A that the average effective tax rate based on accounting profit is 8.3% for the annual reporting period to 31 December 2023. However, although the average effective tax rate is below 15%, the group might not be exposed to paying Pillar Two income taxes in relation to jurisdiction A. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of HKAS 12.

HKAS12R(88D)

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications. The entity is currently engaged with tax specialists to assist them with applying the legislation.

Income tax expense

Relationship between tax expense and accounting profit

HKAS12(81)(c),(85)

1. Entities can explain the relationship between tax expense (income) and accounting profit by disclosing reconciliations between:
   (a) tax expense and the product of accounting profit multiplied by the applicable tax rate, or
   (i) the average effective tax rate and the applicable tax rate.

   The applicable tax rate can either be the domestic rate of tax in the country in which the entity is domiciled or it can be determined by aggregating separate reconciliations prepared using the domestic rate in each individual jurisdiction. Entities should choose the method that provides the most meaningful information to users.
2. Where an entity uses option (a) above and reconciles tax expense to the tax that is calculated by multiplying accounting profit with the applicable tax rate, the standard does not specify whether the reconciliation should be done for total tax expense or only for tax expense attributable to continuing operations. While VALUE HKFRS Limited is reconciling total tax expense, it is equally acceptable to use profit from continuing operations as starting point.

Initial recognition exception – subsequent amortisation

3. The amount shown in the reconciliation of prima facie income tax payable to income tax expense as ‘amortisation of intangibles’ represents the amortisation of a temporary difference that arose on the initial recognition of the asset and for which no deferred tax liability has been recognised in accordance with paragraph 15(b) of HKAS 12. The initial recognition exception only applies to transactions that are not a business combination and do not affect either accounting profit or taxable profit.

Taxation of share-based payments

HKAS12(68A)-(68C)

4. For the purpose of these illustrative financial statements, we have assumed that deductions are available for the payments made by VALUE HKFRS Limited into the employee share trust for the acquisition of the deferred shares (see note 31). In our example, the payments are made and shares acquired upfront, which gives rise to deferred tax liabilities. We have also assumed that no tax deductions can be claimed in relation to the employee option plan. However, this will not apply in all circumstances to all entities. The taxation of share-based payments and the accounting thereof is a complex area and specific advice should be obtained for each individual circumstance. HKAS 12 provides further guidance on the extent to which deferred tax is recognised in profit or loss and in equity.

Tax incentives

5. As explained in note13(b)(i), VALUE HKFRS Limited is accounting for investment tax credits in the same way as for other tax credits. However, in some circumstances a different accounting treatment may be appropriate or acceptable. The other models for accounting for tax credits include:
   (a) Government grant (or deferral) model. This treatment considers the investment tax credit as being similar to a government grant and recognises the tax benefit in pre-tax profit or loss over the related asset’s useful life.
   (b) Change of tax base (or initial recognition exception) model. This treatment considers the investment tax credit as an increase in the related asset’s tax base where a related asset is recognised in the statement of financial position. Deductible temporary differences that arise will qualify for the initial recognition exception if the asset was not acquired in a business combination and the related asset’s initial recognition does not affect accounting or taxable profit. Therefore, no deferred tax asset is recognised on the asset’s initial recognition, but recognition occurs as a reduction of current tax as the credit is realised.

The most appropriate model to apply will depend on the nature of the credit and the entity’s specific circumstances, including previous policy choices.

Income tax expense

Income tax recognised outside profit or loss

HKAS1(90) HKAS12(81)(a),(ab) HKAS12(62A)

6. Under certain circumstances, current and deferred tax is recognised outside profit or loss either in other comprehensive income or directly in equity, depending on the item the tax relates to. Entities must disclose separately:
   (a) the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments (either in the statement of comprehensive income or in the notes), and
   (b) the aggregate current and deferred tax relating to items that are charged directly to equity (without being recognised in other comprehensive income).

HKAS12(62A)

7. Examples of items that are charged directly to equity are:
   (a) the equity component on compound financial instruments
   (b) share issue costs, and
   (c) adjustments to retained earnings, e.g. as a result of a change in accounting policy.

Unrecognised temporary differences

8. The disclosure of unrecognised temporary differences in relation to the overseas subsidiary has been made for illustrative purposes only. The taxation of overseas subsidiaries will vary from case to case and tax advice should be obtained to assess whether there are any potential tax consequences and temporary differences that should be disclosed.

OECD Pillar Two model rules

9. The OECD Pillar Two rules apply to multinational enterprises that have consolidated revenues (which, as defined by the OECD, include any form of income and are therefore not limited to revenue recognised in accordance with HKFRS 15) of €750m in at least two out of the last four years. Although this is not the case for VALUE HKFRS Limited, for illustrative purposes we have assumed that:
   (a) VALUE HKFRS Limited is within the scope of the OECD Pillar Two model rules
   (b) Pillar Two legislation has been enacted in Oneland, VALUE HKFRS Limited's jurisdiction
   (c) the legislation is not yet effective, and
   (d) the entity expects to be materially affected by those rules.
10. The illustrative disclosures in note 13(g) are based on the amendments to HKAS 12 that were made by the HKICPA in July 2023. The amendments related to deferred tax are required to be applied immediately (subject to any local endorsement processes) and retrospectively in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, including the requirement to disclose the fact that the exception has been applied. The disclosures relating to the known or reasonably estimable exposure to Pillar Two income taxes are required for annual reporting periods beginning on or after 1 January 2023.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

11. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	Relevant disclosure or reference
HKAS12(81)(d)	Changes in the applicable tax rate	Explain the changes (see illustrative disclosure below)
HKAS12(81)(e)	Deductible temporary differences and unused tax credits for which no deferred tax asset is recognised	Disclose amount and expiry date
HKAS12(82A), (87A)-(87C)	The payment of dividends will affect the entity's income tax expense (e.g. a lower tax rate applies to distributed profits)	Explain the nature of the income tax consequences and disclose the amounts, if they are practicably determinable. and whether there are any potential income tax consequences that are not practicably determinable.
HKAS12(81)(i)	Dividends were proposed or declared but not recognised as liability in the financial statements	Disclose the income tax consequences, if any
HKAS12(88)	Tax-related contingent liabilities or contingent assets and changes in tax rates or tax laws enacted after the reporting period	Provide disclosures required under HKAS 37 and HKAS 10.
HKAS12(81)(j)	Business combination: changes in the deferred tax assets of the acquirer recognised as a result of the combination	Disclose the amount of the change
HKAS12(81)(k)	Deferred tax benefits acquired in a business combination but only recognised in a subsequent period	Describe the event or change in circumstances that caused the deferred tax asset to be recognised

Income tax expense

Changes in tax rate

HKAS12(81)(d)

12. Where changes to the applicable tax rate were substantively enacted during the year, the adjustments to the deferred tax balances appear as another reconciling item in the reconciliation of prima facie income tax payable to income tax expense. The associated explanations could be along the following lines:

    The reduction of the Oneland corporation tax rate from 30% to 28% was substantively enacted on 26 June 2023 and will be effective from 1 April 2024. As a result, the relevant deferred tax balances have been remeasured. Deferred tax expected to reverse in the year to 31 December 2024 has been measured using the effective rate that will apply in Oneland for the period (28.5%). For years ending after 31 December 2024, the group has used the new tax rate of 28%.

    Further reductions to the Oneland tax rate have been announced which will reduce the rate by 1% per annum to 24% by 1 April 2028. However, these changes are expected to be enacted separately each year. As a consequence, they had not been substantively enacted at the reporting date and, therefore, are not recognised in these financial statements.

    The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss. For the group, such items include in particular remeasurements of post-employment benefit liabilities and the expected tax deduction in excess of the recognised expense for equity-settled share-based payments.

14 Earnings per share

(a) Basic earnings per share

HKAS33(10) Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme (note 28).

		2023 Cents	2022 Cents
	From continuing operations attributable to the ordinary equity holders of the company	**56.9**	47.3
HKAS33(68)	From discontinued operation	**1.3**	0.7
	Total basic earnings per share attributable to the ordinary equity holders of the company	**58.2**	48.0

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	From continuing operations attributable to the ordinary equity holders of the company	**55.8**	47.1
HKAS33(68)	From discontinued operation	**1.3**	0.7
	Total diluted earnings per share attributable to the ordinary equity holders of the company	**57.1**	47.8

(c) Reconciliations of earnings used in calculating earnings per share

		2023 HK$'000	2022 HK$'000
HKAS33(70)(a)	*Basic earnings per share*		
	Profit from continuing operations as presented in the statement of profit or loss	**34,904**	28,042
	Less: Dividends paid to non-redeemable participating preference shareholders ((e)(v))	**(107)**	(107)
	Less: Profit from continuing operations attributable to non-controlling interests	**(3,005)**	(2,318)
	Profit from continuing operations attributable to the ordinary equity holders	**31,792**	25,617
	Profit from discontinued operation	**727**	399
	Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**32,519**	26,016
HKAS33(70)(a)	*Diluted earnings per share*		
	Profit from continuing operations attributable to the ordinary equity holders of the company:		
	Used in calculating basic earnings per share	**31,792**	25,617
HKAS33(70)(a)	Add: interest savings on convertible notes	**435**	-
	Used in calculating diluted earnings per share	**32,227**	25,617
	Profit from discontinued operation	**727**	399
	Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**32,954**	26,016

(d) Weighted average number of shares used as the denominator

		2023 **Number**	2022 Number
HKAS33(70)(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**55,889,119**	54,184,666
HKAS33(70)(b)	Adjustments for calculation of diluted earnings per share:		
	Amounts uncalled on partly paid shares and calls in arrears	**101,088**	90,517
	Options	**166,112**	87,346
	Deferred shares	**101,045**	82,315
	Convertible notes	**1,456,064**	-
HKAS33(70)(b)	Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**57,713,428**	54,444,844

HKAS33(64)
Revised illustration

The earnings per share calculations for the current and prior year have been adjusted for the bonus element in the rights issue undertaken during the current year and the shares issued under the dividend reinvestment plan – see note 27 for details.

(e) Information concerning the classification of securities

(i) Partly paid ordinary shares

HKAS33(72)

Partly paid ordinary shares carry the right to participate in dividends in proportion to the amount paid relative to the total issue price. To that extent they have been recognised as ordinary share equivalents in the determination of basic earnings per share. Amounts uncalled on partly paid shares and calls in arrears are treated as the equivalent of options to acquire ordinary shares and are included as potential ordinary shares in the determination of diluted earnings per share.

(ii) Options

HKAS33(72)

Options granted to employees under the VALUE HKFRS Employee Option Plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required TSR hurdles would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 31.

HKAS33(70)(c)

The 818,000 options granted on 1 November 2023 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2023. These options could potentially dilute basic earnings per share in the future.

(iii) Deferred shares

HKAS33(46),(72)

Rights to deferred shares granted to executives under the group's short-term incentive scheme are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. Further information about the rights is provided in note 31.

(iv) Convertible notes

HKAS33(72)

Convertible notes issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The notes have not been included in the determination of basic earnings per share. Details relating to the notes are set out in note 33.

(v) 7% non-redeemable participating preference shares

HKAS33(72)

The 7% non-redeemable participating preference shares were classified as equity and were a separate category of ordinary shares for the purposes of determining earnings per share, rather than potential ordinary shares. The shares were bought back and cancelled during the year (see note 27). The only profit attributable to these shares was the HK$107,000 dividends paid to the preference shareholders each year. While the shares would have participated equally with ordinary shares on a winding up of the company, they were not entitled to any additional earnings above and beyond the 7% paid during the year.

HKAS33(A14)(b)

(vi) 6% cumulative redeemable preference shares

HKAS33(72)

The 6% cumulative redeemable preference shares are not ordinary or potential ordinary shares and have not been included in the determination of basic and diluted earnings per share. These shares are classified as liabilities (see note 33).

Earnings per share

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

6. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

Issue not illustrated	Relevant disclosures or references
HKAS33(70)(d) Share transactions after the end of the reporting period	Provide a description of material share transactions that occurred after the end of the reporting period and that were not retrospectively adjusted in the calculation of earnings per share (EPS).
HKAS33(73) EPS based on alternative earnings	Indicate the basis on which the alternative earnings are determined, including whether the amounts are before or after tax. Provide a reconciliation between the earnings used and a line item that is reported in the statement of comprehensive income, where necessary.
HKAS1(112)(c) Major capital restructuring	Consider providing appropriate explanations in the notes where the restructuring had a significant impact on the EPS information that was calculated in accordance with the requirements of HKAS 33.
HKAS33(64) The number of ordinary or potential ordinary shares changes as a result of a capitalisation, bonus issue, share split or reverse share split	Retrospectively adjust the calculation of basic and diluted EPS for all periods presented and explain the changes made. This applies regardless of whether the change occurred during the reporting period or after the end of the period before the financial statements are authorised for issue.

15 Property, plant and equipment

	Non-current assets	Freehold land HK$'000	Buildings HK$'000	Furniture, fittings and equipment HK$'000	Machinery and vehicles HK$'000	Assets under construction HK$'000	Total HK$'000
	At 1 January 2022 (Restated, see note 4.3)						
HKAS16(73)(d)	Cost or fair value	11,350	28,050	27,510	70,860	-	137,770
HKAS16(73)(d)	Accumulated depreciation and impairment	-	-	(7,600)	(37,025)	-	(44,625)
	Net book amount	11,350	28,050	19,910	33,835	-	93,145
	Year ended 31 December 2022						
HKAS16(73)(e)	Opening net book amount	11,350	28,050	19,910	33,835	-	93,145
HKAS16(73)(e)(viii)	Exchange differences	-	-	(43)	(150)	-	(193)
HKAS16(73)(e)(iv)	Revaluation surplus	2,700	3,140	-	-	-	5,840
HKAS16(73)(e)(iii)	Acquisition of subsidiary						
HKAS16(73)(e)(i),(74)(b)	Additions	2,874	1,490	2,940	4,198	3,100	14,602
HKAS16(73)(e)(ii) HKFRS5(38)	Assets classified as held for sale and other disposals	(424)	-	(525)	(2,215)	-	(3,164)
HKAS16(73)(e)(ix)	Transfers						
HKAS16(73)(e)(vii)	Depreciation charge (note 9)	-	(1,540)	(2,030)	(4,580)	-	(8,150)
HKAS16(73)(e)	Closing net book amount	16,500	31,140	20,252	31,088	3,100	102,080
	At 31 December 2022 (Restated, see note 4.3)						
HKAS16(73)(d)	Cost or fair value	16,500	31,140	29,882	72,693	3,100	153,315
HKAS16(73)(d)	Accumulated depreciation and impairment	-	-	(9,630)	(41,605)	-	(51,235)
HKAS1(77)	Net book amount	16,500	31,140	20,252	31,088	3,100	102,080
	Year ended 31 December 2023						
HKAS16(73)(e)	Opening net book amount	16,500	31,140	20,252	31,088	3,100	102,080
HKAS16(73)(e)(viii)	Exchange differences	-	-	(230)	(570)	-	(800)
HKAS16(73)(e)(iv)	Revaluation surplus	3,320	3,923	-	-	-	7,243
HKAS16(73)(e)(iii)	Acquisition of subsidiary	800	3,400	1,890	5,720	-	11,810
HKAS16(73)(e)(i),(74)(b)	Additions	2,500	2,682	5,313	11,972	3,450	25,917
HKAS16(73)(e)(ii) HKFRS5(38)	Assets classified as held for sale and other disposals	(550)	-	(5,985)	(1,680)	-	(8,215)
HKAS16(73)(e)(ix)	Transfers	-	-	950	2,150	(3,100)	-
HKAS16(73)(e)(vii)	Depreciation charge (note 9)	-	(1,750)	(2,340)	(4,380)	-	(8,470)
HKAS16(73)(e)(v) HKAS36(126)(a),(b)	Impairment loss (ii)	-	(465)	(30)	(180)	-	(675)
HKAS16(73)(e)	Closing net book amount	22,570	38,930	19,820	44,120	3,450	128,890
	At 31 December 2023						
HKAS16(73)(d)	Cost or fair value	22,570	38,930	31,790	90,285	3,450	187,025
HKAS16(73)(d)	Accumulated depreciation and impairment	-	-	(11,970)	(46,165)	-	(58,135)
HKAS1(77) HKAS16(74)(b)	Net book amount	22,570	38,930	19,820	44,120	3,450	128,890

(i) Non-current assets pledged as security

Refer to note 41 for information on non-current assets pledged as security by the group.

(ii) Impairment loss and compensation

HKAS36(130)(a) The impairment loss relates to assets that were damaged by a fire – refer to note 6 for details. The whole amount was recognised as administrative expense in profit or loss, as there was no amount included in the asset revaluation surplus relating to the relevant assets.

HKAS16(74A)(a) An amount of HK$300,000 (2022 – nil) was received by the group from an insurance company as compensation for damage to a building caused by the fire and recognised as other income.

HKAS1(117) *(iii) Revaluation, depreciation methods and useful lives*

HKAS16(73)(a), **Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies** Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity.

HKAS16(50),(73)(b) Consider impact of climate change – see Appendix G Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

HKAS16(73)(c)

• Buildings	25-40 years
• Machinery	10-15 years
• Vehicles	3-5 years
• Furniture, fittings and equipment	3-8 years

Furniture, fittings and equipment include assets received in the form of free store fit outs are recognised at their fair value. These assets and other leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

See note 48.5 for the other accounting policies relevant to property, plant and equipment.

(v) Carrying amounts that would have been recognised if land and buildings were stated at cost

HKAS16(77)(e) If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2023 **HK$'000**	2022 HK$'000
Freehold land		
Cost	**16,100**	13,350
Accumulated depreciation	**-**	-
Net book amount	**16,100**	13,350
Buildings		
Cost	**37,322**	27,790
Accumulated depreciation	**(3,715)**	(1,850)
Net book amount	**33,607**	25,940

Property, plant and equipment

Classes of property, plant and equipment

HKAS16(37)

1. A class of property, plant and equipment is a grouping of assets of a similar nature and use in the entity's operation. Paragraph 37 of HKAS 16 provides the following examples:
   - (a) land
   - (b) land and buildings
   - (c) machinery
   - (d) ships
   - (e) aircraft
   - (f) motor vehicles
   - (g) furniture and fixtures
   - (h) office equipment
   - (i) bearer plants.
2. Each entity will have different classes, depending on their individual operations. The number of classes that are separately disclosed also depends on materiality. However, the 'plant and equipment' of an entity will normally include assets of quite different nature and use. It will therefore not be sufficient to provide the information required in HKAS 16 only for two classes, being 'land and buildings' and 'plant and equipment'. Rather, entities should provide a further breakdown or, alternatively, use a more specific narrative to illustrate that the entity has only one major class of plant and equipment.

Property, plant and equipment

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

HKAS16(74A)(b)

Issue not illustrated	**Relevant disclosures or references**
Property, plant and equipment – sale proceeds and related cost incurred from selling items produced while preparing the property, plant and equipment for its intended use	Disclose the amounts of proceeds and cost included in profit or loss and the line item(s) in which they are included in the statement of comprehensive income.

15b Leases

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the statement of financial position

HKFRS16(54) The statement of financial position shows the following amounts relating to leases:

		Notes	**2023** **HK$'000**	2022 HK$'000
HKFRS16(47)(a)	**Right-of-use assets**			
HKFRS16(53)(j)	Buildings		**3,846**	2,994
HKFRS16(53)(j)	Equipment		**4,678**	5,264
HKFRS16(53)(j)	Vehicles		**1,232**	1,250
HKFRS16(53)(j)	Others		**-**	-
			9,756	9,508
HKFRS16(47)(b)	**Lease liabilities**			
	Current		**3,008**	2,777
	Non-current		**8,493**	8,514
			11,501	11,291

HKFRS16(53)(h) Additions to the right-of-use assets during the 2023 financial year were HK$2,152,000 (2022 – HK$3,000,000).

(ii) Amounts recognised in the statement of profit or loss

HKFRS16(54) The statement of profit or loss shows the following amounts relating to leases:

		Notes	**2023** **HK$'000**	2022 HK$'000
HKFRS16(53)(a)	**Depreciation charge of right-of-use assets**			
	Buildings		**(348)**	(366)
	Equipment		**(1,236)**	(681)
	Vehicles		**(320)**	(153)
		9	**(1,904)**	(1,200)
HKFRS16(53)(b)	Interest expense (included in finance cost)	11	**(527)**	(505)
HKFRS16(53)(c)	Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	9	**(120)**	(98)
HKFRS16(53)(d)	Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	9	**(85)**	(69)
HKFRS16(53)(e)	Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	9	**(941)**	(750)

HKFRS16(53)(g) The total cash outflow for leases in 2023 was HK$3,615,000 (2022 – HK$2,760,000).

HKAS1(117)
HKFRS16(59)(a),(c)

(iii) The group's leasing activities and how these are accounted for

The group leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of six months to eight years but may have extension options as described in (v) below.

HKFRS16(15)
Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

HKFRS16(26) The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

HKAS1(112)(c) To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by VALUE HKFRS Retail Limited, which does not have recent third-party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

HKFRS16(38) The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

HKFRS16(35) Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

HKFRS16(60) Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

See note 48.24 for the other accounting policies relevant to leases.

(iv) Variable lease payments

HKFRS16(59)(b)(i),(B49) Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 10% increase in sales across all stores in the group with such variable lease contracts would increase total lease payments by approximately HK$93,000 (2022 – HK$75,000).

(v) Extension and termination options

HKFRS16(59)(b)(ii),(B50) Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

(vi) Residual value guarantees

HKFRS16(59)(b)(iii), (B51)(a),(c) To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases.

Leasing disclosures

Right-of-use assets

HKAS1(112)(c)
HKFRS16(51)

1. HKFRS 16 only requires disclosure of depreciation expense and additions to right-of-use assets, but not of a full reconciliation of the right-of-use assets held. However, additional disclosures may be necessary to explain significant changes in the amounts of right-of-use assets, for example as a result of foreign exchange movements or modifications to lease agreements.

HKFRS16(47)(a)
HKAS16(73)(e)

2. Where an entity has elected to present right-of-use assets within the same line item as the corresponding underlying assets would be presented if they were owned, it should provide the same disclosures for the right-of-use assets as for the corresponding underlying assets. For example, where the right-of-use assets are presented as property, plant and equipment, they would need to be included in the reconciliation that is required under HKAS 16, with the same amount of detail as is required for other items of property, plant and equipment.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

3. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

Leases

	Issue not illustrated	**Relevant disclosures or references**
HKFRS16(47)(a)(ii)	Right-of-use assets included in the same line item as the corresponding underlying assets	Identify which line items include the right-of-use assets.
HKFRS16(53)(i),(59)(d), (B52)	Sale and leaseback transactions	Disclose gain or loss separately in the notes and consider additional information set out in paragraph B52 of HKFRS 16.
HKFRS16(53)(f)	Sub-leasing of right-of-use assets	Disclose income from sub-leasing.
HKFRS16(54)	Lessee capitalises leasing costs as part of the cost of another asset	Ensure the amounts disclosed in note 15(b) under paragraph 53 of HKFRS 16 include costs that are included in the carrying amount of another asset.
HKFRS16(55)	Portfolio of short-term leases at the end of the reporting period is dissimilar to the portfolio of short-term leases held during the year	Disclose lease commitments for short-term leases that are recognised as expenses on a straight-line or other systematic basis.

Leasing disclosures

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

Leases

HKFRS16(48),(56)	Right-of-use assets that meet the definition of investment property	Must be presented as investment property. Apply the disclosure requirements of HKAS 40 *Investment Property*. Lessees are not required to disclose the depreciation charge, income from sub-leasing, additions and the carrying amount by class of underlying asset at the end of the reporting period in relation to these assets.
HKFRS16(57)	Right-of-use assets are measured at revalued amount under HKAS 16	Provide the disclosures required by paragraph 77 of HKAS 16 in relation to those assets.
HKFRS16(59)(b)(iv)	Leases not yet commenced to which the lessee is committed	Provide information about the future cash outflows to which the lessee is potentially exposed.
HKFRS16(89)-(97) HKFRS16(90)(a) HKFRS16(93) HKFRS16(94)	The entity is a lessor with finance leases	Provide information which allows users of the financial statements to assess the effect that leases have on the lessor's financial position, financial performance and cash flows. • selling profit or loss • finance income on the net investment in the lease • income relating to variable lease payments not included in the measurement of the net investment • qualitative and quantitative explanation of significant changes in the carrying amount of the net investment in the lease, and maturity analysis of lease payments receivable for a minimum of each of the first five years plus a total amount for the remaining years; reconciliation to the net investment in the lease.
HKFRS16(95) HKFRS16(96)	The entity is a lessor with operating leases	• variable lease payments that do not depend on an index or a rate • for items of property, plant and equipment that are subject to an operating lease, the disclosures required by HKAS 16 separately for the assets subject to an operating lease and for those that are held and used by the lessor, and where applicable, the disclosure required by HKAS 36, HKAS 38 and HKAS 41.

16 Investment properties

		2023 **HK$'000**	2022 HK$'000
	Non-current assets - at fair value		
HKAS40(76)	Opening balance at 1 January	**10,050**	8,205
HKAS40(76)(a)	Acquisitions	**1,900**	-
HKAS40(76)(a)	Capitalised subsequent expenditure	**-**	810
HKAS40(76)(c)	Classified as held for sale or disposals	**-**	(112)
HKAS40(76)(d)	Net gain/(loss) from fair value adjustment	**1,350**	1,397
HKAS40(76)(f)	Transfer (to)/from inventories and owner-occupied property	**-**	(250)
HKAS40(76)	Closing balance at 31 December	**13,300**	10,050

HKAS40(75)(f)

(i) Amounts recognised in profit or loss for investment properties

		2023 **HK$'000**	2022 HK$'000
HKAS40(75)(f)(i) HKFRS16(90)(b)	Rental income from operating leases	**6,180**	5,165
HKAS40(75)(f)(ii)	Direct operating expenses from property that generated rental income	**(807)**	(606)
HKAS40(75)(f)(iii)	Direct operating expenses from property that did not generate rental income	**(903)**	(503)
HKAS40(75)(f)(iv)	Fair value gain recognised in other gains/(losses)	**1,350**	1,397

HKAS1(117)
HKAS40(75)(a)
Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2

(ii) Measuring investment property at fair value

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

HKAS1(117)
New illustration
Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

(iii) Presenting cash flows

The group classifies cash outflows to acquire or construct investment property as investing and rental inflows as operating cash flows.

HKAS40(75)(g)

(iv) Non-current assets pledged as security

See note 41 for information on non-current assets pledged as security by the group.

HKAS40(75)(h)

(iii) Contractual obligations

See note 40 for disclosure of contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(iv) Leasing arrangements

HKFRS16(92)
Consider IFRS IC agenda decision re lessor forgiveness of lease payments (Oct 2022) – see commentary note 2.2
Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the group may obtain bank guarantees for the term of the lease. Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

HKFRS16(97)

Minimum lease payments receivable on leases of investment properties are as follows:

	2023 **HK$'000**	2022 HK$'000
Within 1 year	**4,265**	4,245
Between 1 and 2 years	**2,580**	2,520
Between 2 and 3 years	**2,490**	2,470
Between 3 and 4 years	**2,070**	2,050
Between 4 and 5 years	**1,980**	2,010
Later than 5 years	**2,370**	2,550
	15,755	15,845

Investment properties

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	Relevant disclosures or references
HKAS40(75)(c)	Classification as investment property is difficult	Disclose criteria used to distinguish investment property from owner-occupied property and property held for sale in the ordinary course of business.
HKAS40(77)	Adjustments made to valuations	Disclose reconciliation between valuation obtained and the adjusted valuation.
HKAS40(75)(f)(iv)	Sale of investment property from a pool of assets measured using the cost model into a pool in which the fair value model is used (HKAS 40 paragraph 32C)	Disclose cumulative change in fair value recognised in profit or loss.
HKFRS16(90)(b)	Variable lease payments that do not depend on an index or a rate and that are recognised as income in the period	Disclose amounts where applicable.
HKAS40(78)	Investment property cannot be reliably measured at fair value on a continuing basis	Disclose amounts separately and provide additional information about the property.
HKAS40(79)	Entity has elected to use the cost model for measuring its investment property	Disclose additional information such as depreciation methods, useful lives etc.

17 Intangible assets

	Non-current assets	Goodwill HK$'000	Patents, trademarks and other rights HK$'000	Internally generated software * HK$'000	Customer contracts HK$'000	Total HK$'000
HKFRS3(B67)(d)(i)	**At 1 January 2022**					
HKAS38(118)(c)	Cost	9,700	9,410	2,255	-	21,365
	Accumulated amortisation and impairment	-	(250)	(205)	-	(455)
	Net book amount	9,700	9,160	2,050	-	20,910
HKAS38(118)(e)	**Year ended 31 December 2022**					
	Opening net book amount	9,700	9,160	2,050	-	20,910
HKAS38(118)(e)(i)	Additions – internal development	-	-	720	-	720
HKFRS3(B67)(d)(vi) HKAS38(118)(e)(vii)	Exchange differences	45	-	-		45
HKAS38(118)(e)(vi)	Amortisation charge **	-	(525)	(205)	-	(730)
	Closing net book amount	9,745	8,635	2,565	-	20,945
HKFRS3(B67)(d)(viii) HKAS38(118)(c)	**At 31 December 2022**					
	Cost	9,745	9,410	2,975	-	22,130
	Accumulated amortisation and impairment	-	(775)	(410)	-	(1,185)
HKAS1(77)	Net book amount	9,745	8,635	2,565	-	20,945
HKAS38(118)(e)	**Year ended 31 December 2023**					
	Opening net book amount	9,745	8,635	2,565	-	20,945
HKAS38(118)(e)(i)	Additions – internal development	-	-	880	-	880
HKFRS3(B67)(d)(ii) HKAS38(118)(e)(i)	Acquisition of business (note 43)	1,115	3,020	-	3,180	7,315
HKFRS3(B67)(d)(vi) HKAS38(118)(e)(vii)	Exchange differences	(145)	-	-	-	(145)
HKFRS3(B67)(d)(v) HKAS36(130)(b) HKAS38(118)(e)(iv)	Impairment charge ***	(2,410)	-	-	-	(2,410)
HKAS38(118)(e)(vi)	Amortisation charge **	-	(525)	(300)	(1,210)	(2,035)
	Closing net book amount	8,305	11,130	3,145	1,970	24,550
HKFRS3(B67)(d)(viii) HKAS38(118)(c)	**At 31 December 2023**					
	Cost	10,715	12,430	3,855	3,180	30,180
	Accumulated amortisation and impairment	(2,410)	(1,300)	(710)	(1,210)	(5,630)
HKAS1(77)	Net book amount	8,305	11,130	3,145	1,970	24,550

HKAS38(118)(e)(i) * Software consists of capitalised development costs being an internally generated intangible asset.

HKAS38(118)(d) ** Amortisation expenses are included in cost of sales of goods (HK$1,050,000; 2022 – HK$450,000), cost of providing services (HK$475,000; 2022 - HK$125,000), marketing expense (HK$310,000; 2022 - HK$45,000) and administration expenses (HK$200,000; 2022 – HK$110,000).

HKAS36(126)(a), (130)(c)(i),(d)(i) *** The carrying amount of the furniture manufacturing and wholesale CGU in Europe has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss is included in cost of sales of goods in the statement of profit or loss.

HKAS38(126) VALUE HKFRS Electronics Group is researching new devices that could replace the current suite of smartphones and tablets. It has incurred research and development expenses of HK$1,215,000 in the current year (2022 – HK$1,010,000) which are included in administration cost in the statement of profit or loss.

HKAS1(119)
HKAS38(118)(a),(b)
Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

(i) Amortisation methods and periods

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

• Patents, trademarks and licences	3-5 years
• IT development and software	3-5 years
• Customer contracts	1-3 years

HKAS1(119)

(ii) Software

HKAS38(57),(66),(74),(97),(118)(a),(b)

Costs associated with maintaining 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 where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iii) Customer contracts

HKAS1(119)

The customer contracts were acquired as part of a business combination (see note 43 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

See note 48.6 for the other accounting policies relevant to intangible assets, and note 48.7 for the group's policy regarding impairments.

(iv) Impairment tests for goodwill

HKAS36(134)

Goodwill is monitored by management at the level of the six operating segments identified in note 5.

HKAS36(134)(a)

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

	Hong Kong	**US**	**China**	**Europe**	**Total**
2023	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
IT consulting	**-**	**4,200**	**-**	**2,870**	**7,070**
Furniture – manufacturing and wholesale	**120**	**-**	**-**	**-**	**120**
Electronic equipment	**1,115**	**-**	**-**	**-**	**1,115**
	1,235	**4,200**	**-**	**2,870**	**8,305**

	Hong Kong	US	China	Europe	Total
2022	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
IT consulting	-	4,200	-	3,015	7,215
Furniture – manufacturing and wholesale	120	-	2,410	-	2,530
	1,235	4,200	2,410	3,015	9,745

HKAS36(134)(d)(i)

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

HKAS36(130)(g), (134)(d)(i),(iv),(v)

See the commentary at the end of this note for the impact of:
- inflation on long-term growth rates (para 5) and
- economic uncertainty on determining the WACC (para 6)

	Furniture – manufacturing and wholesale	**IT consulting**		**Electronic equipment Hong Kong**
2023	**China**	**US**	**Europe**	
Sales volume (% annual growth rate)	**2.7**	**3.2**	**4.1**	**2.9**
Sales price (% annual growth rate)	**1.4**	**1.7**	**1.8**	**1.8**
Budgeted gross margin (%)	**47.0**	**60.0**	**55.5**	**40.0**
Other operating costs (HK$'000)	**9,500**	**8,400**	**5,600**	**1,650**
Annual capital expenditure (HK$'000)	**1,900**	**500**	**230**	**150**
Long term growth rate (%)	**3.5**	**2.2**	**2.0**	**3.1**
Pre-tax discount rate (%)	**14.7**	**14.0**	**14.8**	**16.0**
2022				
Sales volume (% annual growth rate)	2.5	3.0	3.9	-
Sales price (% annual growth rate)	1.3	1.6	1.8	-
Budgeted gross margin (%)	44.0	60.0	54.0	-
Other operating costs (HK$'000)	9,300	8,300	4,350	-
Annual capital expenditure (HK$'000)	1,850	580	225	-
Long term growth rate (%)	3.2	2.2	1.8	-
Pre-tax discount rate (%)	13.3	13.4	14.1	-

HKAS36(134)(d)(ii), (iv) Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determining values**
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term inflation forecasts for each territory.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value in use model as a result of this expenditure.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate.

HKAS36(55)

(iii) Customer concentration/dependency – IT Consulting CGU – Europe

HKAS36(134)(d)(ii) The IT Consulting CGU in Europe generates 20% of its total revenues for each financial year from a key customer in France. The customer contract is for a five-year term, and the customer has been trading with the CGU since 2001. Management has included the renewal of this key customer contract in the value in use calculations to determine the recoverable amount of the CGU.

HKAS36(134)(f) *(iv) Impairment charge*

HKAS36(129)(a), (130)(a),(b),(d),(e) The impairment charge of HK$2,410,000 arose in the furniture manufacturing and wholesale CGU in China following a decision to reduce the manufacturing output allocated to these operations. 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 will not be affected following this decision. No class of asset other than goodwill was impaired.

HKAS36(130)(e) As at 31 December 2023, the recoverable amount of the entire CGU was HK$45,789,000.

(v) Impact of possible changes in key assumptions

HKAS36(134)(f) *Furniture manufacturing and wholesale CGU – China*

HKAS1(129)(b) HKAS36(134)(f) If the budgeted gross margin used in the value in use calculation for the furniture manufacturing and wholesale CGU in China had been 5% lower than management's estimates at 31 December 2023 (42% instead of 47%), the group would have had to recognise an impairment against the carrying amount of property, plant and equipment of HK$1,300,000. The reasonably possible change of 5% reduction in budgeted gross margin represents a reasonably possible reduction in sales price of 0.2% (i.e. annual growth rate of 1.2% instead of 1.4%).

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates (15.7% instead of 14.7%), the group would have had to recognise an impairment against property, plant and equipment of HK$600600,000. In the prior year there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in the Chinese furniture manufacturing and wholesale CGU.

IT Consulting CGU – Europe

HKAS36(134)(f)(i) HKAS1(38) The recoverable amount of the IT Consulting CGU in Europe is estimated to exceed the carrying amount of the CGU at 31 December 2023 by HK$388,000 (2022 – HK$463,000).

HKAS36(134)(f)(ii), (iii) HKAS1(38) The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	2023		2022	
	From	**To**	From	To
Sales volume (% annual growth rate)	**4.1**	**3.5**	3.9	2.5
Budgeted gross margin (%)	**55.5**	**49**	54.0	46
Long-term growth rate (%)	**2.0**	**1.5**	1.8	1.3
Pre-tax discount rate (%)	**14.8**	**15.5**	14.1	14.9

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the European IT Consulting CGU to exceed its recoverable amount.

Intangible assets

Impairment

Impairment testing – disclosure of assumptions

HKAS36(132)
HKAS36(134)
HKAS1(122),(125)

1. An entity is encouraged to disclose the assumptions used to determine the recoverable amount of all significant assets and cash-generating units during the period. However, as a minimum, paragraph 134 of HKAS 36 requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit. In many cases, the impairment calculations also involve significant estimates and judgements which should be highlighted under HKAS 1 paragraphs 122 and 125.

HKEx Review 2019, para 121

Impairment assessment – additional information

2. Issuers should disclose whether an impairment test has been performed and the event triggered the test and the result. Also, issuers should provide sufficient information for investors to understand how issuers assess the reasonableness of key assumptions and the following additional information:
   - (a) additional quantitative data of key assumptions (other than discount rate and terminal growth rate, e.g. gross and net margins), comparative information in the previous year and the explanation of significant changes of assumptions;
   - (b) a negative statement indicating that reasonably possible change in the key assumptions on which the management had based its determination of the CGU's recoverable amount would not cause an impairment loss;
   - (c) the recoverable amount of the CGU and the headroom available;
   - (d) whether the impairment assessment is based on a valuation by an independent professional valuer; and
   - (e) details of further development of the CGU or segment, such as business plan and contracts with new customers in the coming year and their impact on the revenue and margins.

3. Where an asset impairment is supported by an independent valuation, the issuer should disclose:
   - (a) details of the value of inputs used for the valuation together with the basis and assumptions;
   - (b) the reasons for any significant changes in the value of the inputs and assumptions from those previously adopted;
   - (c) the valuation method and the reasons for using that method; and
   - (d) an explanation of any subsequent changes to the valuation method adopted.

Note: These are recommended disclosures in annual report from "Review of Issuers' Annual Report Disclosures" issued by HKEx. Issuers can disclose such information either inside or outside the financial statements as HKEx has not specified that the information has to be disclosed inside the financial statements.

Prior year recoverable amount calculation

HKAS36(136)

4. The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraphs 24 or 99 of HKAS 36, be carried forward and used in the impairment test for that unit (group of units) in the current period provided specified criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 134 and 135 of HKAS 36 relate to the carried forward calculation of recoverable amount.

Impact of inflation and increased economic uncertainty on impairment testing

5. The long-term growth rate should be reasonable in comparison to long-term inflation expectations, where a cash flow is prepared on a nominal basis. Nominal long-term growth rates in excess of long-term nominal GDP growth imply that the business will eventually grow at a rate faster than the economy itself. This is unlikely to be appropriate. The long-term growth rate should be corroborated using external evidence. For guidance, see our In depth INT2022-12 *Navigating HKFRS in periods of rising inflation and interest rates.*
6. Where uncertainty in the economic environment has increased, the established methods for calculating WACC should continue to be used. However, a reassessment of each input into the calculation and assessment of the overall result is needed. We would generally expect the inputs (such as long-term risk-free rates) used in the calculation of discount rates to increase compared to prior periods. See In brief INT2022-20 *Have WACCs changed for December 2022 financial year ends?* for further information.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

7. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

Intangible assets

	Issue not illustrated	Relevant disclosures or references
HKAS38(122)(a)	Intangible assets with indefinite useful lives	Disclose the carrying amount and factors that have played a significant role in assessing that the assets have an indefinite useful life.
HKAS38(122)(b)	Individually material intangible assets	Describe the assets and disclose the carrying amount and remaining amortisation period.
HKAS38(122)(c)	Intangible assets acquired by way of government grant	Disclose the fair value initially recognised, the current carrying amount and whether the assets are measured at cost or at revaluation.
HKAS38(122)(d)	Intangible assets with restricted title and/or pledged as security for liabilities	Disclose existence and carrying amounts.
HKAS38(122)(e)	Contractual commitments for the acquisition of intangible assets	Disclose amount.
HKAS38(124)	Intangible assets measured under the revaluation model	Provide additional disclosures as set out in HKAS 38(124).

Impairment and goodwill

	Issue not illustrated	Relevant disclosures or references
HKAS36(126)(b)-(d),(129)	Impairment losses recognised in OCI and reversals of impairment losses	Disclose impairment losses recognised in OCI (by segment where applicable). Disclose reversal of impairment losses (P&L and OCI; by segment where applicable).
HKAS36(131)	Individual impairment losses or reversals are not material	Provide information about aggregate impairment losses and reversals.
HKAS36(133)	Unallocated goodwill	Disclose the amount and the reasons why the goodwill remained unallocated (see below for example).
HKAS36(134)	Intangible assets with indefinite useful lives – impairment disclosures	Provide similar disclosures to those illustrated for goodwill in this publication.
HKAS36(134)(d),(e)	Goodwill and intangible assets with indefinite useful lives: recoverable amount is based on fair value less costs of disposal (FVLCOD)	Provide additional information as set out in HKAS 36(134). See below for illustration.
HKAS36(135)	Goodwill and indefinite life intangible assets allocated to multiple CGUs, where the amount allocated to each CGU is not significant	Provide information about impairment testing based on the aggregate carrying amounts.

6. The following additional illustrative disclosures may be useful where relevant to an entity:

Intangible assets with indefinite useful lives

HKAS38(122)(a) *The trademark used to identify and distinguish (product name; carrying amount HK$ 2,345,000) has a remaining legal life of five years but is renewable every ten years at little cost and is well established. The group intends to renew the trademark continuously and evidence supports its ability to do so. An analysis of product life cycle studies and market and competitive trends provides evidence that the product will generate net cash inflows for the group for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with note 48.7.*

Unallocated goodwill

HKAS36(133) *Shortly before the end of the reporting period, the company acquired XYZ Limited. There was HK$XX of goodwill recognised on acquisition which is yet to be allocated to one or more CGUs. XYZ's business will be integrated into the South America and North America CGUs, but management has not yet finalised the allocation of the goodwill between the relevant CGUs.*

Recoverable amount is determined using fair value less cost of disposal

HKAS36(134)(c) *Management has determined the recoverable amount of the XYZ CGU by assessing the fair value less costs of disposal (FVLCOD) of the underlying assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. No impairment was identified. Management's approach and the key assumptions used to determine the CGU's FVLCOD were as follows:*

HKAS36(134)(e)(i),(ii)

		Value assigned to key assumption		
CGU	**Unobservable inputs**	**2023**	2022	**Approach to determining key assumption**
XYZ	Costs of disposal (HK$'000)	HK$250	HK$320	Estimated based on the company's experience with disposal of assets and on industry benchmarks.
	Sales volume (%)	**2.7**	3.3	Average annual growth rate over the five-year forecast period, based on past performance and management's expectations of market development.
	Sales price (%)	**1.4**	1.9	Average annual growth rate over the five-year forecast period, based on current industry trends and includes long term inflation forecasts for each territory.
	Cost reductions from restructuring initiatives (HK$'000)	HK$2,900	HK$2,500	Estimated cost reductions are based on management's judgement and past experience with similar restructuring initiatives.
	Cash flow forecast period	**5 years**	5 years	Board approved/ reviewed 5 year forecasts which are prepared by management
	Post-tax discount rate (%)	**11.7**	11.4	Reflects specific risks relating to the segments and the countries in which it operates.
	Long term growth rate (%)	**2.7**	2.6	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is consistent with forecasts included in industry reports.

18 Financial instruments by category

The group holds the following financial instruments:

HKFRS7(8)

Financial assets *	Notes	**2023** **HK$'000**	2022 HK$'000
Financial assets at amortised cost			
Trade receivables	22	**15,662**	8,220
Other financial assets at amortised cost***	19	**4,596**	3,471
Cash and cash equivalents	25	**57,083**	30,299
Financial assets at fair value through other comprehensive income (FVOCI)***	20	**6,782**	7,148
Financial assets at fair value through profit or loss (FVPL)***	24	**13,690**	11,895
Derivative financial instruments			
Used for hedging***	21	**2,162**	2,129
		97,975	63,162

Financial liabilities	Notes	**2023** **HK$'000**	2022 HK$'000
Liabilities at amortised cost			
Trade and other payables *	32	**13,700**	10,281
Borrowings	33	**97,515**	84,595
Lease liabilities		**11,501**	11,291
Derivative financial instruments			
Used for hedging***	21	**766**	777
Held for trading at FVPL***	21	**610**	621
		124,092	107,565

* Excluding non-financial liabilities.

A32(4A)
GEM18.41(4A)

*** Under the listing rules, a listed issuer should also include a breakdown of its significant investments (including any investment in an investee company with a value of 5 per cent or more of the issuer's total assets as at the year end date) in the MD&A section. Please refer to "Appendix B – Operating and financial review" of the illustrative HKFRS consolidated financial statements for detail disclosure requirements.

HKFRS7(36)(a),
HKFRS7(31),(34)(c)

The group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Financial instruments by category

Scope of accounting standard for disclosure of financial instruments

HKAS32(11)

1. HKFRS 7 does not apply to the following items as they are not financial instruments as defined in paragraph 11 of HKAS 32:
   - (c) prepayments made/advances received (right to receive future good or service, not cash or a financial asset);
   - (b) tax receivables and payables and similar items (statutory rights or obligations, not contractual), or
   - (c) contract liabilities (obligation to deliver good or service, not cash or financial liabilities).

HKFRS7(IA)

While contract assets are also not financial assets, they are explicitly included in the scope of HKFRS 7 for the purpose of the credit risk disclosures. Liabilities for sales returns and volume discounts (see note 32) may be considered financial liabilities on the basis that they require payments to the customer. However, they should be excluded from financial liabilities if the arrangement is executory. VALUE HKFRS Limited determined this to be the case.

2. Non-financial liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments

Classification of preference shares

HKFRS9(4.1.2)(b) (B4.1.7)-(B4.1.26), HKAS1(122)

3. Preference shares must be analysed carefully to determine if they contain features that cause the instrument not to meet the definition of an equity instrument. If such shares meet the definition of equity, the entity may elect to carry them at FVOCI without recycling to profit or loss if not held for trading. If they do not, they must be further analysed to determine the underlying business model and whether the contractual cash flows are solely payments of principal and interest. VALUE HKFRS Limited undertook this analysis and concluded that the preference shares should be held at fair value through profit or loss, as the shares do not meet the definition of equity and their cash flows relating to interest payments can be deferred and such deferral does not result in interest accruing on the deferred amount (such that the contractual cash flows are not solely payments of interest and principal). Where the classification involves significant judgement and the relevant amounts are material, the entity should consider disclosing the rationale for classifying such shares as debt instruments.

Restricted cash

IFRS IC April 2022

4. The IFRS Interpretations Committee concluded that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash for the purpose of the presentation in the statement of cash flows, as long as the entity can still access those amounts on demand. That is, unless the restrictions change the deposit's nature in a way that it would no longer meet the definition of cash in HKAS 7. VALUE HKFRS Limited has cash that is held by an overseas subsidiary which cannot be used by other entities within the group but is accessible on demand by the subsidiary and is therefore included in cash and cash equivalents in its statement of financial position.
5. The IFRS Interpretations Committee also noted that entities may need to present the restricted cash as a separate line item in the statement of financial position where this is relevant to an understanding of the entity's financial position. Further, restricted cash would normally be classified as current unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Financial instruments by category

Supplier finance arrangements (SFAs)

6. In recent years, there has been an increased use of supplier financing (or reverse factoring) arrangements. These arrangements could have wide-ranging impacts on working capital, covenant ratios, net debt and other disclosures, as well as cash flow presentation. As such, transparency for such arrangements is key.
7. Reverse factoring and SFAs might be structured in a variety of ways. The illustrative disclosures in note 32 assume a fact pattern which does not result in an extinguishment of the original liability to the supplier. However, this may not always be the case. For example, where the original liability to the supplier is extinguished, the new liability to the bank would typically be presented as bank financing or under another suitable heading rather than 'trade and other payables'. For further guidance see our In depth INT2021-04 *Financial reporting considerations for supplier finance arrangements* on Viewpoint, which explains the issues to consider when determining the appropriate presentation and disclosure of such arrangements.

HKAS7R(44F),(44H)
HKFRS7R(B11F)(j)

8. In July 2023, the HKICPA made amendments to HKAS 7 which will require entities to disclose additional information in the notes about SFAs. These include:
   (a) The terms and conditions of SFAs (including extended payment terms and security or guarantees provided).
   (b) The following as at the beginning and end of the reporting period:
      (i) The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
      (ii) The carrying amount of the financial liabilities in (i) for which suppliers have already received payment from the finance providers.
      (iii) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
   (c) Non-cash changes in the carrying amounts of financial liabilities.
   (d) Access to SFA facilities and concentration of liquidity risk with finance providers.

   While some of this information is already disclosed in note 4.2(f), it may need to be more prominently disclosed in future.

HKAS7R(63)

9. The new disclosure requirements apply to annual reporting periods beginning on or after 1 January 2024, with the following reliefs in the first year of application:
   (a) **Disclosure of comparative information:** comparative information will not be required during the first year that the entity applies the amendments. That is, an entity with a closing reporting date of 31 December 2024 will not need to present comparative information for 2023.
   (b) **Disclosure of certain opening balances:** quantitative disclosures in 8(b) will normally be required at the opening and closing of each reporting period. However, considering the complexity that might exist for disclosures 8(b)(ii) and (iii), in the first year of application, entities are provided with transition relief, meaning that disclosures 8(b)(ii) and (iii) are only required as of year-end.
   (c) **Interim financial statements:** the required disclosures will only apply for the annual periods during the first year of application. Therefore, the earliest that the new disclosure requirements would be mandated is for an annual reporting period ending 31 December 2024.

   We have not elected to adopt the amendments early, but affected entities can refer to our In brief INT2023-03 *It's time to get ready: new HKFRS disclosures on supplier finance arrangements effective in 2024* for further guidance.

Financial instruments by category

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

10. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

Financial assets and liabilities at fair value through profit or loss (FVPL)

	Issue not illustrated	**Relevant disclosures or references**
HKFRS7(8)(a), HKFRS7(20)(a)(i)	The entity has financial assets measured at FVPL of which: • some were designated as such upon initial recognition • some were designated as such in accordance with paragraph 6.7.1 of HKFRS 9, and • some are mandatorily measured at FVPL in accordance with the requirements of HKFRS 9.	Disclose each of these financial assets and the associated gains/losses separately. All of VALUE HKFRS Limited's financial assets are mandatorily measured at FVPL; hence this disclosure does not apply.
HKFRS7(9)	The entity has designated financial assets at FVPL which would otherwise be measured at FVOCI or amortised cost.	Provide additional disclosures as per HKFRS 7 paragraph 9.
HKFRS7(11)(b)	The entity believes that the disclosures on how credit risk is calculated in relation to financial assets or liabilities designated at FVPL do not faithfully represent the fair value changes due to credit risk.	Disclose the reason for reaching this conclusion and what alternative factors would be relevant.
HKFRS7(10),(10A), (11)	The entity has financial liabilities designated at FVPL.	A number of additional disclosures apply as set out in HKFRS 7 paragraphs 8, 10, 10A, 11 and 20. Some, but not all of these, are illustrated below.

Financial assets at fair value through other comprehensive income (FVOCI)

	Issue not illustrated	**Relevant disclosures or references**
HKFRS7(20)(a)(viii)	A gain or loss recognised on disposal of debt instruments held at FVOCI.	Show separately: • the amount of gain or loss recognised in other comprehensive income during the period, and • the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

Financial assets and liabilities at amortised cost

	Issue not illustrated	**Relevant disclosures or references**
HKFRS7(20A)	Disposal of financial assets at amortised cost.	Disclose an analysis of the gain or loss recognised and the reasons for derecognising the financial assets.
HKFRS7(42N)	Disclosure in future periods for financial assets held at fair value reclassified to be held at amortised cost, where the new carrying amount is deemed to be the current fair value.	Disclose the effective interest rate determined at the date of reclassification and the interest revenue or expense recognised, in each period, until the financial asset is derecognised.

Other financial instrument disclosures

	Issue not illustrated	**Relevant disclosures or references**
HKFRS7(18),(19)	Defaults and breaches in relation to financial liabilities	Disclose details of defaults (see the illustrative example below).

Financial instruments by category

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

Other financial instrument disclosures

	Issue not illustrated	Relevant disclosures or references
HKFRS7(28)	Fair value determined using valuation techniques – gain or loss on initial recognition	Disclose the accounting policy for recognising the difference in profit or loss, the aggregate difference yet to be recognised and why the transaction price was not the best evidence of fair value.
HKFRS7(20)(c)	Fee income and expense on financial assets and liabilities that are not at FVPL	Disclose amount, if material.
HKFRS7(42D)	Transferred financial assets not derecognised in their entirety	Provide additional disclosures where the entity has recognised the assets only to the extent of its continuing involvement and where the counterparty to the liabilities has recourse only to the transferred assets.
HKFRS7(42E)-(42H)	Transferred assets that are derecognised in their entirety but where the entity has continuing involvement	Various disclosures, see HKFRS 7 paragraphs 42E-42H for details.
HKFRS7(12B)-(12D)	Reclassifications of financial assets from one measurement category to another made in accordance with HKFRS 9 paragraph 4.4.1	Various disclosures, see HKFRS 7 paragraphs 12B-12D for details.

Fair value disclosures

	Issue not illustrated	Relevant disclosures or references
HKFRS7(29)(c),(30)	Fair values are not disclosed for financial liability contracts with discretionary participation features	Disclose information to help users make their own judgements about the extent of possible differences between the carrying amount and the fair value.
HKFRS13(96)	Financial assets and financial liabilities with offsetting positions in market risk or counterparty credit risk	Disclose the fact that the exception in HKFRS 13 paragraph 48 is applied.
HKFRS13(98)	Financial liabilities with inseparable third-party credit enhancements	Disclose the existence of that enhancement and whether it is reflected in the fair value measurement of the liability.

Financial assets and financial liabilities

11. The following illustrative disclosures may be useful where relevant to an entity:

Put option arrangements

(a) Entities that have put option arrangements should consider explaining the accounting for these, as the individual terms and conditions (and hence the accounting) may vary. An illustrative policy could read as follows (but will need to be tailored depending on the specific arrangements):

HKAS32(11),(23) The group has written put options over the equity of its XYZ subsidiary which permit the holder to put their shares in the subsidiary back to the group at their fair value on specified dates over a five-year period. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Financial liabilities designated at FVPL

HKFRS7(B5)(a) (b) Entities that have designated financial assets or financial liabilities as at fair value through profit or loss must disclose the nature of the relevant assets and liabilities and provide additional information in relation to the designation. This could read along the following lines:

The group has convertible debentures which are classified entirely as liabilities because they were issued in a currency other than the functional currency of the company. As the instrument contains an embedded derivative, it has been designated as at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as at fair value through profit or loss are expensed as incurred.

HKFRS9(5.7.7) The component of fair value changes relating to the company's own credit risk is recognised in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

		2023 **HK$'000**	2022 HK$'000
	Carrying amount	**104,715**	88,863
	Includes:		
HKFRS7(10)(a)	*Cumulative change in fair value of convertible debentures attributable to changes in credit risk, recognised in the FVOCI reserve*	***225***	*210*
	Amount the company is contractually obligated to pay to holders of the convertible debentures at maturity	**102,620**	87,086
HKFRS7(10)(b)	Difference between carrying amount and the amount the company is contractually obligated to pay to holders of convertible debentures at maturity	**2,095**	1,777

HKFRS7(11)(a) The company determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the convertible debentures. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are included in the assessment of market risk fair value changes.

HKFRS7(11)(b) The company believes that this approach most faithfully represents the amount of change in fair value due to the company's own credit risk, as the changes in factors contributing to the fair value of the convertible debentures other than changes in the benchmark interest rate are not deemed to be significant.

Defaults and breaches in relation to financial liabilities

HKFRS7(B5)(a) (c) Example disclosures for a default in relation to a borrowing could read as follows:

In the third quarter, the group was overdue in paying interest on bank borrowings with a carrying amount of HK$2,000,000. The group experienced a temporary shortage of cash because cash outflows in the second and third quarters were higher than anticipated due to business expansions. As a result, interest of HK$75,000 was not paid on the due date of 30 September 2023.

The company has since paid all outstanding amounts (including additional interest and penalties for 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.

19 Other financial assets at amortised cost

Financial assets at amortised cost include the following debt investments:

HKAS1(77),(78)(b)
HKFRS7(6)

		2023			2022	
	Current HK$'000	**Non-current HK$'000**	**Total HK$'000**	Current HK$'000	Non-current HK$'000	Total HK$'000
Loans to related parties (ii)	**-**	**1,300**	**1,300**	-	700	700
Loans to key management personnel (ii)	**166**	**551**	**717**	126	480	606
Loans to employees	**xxx**	**xxx**	**xxx**	xxx	xxx	xxx
-Loans to key management	**xxx**	**xxx**	**xxx**	xxx	xxx	xxx
-Loans to other employees	**xxx**	**xxx**	**xxx**	xxx	xxx	xxx
Debenture assets (v)	**-**	**750**	**750**	-	750	750
Zero coupon bonds (v)	**-**	**460**	**460**	-	425	425
Listed corporate bonds	**-**	**94**	**94**	-	90	90
Other receivables (ii)	**939**	**375**	**1,314**	716	200	916
	1,105	**3,530**	**4,635**	842	2,645	3,487
Less: loss allowance for debt investments at amortised cost (note 3.1)	**(5)**	**(34)**	**(39)**	-	(16)	(16)
	1,100	**3,496**	**4,596**	842	2,629	3,471

4Sch.p1.1, A28(1)(b)(i), GEM18.07A(1)(b)(iv)

4Sch.p1.1, A28(1)(b)(i), GEM18.07A(1)(b)(i)

The loans to employees given by the company are for the purpose of enabling the selected employees to acquire the shares of the company.[1]

(i) Other receivables

HKFRS7(7),(38)

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

HKAS24(18)

Further information relating to loans to related parties and key management personnel is set out in note 44.

(ii) Fair values of other financial assets at amortised cost

HKRS7(25),(6)

Fair value for the following investments was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy – see note 3.3 for further information).

	2023 HK$'000	2022 HK$'000
Debenture assets	**795**	767
Zero coupon bonds	**482**	433
Listed corporate bonds	**150**	100

HKFRS7(25),(29)(a)
HKFRS13(97),(93)(b),(d)

Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different from their carrying amounts. An exception is the loans to key management personnel, which have a fair value of HK$481,000 as at 31 December 2023, compared to a carrying amount of HK$551,000 (2022 - fair value of HK$424,000 and carrying amount of HK$480,000).

The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk (see note 3.3 above).

(iii) Impairment and risk exposure

Note 3.1 sets out information about the impairment of financial assets and the group's exposure to credit risk.

HKFRS7(34)

All of the financial assets at amortised cost are denominated in Hong Kong currency units. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

Loans to employees

s280, s281, s282

The loans made under the authority s280 and s281 include loans given by the company (and not include its subsidiaries) to employees of the company and its subsidiaries for the purpose of an employee share scheme or acquisition of beneficial ownership of shares in the company or its holding company by the employees. Employees also include the former employees, as well as those employees' spouses, widows, widowers, or minor children.

20 Financial assets at fair value through other comprehensive income

HKAS1(117) *(i) Classification of financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

HKFRS7(11A)(b),(21) HKFRS9(4.1.4),(5.7.5)

- Equity securities which are not held for trading and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

HKFRS9(4.1.2A)

(ii) Equity investments at fair value through other comprehensive income

HKFRS7(11A)(a),(c) Equity investments at FVOCI comprise the following individual investments:

	2023	2022
	HK$'000	HK$'000
Non-current assets		
Listed securities		
Hardwood Ltd	**-**	1,900
Furniture Suppliers Plc	**870**	-
Furniture Purchasers Plc	**1,305**	975
Sleep Willow Plc	**653**	250
Pine Oak Property Inc	**1,286**	1,001
	4,114	4,126
Unlisted securities		
Softwood Ltd	**690**	1,072
Mahogany Ltd	**460**	550
	1,150	1,622
	5,264	5,748

HKFRS7(21) HKFRS9(B5.7.1) On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

(iii) Disposal of equity investments

HKFRS7(11B),(11A)(e) Since 1 January 2023, the group has sold its shares in Hardwood Ltd as a result of a takeover offer for cash. The shares sold had a fair value of HK$2,275,000 and the group realised a gain of HK$646,000, which had already been included in OCI. This gain has been transferred to retained earnings, net of tax of HK$194,000, see note 29.

HKFRS9(7.2.1) In the previous financial period, the group sold its investment in Super Floors Ltd, as this investment no longer suited the group's investment strategy. The shares sold had a fair value of HK$2,143,000 at the time of the sale and the group realised a loss of HK$548,000, which was transferred to retained earnings, net of tax of HK$164,000.

(iv) Debt investments at fair value through other comprehensive income

HKAS1(77) Debt investments at FVOCI comprise the following investments in listed and unlisted bonds:

	2023 **HK$'000**	2022 HK$'000
Non-current assets		
Listed bonds	**728**	650
Unlisted debt securities	**790**	750
	1,518	1,400

HKFRS9(5.7.10) On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to other gains/(losses) within profit or loss.

HKAS24(18) The unlisted debt securities include HK$250,000 (2022 – HK$ nil) of securities issued by entities that are controlled by the ultimate parent entity, Lion AG.

(v) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income:

		2023 **HK$'000**	2022 HK$'000
	Gains/(losses) recognised in other comprehensive income (see note 29)	**750**	(1,458)
HKFRS7(20)(a)(vii)	Related to equity investments	**632**	(1,230)
HKFRS7(20)(a)(viii)	Related to debt investments	**118**	(228)
HKFRS7(11A)(d)	Dividends from equity investments held at FVOCI recognised in profit or loss in other income (see note 7)	**1,605**	800
	Related to investments derecognised during the period	963	-
	Related to investments held at the end of the reporting period	642	800

(vi) Non-current assets pledged as security

HKFRS7(14) See note 41 for information on non-current assets pledged as security by the group.

(vii) Fair value, impairment and risk exposure

HKFRS13(93) Information about the methods and assumptions used in determining fair value is provided in note 3.3.

HKFRS7(34) All of the financial assets at FVOCI are denominated in Hong Kong currency units. For an analysis of the sensitivity of the assets to price and interest rate risk see note 3.1.

HKAS1(117)

21 Derivative financial instruments

HKAS1(66),(68)

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss below.

Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified 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.

The group has the following derivative financial instruments in the following line items in the statement of financial position:

		2023 HK$'000	2022 HK$'000
	Current assets		
HKAS1(77) HKFRS7(24A)(a))	Interest rate swap – cash flow hedges	**145**	97
HKAS1(77),HKFRS7(24A)(a)	Foreign currency options – cash flow hedges	**1,709**	1,320
HKFRS7 (24A)(b)	Total current derivative financial instrument assets	**1,854**	1,417
	Non-current assets		
HKAS1(77) HKFRS7(24A)(a)	Interest rate swaps – cash flow hedges	**308**	712
HKFRS7(24A)(b)	Total non-current derivative financial instrument assets	**308**	712
	Current liabilities		
	Foreign currency forwards – held for trading	**610**	621
HKAS1(77) HKFRS7(24A)(a)	Foreign currency forwards – cash flow hedges	**766**	777
HKFRS7(24A)(b)	Total current derivative financial instrument liabilities	**1,376**	1,398

(i) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 3.3.

(ii) Hedging reserves

HKFRS7(24E)(a),(24F)

The group's hedging reserves disclosed in note 29 relate to the following hedging instruments:

			Cash flow hedge reserve			
		Cost of hedging reserve * HK$'000	**Intrinsic value of options HK$'000**	**Spot component of currency forwards HK$'000**	**Interest rate swaps HK$'000**	**Total hedge reserves HK$'000**
HKFRS7(24B)(b)(ii)	**Opening balance 1 January 2022**	**(25)**	**109**	**(287)**	**-**	**(203)**
HKFRS7(24E)(b),(c)	Add: Change in fair value of hedging instrument recognised in OCI	-	1,353	(935)	1,005	1,423
HKFRS7(24C)(b)(i),(24E)(a)	Add: Costs of hedging deferred and recognised in OCI	73	-	-	-	73
HKFRS7(24E)(a)	Less: Reclassified to the cost of inventory – not included in OCI	36	(339)	642	-	339
HKFRS7(24C)(b)(iv)	Less: Reclassified from OCI to profit or loss	-	-	-	(195)	(195)
	Less: Deferred tax	(33)	(304)	88	(243)	(492)
	Closing balance 31 December 2022	**51**	**819**	**(492)**	**567**	**945**
HKFRS7(24E)(b),(c)	Add: Change in fair value of hedging instrument recognised in OCI for the year	-	746	(218)	(202)	326
HKFRS7(24C)(b)(i),(24E)(a)	Add: Costs of hedging deferred and recognised in OCI	(88)	-	-	-	(88)
HKFRS7(24E)(a)	Less: Reclassified to the cost of inventory – not included in OCI	(73)	(159)	188	-	(44)
HKFRS7(24C)(b)(iv)	Less: Reclassified from OCI to profit or loss – included in finance costs (see note 11)	-	-	-	(155)	(155)
	Less: Deferred tax	48	(176)	9	107	(12)
	Closing balance 31 Dec 2023	**(62)**	**1,230**	**(513)**	**317**	**972**

HKFRS7(22B)(c)

* The amount deferred in the costs of hedging reserve includes HK$34,000 in respect of time value of options and HK$28,000 in respect of forward points (2022 – HK$54,000 in respect of forward points). All of these deferred costs are in respect of transaction-related items, namely forecast inventory purchases.

HKFRS7(24C)(b)(iv)

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period in relation to the foreign currency forwards and options.

(iii) Amounts recognised in profit or loss

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

		2023 **HK$'000**	2022 HK$'000
HKFRS7(20)(a)(i)	Net gain/(loss) on foreign currency forwards not qualifying as hedges included in other gains/(losses)	**11**	(621)
HKFRS7(24C)(b)(ii),(iii)	Hedge ineffectiveness of foreign currency forwards – amount recognised in other gains/(losses)	**4**	2

Hedge ineffectiveness

HKFRS7(22B)(b) Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

HKFRS7(23D) In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Oneland or the derivative counterparty.

HKFRS7(22B)(b) The group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship

HKFRS7(22B)(c),(23D) Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

HKFRS7(24C)(b)(ii) Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2023 and 2022.

Derivative financial instruments

Classification as current or non-current

HKAS1(BC38I),(BC38J),(66),(69)
HKFRS9, Appendix A

1. The classification of financial instruments as held for trading under HKFRS 9 does not mean that they must necessarily be presented as current in the statement of financial position. Rather, the requirements of paragraph 66 of HKAS 1 should be applied in determining classification. This means that financial assets, including portions of financial assets expected to be realised within 12 months of the reporting date, should only be presented as current assets if realisation within 12 months is expected. Otherwise they should be classified as non-current.
2. Similar to financial assets, where a portion of a financial liability is expected to be settled within 12 months of the reporting date, or settlement cannot be deferred for at least 12 months of the reporting date, that portion should be presented as a current liability; the remainder should be presented as a non-current liability.
3. The treatment of hedging derivatives will be similar. Where a portion of a financial asset is expected to be realised within 12 months of the end of the reporting period, that portion should be presented as a current asset; the remainder of the financial asset should be shown as a non-current asset. This suggests that hedging derivatives should be split into current and non-current portions. However, as an alternative, the full fair value of hedging derivatives could be classified as current if the hedge relationships are for less than 12 months and as non-current if those relationships are for more than 12 months.

Financial risk management

Disclosing how hedge ineffectiveness was determined for the current period

HKFRS7(24A)(c),(24B)(b)(i),(BC35LL)

4. HKFRS 7 requires the disclosure of the change in the fair value of the hedging instrument and the hedged item used as the basis for recognising hedge ineffectiveness for the period. For cash flow hedging relationships that span multiple reporting periods, the ineffectiveness for the period is calculated as the difference between the cumulative ineffectiveness as at reporting date (based on the 'lesser of' the cumulative change in the fair value of the hedging instrument and the hedged item), and the cumulative ineffectiveness reported in prior periods. It might therefore be useful to disclose additional information such as the cumulative amounts recognised as ineffectiveness in prior periods as well as the impact of the 'lesser-of assessment' (if applicable) to illustrate how the ineffectiveness for the current reporting period was calculated.

5. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

Hedge accounting disclosures

	Issue not illustrated	**Relevant disclosures or reference**
HKFRS7(22C)	The entity has designated a specific risk component of an asset in a hedge relationship (e.g. the movement in crude oil price of a barrel of crude oil).	Provide information about how the entity has determined the risk component that is designated as the hedged item and how this component relates to the item in its entirety. See paragraph 18 in note 3.1 below for a disclosure example.
HKFRS7(23C)	The entity frequently resets hedging relationships (dynamic hedging).	Provide the additional disclosures required by HKFRS 7 paragraph 23C.
HKFRS7(24B),(24C)	The entity has designated fair value hedges	Provide the disclosures required by HKFRS 7 (24B(a)) and (24C(a)).
HKFRS7(23F) HKFRS7(24C)(b)(iv) HKFRS7(24C)(b)(v)	The entity designated forecast future transactions in hedge relationships which are no longer expected to occur.	Provide the information required by HKFRS 7 (23F). The entity would also need to disclose: • any amount reclassified from the cash flow hedge reserve and/or costs of hedging reserve into profit or loss as a reclassification adjustment, differentiating between amounts reclassified due to future transactions no longer being expected to occur and hedge ineffectiveness, and • the line item in the statement of comprehensive income containing the reclassification adjustment.
HKFRS7(24C)(b)(vi)	Designate net positions in hedge relationships.	Disclose the hedging gains or losses recognised in each separate line item in the statement of comprehensive income.
HKFRS7(24G)-(30)	The entity has a credit derivative to manage the credit risk of a financial instrument and has designated the financial instrument, or a proportion of it, as measured at FVPL.	Provide the information required by HKFRS 7 (24G) to (30).
HKFRS7(24B)(b)(iii)	Cessation of hedging relationships during the year.	Disclose the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve for any hedge relationships which have been terminated.
HKFRS7(23E)	There are new sources of hedge ineffectiveness emerging in the hedge relationship that are not already disclosed in note 21.	Disclose the new sources of hedge ineffectiveness by risk category and explain the nature of the ineffectiveness.
HKFRS7(24D)	The entity believes that the volume of hedge relationships at the end of the reporting period is unrepresentative of normal volumes during the period.	Disclose that fact and the reason why the entity believes the volumes are unrepresentative.

22 Trade receivables

HKFRS15(116)(a), HKAS1(77)
HKAS1(77)

	31 Dec 2023 HK$'000	31 Dec 2022 HK$'000	1 Jan 2022 HK$'000
Current assets			
Trade receivables from contracts with customers	**16,308**	8,570	5,238
Loss allowance (see note 3.1)	**(646)**	(350)	(115)
	15,662	8,220	5,123

GEM18.50B (2)(a)
A4(2)(a)

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, the ageing analysis^2 of the trade receivables based on invoice date were as follows:

	2023 HK$'000	**2022 HK$'000**
Up to 3 months	**xxx**	xxx
3 to 6 months	**xxx**	xxx
Over 6 months	**xxx**	xxx
	xxx	xxx

(i) *Classification as trade receivables*

HKFRS7(21)

Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 3(b).

(ii) *Transferred receivables*

HKFRS7(42D)(a)-(c),(e)
HKFRS9(B4.1.3)

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, VALUE HKFRS Manufacturing Limited has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, VALUE HKFRS Manufacturing Limited has retained late payment and credit risk. The group therefore continues to recognise the transferred assets in their entirety in its statement of financial position. The amount repayable under the factoring agreement is presented as secured borrowing. The group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts are as follows:

	2023 HK$'000	2022 HK$'000
Transferred receivables	**3,250**	-
Associated secured borrowing (bank loans – see note 33)	**3,100**	-

Management considers that in substance the factor collects the amounts receivable on the entity's behalf and retains the cash in settlement of the separate financing transaction. The group therefore presents the cash inflows received from the bank as financing cash inflows and the subsequent payments by the debtor as both operating cash inflows and financing cash outflows.

(iii) *Fair values of trade receivables*

HKFRS7(25),(29)(a)
HKFRS13(97),(93)(b),(d)

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(*iv*) Impairment and risk exposure

Trade receivables and contract assets

HKAS1(117)
HKFRS9(5.5.15)

The group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 1 January 2023 by HK$15,000 for trade receivables and HK$30,000 for contract assets. Note 3.1(b) provides for details about the calculation of the allowance.

The loss allowance increased by a further HK$257,000 to HK$572,000 for trade receivables and by HK$31,000 to HK$61,000 for contract assets during the current reporting period.

HKFRS7(31),(34)(c)
Consider impact of climate change – see Appendix G

Information about the impairment of trade receivables and the group's exposure to credit risk and foreign currency risk can be found in note 3.1.

Disclosures of ageing analysis

A4(2)(4.2),
GEM18.50B(2)

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, the ageing analysis should be presented on the basis of the date of the relevant invoice and categorised into time-bands based on analysis used by an issuer's management to monitor the issuer's financial position (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.). The basis on which the ageing analysis is presented should be disclosed.

23 Inventories

HKAS1(77)
HKAS2(36)(b)
HKAS2(36)(b)
HKAS2(36)(b)
HKAS2(36)(c)
HKAS2(36)(b)

	2023 **HK$'000**	2022 HK$'000
Current assets		
Raw materials and stores	**6,200**	4,800
Work in progress	**5,600**	5,400
Finished goods – at cost	**6,663**	8,452
Finished goods – at fair value less cost to sell	**1,290**	1,020
Land held for development and resale	**2,400**	-
	22,153	19,672

HKAS1(117)
HKAS2(23),(25), (36)(a)

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. The exception is land held for development and resale where costs are assigned by specific identification and include the cost of acquisition, development and borrowing costs incurred during the development. Volume rebates or discounts are taken into account when estimating the cost of inventory if it is probable that they have been earned and will take effect. See note 48.12 for the group's other accounting policies for inventories.

(ii) Amounts recognised in profit or loss

HKAS2(36)(d)

Inventories recognised as an expense during the year ended 31 December 2023 amounted to HK$55,540,000 (2022 – HK$34,244,000). These were included in cost of sales and cost of providing services (except for HK$535,000 of inventories damaged by a fire which are recognised in administrative expense – see note 6).

HKAS2(36)(e)
HKAS36(126)(a)
Consider impact of climate change – see Appendix G

Write-downs of inventories to net realisable value amounted to HK$950,000 (2022 – HK$750,000). These were recognised as an expense during the year ended 31 December 2023 and included in 'cost of sales' in the statement of profit or loss.

HKAS2(36)(f),(g)

The group reversed HK$160,000 of a previous inventory write-down in July 2023, as the group sold the relevant goods that had been written down to an independent retailer in Argentina at original cost. The amount reversed has been included in 'cost of sales' in the statement of profit or loss.

Inventories

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

HKAS2(36)(h)

Issue not illustrated	**Relevant disclosures or references**
Inventories	Disclose amount of inventories pledged as security for liabilities.

24 Financial assets at fair value through profit or loss

HKAS1(117)

(i) Classification of financial assets at fair value through profit or loss

The group classifies the following financial assets at fair value through profit or loss (FVPL):

HKFRS9(4.1.2)
HKFRS9(4.1.2A)

- debt investments that do not qualify for measurement at either amortised cost (see note 19) or FVOCI (see note 20)
- equity investments that are held for trading, and

HKFRS9(5.7.5)

- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

HKAS1(77)
HKFRS7(6)
HKFRS7(31)

Financial assets mandatorily measured at FVPL include the following:

		2023 **HK$'000**	2022 HK$'000
	Non-current assets		
HKAS1(77)	Unlisted preference shares	**1,100**	980
HKAS1(77)	Contingent consideration (see note 26(c))	**1,290**	-
		2,390	980
	Current assets		
HKAS1(77)	US listed equity securities	**5,190**	4,035
HKAS1(77)	Hong Kong listed equity securities	**6,110**	6,880
		11,300	10,915
		13,690	11,895

See note 48.9 for the remaining relevant accounting policies.

(ii) Amounts recognised in profit or loss

HKFRS7(20)(a)(i)

During the year, the following gains/(losses) were recognised in profit or loss:

	2023 **HK$'000**	2022 HK$'000
Fair value gains (losses) on equity investments at FVPL recognised in other gains/(losses) (see note 8)	**835**	(690)
Fair value gains (losses) on debt instruments at FVPL recognised in other gains/(losses) (see note 8)	**120**	100
Fair value gain on contingent consideration recognised in profit from discontinued operations (see note 26(c))	**90**	-

(iii) Risk exposure and fair value measurements

HKFRS7(31)
HKFRS13(93)

Information about the group's exposure to price risk is provided in note 3.1. For information about the methods and assumptions used in determining fair value see note 3.3.

25 Cash and cash equivalents

		2023 HK$'000	2022 HK$'000
	Current assets		
HKAS7(45)	Cash at bank and in hand	**750**	600
HKAS7(45)	Deposits at call	**54,333**	29,699
		55,083	30,299

(i) Reconciliation to cash flow statement

HKAS7(45) The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

		2023 HK$'000	2022 HK$'000
	Balances as above	**55,083**	30,299
HKAS7(8)	Bank overdrafts (see note 33)	**(2,650)**	(2,250)
	Balances per statement of cash flows	**52,433**	28,049

(ii) Classification as cash equivalents

HKAS7(46) Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See note 48.14 for the group's other accounting policies on cash and cash equivalents.

(iii) Restricted cash

HKAS7(48) The cash and cash equivalents disclosed above and in the statement of cash flows include HK$7,314,000 which are held by VALUE HKFRS Overseas Ltd. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the group.

26 Other assets, non-current assets held for sale

		2023 HK'000	2022 HK'000
	(a) Other current assets		
HKAS1(77)	Prepayments	**500**	475
HKAS1(77)	Right to returned goods (see note 5)	**76**	38
		576	513

(b) Assets classified as held for sale

	2023 HK$'000	2022 HK$'000
Non-current assets held for sale		
Land	**250**	-
	250	-

(i) Land held for sale

HKFRS5(41)(a),(b),(d) In November 2023, the directors of VALUE HKFRS Manufacturing Limited decided to sell a parcel of vacant land which was originally acquired for an expansion of the Nicetown factory. There are several interested parties and the sale is expected to be completed before the end of June 2024. The asset is presented within total assets of the Hong Kong Furniture – manufacturing and wholesale segment in note 5.

(ii) Non-recurring fair value measurements

HKFRS13(91)(a),(93)(b),(d)
HKFRS5(41)(c)
Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of a write-down of HK$22,000 as administrative expenses in the statement of profit or loss. The fair value of the land was determined using the sales comparison approach as described in note 3.3. This is a level 2 measurement as per the fair value hierarchy set out in note 3.3.

I Discontinued operation

(i) Description

HKFRS5(41)(a),(b),(d) On 31 October 2022 the group announced its intention to exit the engineering business and initiated an active program to locate a buyer for its German subsidiary, VALUE HKFRS Engineering GmbH. The associated assets and liabilities were consequently presented as held for sale in the 2022 financial statements.

HKFRS5(30) The subsidiary was sold on 28 February 2023 with effect from 1 March 2023 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the two months ended 28 February 2023 (2023 column) and the year ended 31 December 2022.

		2023 **HK$'000**	2022 HK$'000
HKFRS5(33)(b)(i)	Revenue (note 5)	**4,200**	26,460
HKFRS5(33)(b)(i)	Other gains/(losses) (revaluation of contingent consideration receivable)	**90**	-
HKFRS5(33)(b)(i)	Expenses	**(3,939)**	(25,890)
HKFRS5(33)(b)(i)	Profit before income tax	**351**	570
HKFRS5(33)(b)(ii) HKAS12(81)(h)(ii)	Income tax expense	**(105)**	(171)
	Profit after income tax of discontinued operation	**246**	399
HKFRS12(19)(b)	Gain on sale of the subsidiary after income tax	**481**	-
	Profit from discontinued operation	**727**	399
	Changes in fair value of contingent consideration receivable		
HKFRS5(38)	Exchange differences on translation of discontinued operations	**170**	58
	Other comprehensive income from discontinued operations	**170**	58
HKFRS5(33)(c)	Net cash inflow from operating activities	**1,166**	710
HKFRS5(33)(c)	Net cash inflow/(outflow) from investing activities (2023 includes an inflow of HK$3,110,000 from the sale of the division)	**3,110**	(190)
HKFRS5(33)(c)	Net cash (outflow) from financing activities	**-**	(280)
	Net increase in cash generated by the subsidiary	**4,276**	240

(iii) Details of the sale of the subsidiary

		2023 **HK$'000**	2022 HK$'000
	Consideration received or receivable:		
HKAS7(40)(b)	Cash	3,110	-
	Fair value of contingent consideration	1,200	-
HKAS7(40)(a)	Total disposal consideration	4,310	-
	Carrying amount of net assets sold	(3,380)	-
	Gain on sale before income tax and reclassification of foreign currency translation reserve	930	-
HKFRS5(38)	Reclassification of foreign currency translation reserve	(170)	-
HKAS12(81)(h)(i)	Income tax expense on gain	(279)	-
HKFRS12(10)(b)(iv),(19)	**Gain on sale after income tax**	481	-

HKAS32(11)

In the event the operations of the subsidiary achieve certain performance criteria during the period 1 March 2023 to 28 February 2025 as specified in an 'earn out' clause in the sale agreement, additional cash consideration of up to HK$2,400,000 will be receivable. At the time of the sale the fair value of the consideration was determined to be HK$1,200,000. It has been recognised as an a financial asset at fair value through profit or loss.

HKFRS5(35)

At year end, the fair value was re-estimated to be HK$1,290,000. The gain of HK$90,000 is presented in discontinued operations, net of related income tax see analysis in (ii) above.

HKAS7(40)(d)

The carrying amounts of assets and liabilities as at the date of sale (28 February 2023) were:

	28 February 2023 **HK$'000**
Property, plant and equipment	**1,660**
Trade receivables	**1,200**
Inventories	**950**
Total assets	**3,810**
Trade creditors	**(390)**
Employee benefit obligations	**(40)**
Total liabilities	**(430)**
Net assets	**3,380**

(iv) Assets and liabilities of disposal group classified as held for sale

HKFRS5(38)

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2022:

	2023 **HK$'000**	2022 HK$'000
HKAS1(77) Assets classified as held for sale		
Property, plant and equipment	-	1,995
Trade receivables	-	1,570
Inventories	-	1,390
Total assets of disposal group held for sale	-	4,955
HKAS1(77) Liabilities directly associated with assets classified as held for sale		
Trade creditors	-	(450)
Employee benefit obligations	-	(50)
Total liabilities of disposal group held for sale	-	(500)

HKFRS5(38)

The cumulative foreign exchange losses recognised in other comprehensive income in relation to the discontinued operation as at 31 December 2022 were HK$170,000.

Discontinued operation

Assets held for sale

1. There is no requirement in either HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* or HKAS 1 *Presentation of Financial Statements* to present assets of a disposal group separately from individual assets held for sale. VALUE HKFRS Limited has therefore combined the assets of a disposal group with individual assets held for sale as a single line item in the statement of financial position, but provided the associated disclosures in separate notes.

Restating prior periods

HKFRS5(34)

2. An entity must re-present the disclosures for discontinued operations for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented. The discontinued operations presented in the statement of comprehensive income and statement of cash flows in the comparative period should therefore include all operations that have been discontinued by the end of the most recent reporting period. This means that the statements of comprehensive income and cash flows for the comparative period should show as discontinued operations both those reported as discontinued in the previous period together with those classified as discontinued in the current period. As a consequence, the restated prior year statements of comprehensive income and cash flows figures will not be entirely comparable to the current year's figures. This will ensure that the amounts disclosed in the statement of comprehensive income and cash flows for continuing operations are comparable and provide a more useful basis for predicting future results.

HKFRS5(40)

3. In contrast, the information in the statement of financial position for the prior year is neither restated nor remeasured.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

4. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issues not illustrated	**Relevant disclosures or references**
HKFRS5(36),(42)	Asset or disposal group is no longer classified as held for sale	Reclassify the results previously presented as discontinued operations and provide appropriate explanations.
HKFRS5(41)(c)	Gains or losses recognised as a result of a remeasurement to fair value less costs to sell	Disclose the gain or loss recognised following the remeasurement and where the gain or loss is presented in the statement of profit or loss.
HKFRS12(19)	Loss of control over subsidiary but retained an investment	Disclose gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost
HKAS7(40)(c)	Subsidiary (or business) had cash or cash equivalents at the time of the disposal	Disclose amount of cash and cash equivalents over which control was lost and the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).
HK(IFRIC)17	Information about dividends in the form of non-cash assets	Provide details as required by Interpretation 17.

27 Share capital

		Notes	**2023** **Shares**	2022 Shares	**2023** **HK$'000**	2022 HK$'000
HKAS1(106)(d)						
	Ordinary shares	(iii)				
HKAS1(79)(a)(ii)	Fully paid		**58,098,156**	53,543,075	**83,054**	58,953
	Transfer of capital amount of preference shares bought back	(vii)	**-**	-	**1,523**	-
HKAS1(79)(a)(ii)	Partly paid to HK$2.88		-	1,250,000	-	3,600
	Calls in arrears		-	-	-	(100)
		(i)	**58,098,156**	54,793,075	**84,577**	62,453
HKAS1(79)(a)(ii)	7% non-redeemable participating preference shares fully paid	(ii)	-	500,000	-	1,523
	Total share capital		**58,098,156**	55,293,075	**84,577**	63,976

HKAS1(106)(d)

(i) Movements in ordinary shares

		Notes	**Number of shares (thousands)**	**Total HK$'000**
	Details			
HKAS1(79)(a)(iv)	Opening balance 1 January 2022		54,550	61,096
	Employee share scheme issues	31(c)	143	798
	Dividend reinvestment plan issues	(iv)	100	559
HKAS1(79)(a)(iv)	Balance 31 December 2022		54,793	62,453
	Dividend reinvestment plan issues	(iv)	94	565
	Final call of HK$11.12 per share on 1,250,000 partly paid shares	(iii)	-	1,400
	Calls in arrears paid	(iii)	-	100
	Exercise of options - proceeds received	(v)	228	1,203
	Acquisition of subsidiary	43	1,698	9,765
	Rights issue	(vi)	1,285	7,708
S257 (3)	Transfer of capital amount of preference shares bought back	(vii)	-	1,523
			58,098	84,717
HKAS32(35),(39)	Less: Transaction costs arising on share issues		-	(200)
	Deferred tax credit recognised directly in equity		-	60
HKAS1(79)(a)(iv)	Balance 31 December 2023		58,098	84,577

The purpose of the rights issue and the call on partly paid shares was to repay borrowings which had been drawn to finance the establishment of the furniture retail division, expand the Springfield manufacturing facilities, and acquire shares in VALUE HKFRS Electronics Group. Funds raised from the other share issues were used for general working capital purposes.

HKAS1(106)(d)

(ii) Movements in 7% non-redeemable participating preference share capital

HKAS1(79)(a)(iv)

	Notes	Number of shares (thousands)	Total HK$'000
Details			
Opening balance 1 January 2022/ 31 December 2022		500	1,523
Shares bought back on-market and cancelled	(vii)	(500)	(1,523)
Balance 31 December 2023		-	-

HKAS1(79)(a)(iv)

(iii) Ordinary shares

HKAS1(79)(a)(iii),(v)

Ordinary shares have no par value. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. These rights are subject to the prior entitlements of the 6% redeemable preference shares, which are classified as liabilities (see note 33).

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

HKAS1(79)(a)(i)

The company does not have a limited amount of authorised capital.

HKAS1(79)(a)(ii)

At 31 December 2022 there were 1,250,000 ordinary shares called to HK$2.88, on which a further HK$1.12 was outstanding. The outstanding amount, together with calls in arrears of HK$100,000, was received on 3 November 2023.

(iv) Dividend reinvestment plan

HKAS1(79)(a)(vii)

The company has established a dividend reinvestment plan under which holders of ordinary shares can elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 2.5% discount to the market price.

(v) Options

HKAS1(79)(a)(vii)

Information relating to the VALUE HKFRS Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 31(a).

(vi) Rights issue

HKAS1(106)(d)(iii), (112)(c)

On 10 October 2023 the company invited its shareholders to subscribe to a rights issue of 1,284,916 ordinary shares at an issue price of HK$6.00 per share on the basis of 1 share for every 10 fully or partly paid ordinary shares held, with such shares to be issued on, and rank for dividends after, 4 December 2023. The issue was fully subscribed.

(vii) Share buy-back

HKAS1(106)(d)(iii)
A10(4), GEM18.14
S257, s210, s211, s269(2)(b)

During October/November 2023 the company purchased and cancelled all 500,000 7% non-redeemable participating preference shares on-market in order to simplify the company's capital structure. The buy-back and cancellation were approved by shareholders at last year's annual general meeting, and the payment was made out of the company's distributable profits with no reduction of capital. Consequently, the capital amount of the preference shares bought back of HK$1,523,000 was transferred to ordinary shares within share capital, without any alteration to the number of ordinary shares.

The shares were acquired at an average price of HK$2.70 per share, with prices ranging from HK$2.65 to HK$2.73. The total amount of HK$1,380,000 paid to acquire the shares, including after-tax transaction costs of HK$30,000, has been deducted from retained earnings within shareholders' equity (note 30).

HKFRS7(7)
HKAS1(79)(a)(v)

The 7% non-redeemable participating preference shares were entitled to dividends at the rate of 7% per annum when sufficient profits were available, but were non-cumulative. They would have participated equally with ordinary shares on winding up of the company.

HKAS1(106)(d)

28 Shares held for employee share scheme

HKAS1(79)(a)(vi)
HKAS32(34)

	2023 Shares	2022 Shares	**2023 HK$'000**	2022 HK$'000
Shares held for employee share scheme	**(120,641)**	(99,280)	**(676)**	(550)

HKAS1(79)(a)(vi)

These shares are shares in VALUE HKFRS Limited that are held by the VALUE HKFRS Employee Share

Trust for the purpose of issuing shares under the VALUE HKFRS employee share scheme and the executive short-term incentive (STI) scheme (see note 31 for further information). Shares issued to employees are recognised on a first-in-first-out basis.

	Details	**Number of shares**	**HK$'000**
HKAS1(79)(a)(iv)	Opening balance 1 January 2022	**(46,916)**	**(251)**
	Acquisition of shares by the Trust	**(52,364)**	**(299)**
	Balance 31 December 2022	**(99,280)**	**(550)**
	Acquisition of shares by the Trust	**(207,636)**	**(1,217)**
	Issue of deferred shares under the executive STI scheme	**40,373**	**216**
	Employee share scheme issue	**145,902**	**875**
HKAS1(79)(a)(iv)	Balance 31 December 2023	**(120,641)**	**(676)**

Equity

Buy-back of shares

s257

1. In accordance with section 257 of the Hong Kong Companies Ordinance (Cap. 622), the payment for buy-back 'on-market' of shares of listed companies incorporated in Hong Kong from the stock market may be made only (a) out of the Company's distributable profits; or (b) out of the proceeds of a fresh issue of shares made for the purpose of the buy-back. An on-market buy-back cannot be funded out of capital.

s210, s211, s257(2)(a), s269(2)(b)

The non-redeemable participating preference shares are legally part of the company's share capital. In accordance with sections 210 and 211, a share redemption out of distributable profits is not a reduction of capital. Under the 'capital maintenance rules', share capital, which represents the amounts contributed by shareholders to the company in return for their shares, cannot be returned to shareholders except in a winding-up or as otherwise provided for in Part 5 (sections 203 to 289). Therefore, the capital amount of non-redeemable participating preference shares, being the original amount of its issue proceeds, has to be added to ordinary shares within share capital, without any alteration to the number of ordinary shares. Separately, the redemption payment, which may include a premium, must reduce the company's distributable profits in accordance with sections 257(2)(a) and 269(2)(b).

Treasury shares

2. HKAS 32 states that treasury shares must be deducted from equity and that no gain or loss shall be recognised on the purchase, sale, issue or cancellation of such shares. However, the standard does not specify where in equity the treasury shares should be presented. VALUE HKFRS Limited has elected to present the shares in 'other equity', but they may also be disclosed as a separate line item in the statement of financial position, deducted from retained earnings or presented in a specific reserve. Depending on local company law, the company may have the right to resell the treasury shares.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

3. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	**Relevant disclosures or references**
HKAS1(80)	Entities without share capital	Disclose information equivalent to that required by paragraph 79(a) of HKAS 1
HKAS1(136A),(80A)	Puttable financial instruments	Various disclosures, see HKAS 1 (136A) and (80A) for details.
HKAS1(138)(d)	Limited life entities	Disclose length of the entity's life
HK(IFRIC)19(11)	Entity has issued equity instruments to extinguish financial liabilities	Disclose any gain or loss recognised as separate line item in profit or loss or in the notes

HKAS1(106)(d)
A2, GEM18.07
HKAS1(106A)

29 Other reserves

The following table shows a breakdown of the statement of financial position line item ‘other reserves’ and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

		Notes	Revaluation surplus HK$’000	Financial assets at FVOCI HK$’000	Hedging HK$’000	Share-based payments HK$’000	Foreign currency translation HK$’000	Total other reserves HK$’000
HKAS16(77)(f) HKAS21(52)(b)								
	At 1 January 2022		**3,220**	**1,173**	**(203)**	**1,289**	**1,916**	**7,395**
	Costs of hedging transferred to inventory	21	-	-	339	-	-	339
	Deferred tax	34	-	-	(102)	-	-	(102)
	Net amount transferred		-	-	237	-	-	237
HKFRS7(11A)(3)	Transfer to retained earnings	20	-	548	-	-	-	548
HKAS12(81)(ab) HKAS1(90)	Deferred tax		-	(164)	-	-	-	(164)
	Net amount transferred			384				384
HKAS16(77)(f) HKFRS7(20)(a)(vii),(24C)(b)(i)	Revaluation – gross	15,20,21	5,840	(1,458)	1,496	-	-	5,878
HKAS12(81)(ab), HKAS1(90)	Deferred tax	34	(1,752)	437	(449)	-	-	(1,764)
Not mandatory	NCI share in revaluation – gross		(178)	-	-	-	-	(178)
Not mandatory	Deferred tax		54	-	-	-	-	54
HKAS16(41)	Depreciation transfer – gross	30	(334)	-	-	-	-	(334)
HKAS12(81)(ab), HKAS1(90)	Deferred tax		100	-	-	-	-	100
HKAS28(10)	Revaluation associate	12(b)	100	-	-	-	-	100
HKAS12(81)(ab), HKAS1(90)	Deferred tax	34	(30)	-	-	-	-	(30)
HKAS1(92),(95) HKFRS7(24C)(b)(iv)	Reclassification to profit or loss – gross	21,20	-	-	(195)	-	-	(195)
HKAS12(81)(ab), HKAS1(90)	Deferred tax	34	-	-	59	-	-	59
HKAS28(10)	Currency translation associate	12(b)	-	-	-	-	15	15
HKAS12(81)(ab), HKAS1(90)	Deferred tax		-	-	-	-	(5)	(5)
HKAS21(52)(b)	Other currency translation differences		-	-	-	-	243	243
Not mandatory	NCI share in translation differences		-	-	-	-	(133)	(133)
	Other comprehensive income		3,800	(1,021)	911	-	120	3,810
	Transactions with owners in their capacity as owners			-				
	Share-based payment expenses	31	-	-	-	555	-	555
	At 31 December 2022		**7,020**	**536**	**945**	**1,844**	**2,036**	**12,381**

HKAS16(77)(f) HKAS21(52)(b)		Notes	.	Revalu-tion surplus HK$'000	Financial assets at FVOCI HK$000	Hedging HK$'000	Share-based payments HK$'000	Trans-actions with NCI HK$'000	Foreign currency transla-tion HK$'000	Total other reserves HK$'000
	At 1 January 2023			**7,020**	**536**	**945**	**1,844**	**-**	**2,036**	**12,381**
	Transfer to inventory	21	-	-	-	(44)	-	-	-	(44)
HKAS12(81)(ab), HKAS1(90)	Deferred tax	34	-	-	-	13	-	-	-	13
	Net amount transferred		-	-	-	(31)	-	-	-	(31)
HKFRS7(11A)(e)	Transfer to retained earnings	20	-	-	(646)	-	-	-	-	(646)
HKAS12(81)(ab), HKAS1(90)	Deferred tax		-	-	194	-	-	-	-	194
	Net amount transferred		-	-	(452)	-	-	-	-	(452)
HKAS16(77)(f) HKFRS7(20)(a)(vii),(24C)(b)(i)	Revaluation – gross	15,20,21	-	7,243	750	238	-	-	-	8,231
HKAS12(81)(ab), HKAS1(90)	Deferred tax	34	-	(2,173)	(225)	(71)	-	-	-	(2,469)
HKAS16(77)(f)	NCI share in revaluation – gross		-	(211)		-	-	-	-	(211)
HKAS12(81)(ab), HKAS1(90)	Deferred tax	34	-	63		-	-	-	-	63
HKAS16(41)	Depreciation transfer – gross	30	-	(320)		-	-	-	-	(320)
HKAS12(81)(ab), HKAS1(90)	Deferred tax	34	-	96		-	-	-	-	96
HKAS28(10)	Revaluation joint venture	12(b)	-	300		-	-	-	-	300
HKAS12(81)(ab), HKAS1(90)	Deferred tax	34	-	(90)		-	-	-	-	(90)
HKAS1(92),(95) HKFRS7(24C)(b)(iv)	Reclassification to profit or loss – gross	21	-	-		(155)	-	-	-	(155)
HKAS12(81)(ab), HKAS1(90)	Deferred tax	34	-	-		46	-	-	-	46
HKFRS9(5.5.2)	Impairment of debt instruments at FVOCI	3.1	-	-	8	-	-	-	-	8
HKAS12(81)(ab), HKAS1(90)	Deferred tax	34	-	-	(2)	-	-	-	-	(2)
HKAS28(10)	Currency translation associate	12(b)	-	-	-	-	-	-	20	20
HKAS12(81)(ab), HKAS1(90)	Deferred tax		-	-	-	-	-	-	(6)	(6)
HKAS21(52)(b)	Other currency translation differences		-	-	-	-	-	-	(617)	(617)
HKAS1(92),(95) HKAS21(52)(b)	Reclassification to profit or loss on disposal of discontinued operation	26	-	-	-	-	-	-	170	170
HKAS21(52)(b)	Net investment hedge		-	-	-	-	-	-	190	190
	NCI share in translation differences		-	-	-	-	-	-	247	247
	Other comprehensive income		-	4,908	531	58	-	-	4	5,501
	Transactions with owners in their capacity as owners									
HKAS32(28)	Value of conversion rights on convertible note	33	3,500	-	-	-	-	-	-	3,500
HKAS12(81)(a)	Deferred tax liability on conversion rights	34	(1,050)	-	-	-	-	-	-	(1,050)
	Share-based payment expenses	31	-	-	-	-	2,018	-	-	2,018
	Issue of shares under employee share schemes	28	-	-	-	-	(1,091)	-	-	(1,091)
HKFRS10(23)	Transactions with NCI	42	-	-	-	-	-	(333)	-	(333)
	At 31 December 2023		**2,450**	**11,928**	**615**	**972**	**2,771**	**(333)**	**2,040**	**20,443**

HKAS1(79)(b)

(i) Nature and purpose of other reserves

Conversion right of convertible notes

HKAS1(79)(a)(v)

The amount shown for other equity securities is the value of the conversion rights relating to the 7% convertible notes, details of which are shown in note 33.

Revaluation surplus – property, plant and equipment

HKAS16(77)(f)

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy note 48.5 for details.

Financial assets at FVOCI

HKFRS9(B5.7.1)

The group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 48.9. These changes are accumulated within the FVOCI reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

HKFRS9(B5.7.1A)

The group also has certain debt investments measured at FVOCI, as explained in note 20. For these investments, changes in fair value are accumulated within the FVOCI reserve within equity. The accumulated changes are transferred to profit or loss when the investment is derecognised or impaired.

HKAS1(106)(d), (108)

The table below shows how the FVOCI reserve relates to equity securities and debt investments:

	2023			2022		
	Debt HK$'000	**Equity HK$'000**	**Total HK$'000**	Debt HK$'000	Equity HK$'000	Total HK$'000
As at 1 January	**(70)**	**606**	**536**	90	1,083	1,173
Transfer to retained earnings	**-**	**(646)**	**(646)**	-	548	548
Deferred tax	**-**	**194**	**194**	-	(164)	(164)
Net amount transferred	**-**	**(452)**	**(452)**	-	384	384
Revaluation – gross	**118**	**632**	**750**	(228)	(1,230)	(1,458)
Deferred tax	**(35)**	**(190)**	**(225)**	68	369	437
Impairment	**8**	**-**	**8**	-	-	-
Deferred tax	**(2)**	**-**	**(2)**	-	-	-
Other comprehensive income	**89**	**442**	**531**	(160)	(861)	(1,021)
At 31 December	**19**	**596**	**615**	(70)	606	536

Hedging reserves

HKFRS9(6.5.11)(d)(i)

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see note 21 for details. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in note 48.11. Amounts are subsequently either transferred to the initial cost of inventory or reclassified to profit or loss as appropriate.

HKFRS9(6.5.15)(b)

The group defers the changes in the forward element of forward contracts and the time value of option contracts in the costs of hedging reserve. These deferred costs of hedging are included in the initial cost of the related inventory when it is recognised, see note 48.11 for further details.

Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested
- the issue of shares held by the VALUE HKFRS Employee Share Trust to employees.

Transactions with non-controlling interests

This reserve is used to record the differences described in note 2.2 which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 48.4 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Equity

Other reserves

HKAS1(106)(d)

1. An entity shall present, either in the statement of changes in equity or in the notes, for each accumulated balance of each class of other comprehensive income a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each item of other comprehensive income and transactions with owners. See also commentary paragraphs 2 and 3 to the statement of changes in equity.

HKAS1(92),(94)

2. Reclassification adjustments relating to components of other comprehensive income must also be disclosed, either in the statement of comprehensive income or in the notes. VALUE HKFRS Limited has elected to make both disclosures in the notes.

HKAS1(7),(95)

3. 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 and when a hedged forecast transaction affects profit or loss.
4. Where there are non-controlling interests (NCIs) in items that are recognised through other comprehensive income in the reserves, VALUE HKFRS Limited discloses the gross amounts in the reconciliation of the reserves and then deducts the NCI share. We have done this so that readers can reference the amounts back to the statement of comprehensive income, but we note that this is not required.

Nature and purpose

HKAS1(79)(b)

5. A description of the nature and purpose of each reserve within equity must be provided either in the statement of financial position or in the notes. This applies to each reserve, including general reserves, capital profits reserves and any others in existence.
6. In providing a description of the nature and purpose of the reserves it would be appropriate to refer to any restrictions on their distribution or any other important characteristics. In the case of:

HKAS16(77)(f)

   (a) the property, plant and equipment revaluation surplus: there is a specific requirement to disclose any restrictions on the distribution of the balance to shareholders

HKAS38(124)(b)

   (b) the amount of the revaluation surplus that relates to intangible assets; there is a specific requirement to disclose the balance at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

Transfer from share-based payments reserve to share capital on exercise of options

7. The accounting standards do not distinguish between different components of equity. Although HKFRS 2 *Share-based Payment* permits entities to transfer an amount from one component of equity to another upon vesting or exercise of options, there is no requirement to do so. VALUE HKFRS Limited has established a share-based payments reserve but does not transfer any amounts from this reserve upon the exercise or lapse of options. However, the credit could also be recognised directly in retained earnings or share capital. The treatment adopted may depend on the tax and company laws applicable in the relevant jurisdictions. Entities with significant share-based payment transactions should explain their policy.

A2, GEM18.07

30 Retained earnings

HKAS1(106)(d)

Movements in retained earnings were as follows:

	Notes	**2023** **HK$'000**	2022 Restated * HK$'000
Balance 1 January		**34,503**	20,205
Net profit for the period		**32,626**	26,123
HKAS1(106)(d)(ii) Items of other comprehensive income recognised directly in retained earnings			
Remeasurements of post-employment benefit obligation, net of tax	35	**83**	(637)
Reclassification of gain on disposal of equity instruments at fair value through other comprehensive income, net of tax	20(iii)	**452**	(384)
Dividends	37	**(22,923)**	(11,083)
Buy-back of preference shares	27(viii)	**(1,380)**	-
Depreciation transfer, net of tax	29	**224**	234
Balance 31 December		**43,585**	34,503

* The amounts disclosed are after the restatement for the correction of the error disclosed in note 4.3.

31 Share-based payments

(a) Employee Option Plan

HKFRS2(44),(45)(a)

A10(1)&(2), GEM18.11&18.12

The establishment of the VALUE HKFRS Employee Option Plan was approved by shareholders at the 2018 annual general meeting. The Employee Option Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on VALUE HKFRS Limited's total return to shareholders return(TSR), including share price growth, dividends and capital returns, ranking within a peer group of 20 selected companies that are listed on the Hong Kong Stock Exchange over a three year period. Once vested, the options remain exercisable for a period of two years.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share fourteen days after the release of the half-yearly and annual financial results of the group to the market.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Hong Kong Stock Exchange during the week up to and including the date of the grant.

Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

The Employee Option Plan is administered by the VALUE HKFRS Employee Share Trust, which is consolidated in accordance with the principles in note 48.1(i). When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

Set out below are summaries of options granted under the plan:

HKFRS2(45)(b)(i),(ii),(iii),(iv),(vii)

	2023		2022	
	.	**Number of options**	Average exercise price per share option	Number of options
As at 1 January	**HK$5.55**	**2,056,000**	HK$5.33	1,688,000
Granted during the year	**HK$6.18**	**818,000**	HK$5.78	814,000
Exercised during the year *	**HK$5.28**	**(228,000)**	-	-
Forfeited during the year	**HK$5.71**	**(445,000)**	HK$5.12	(446,000)
As at 31 December	**HK$5.78**	**2,201,000**	HK$5.55	2,056,000
Vested and exercisable at 31 December	**HK$5.28**	**263,000**	-	-

HKFRS2(45)(c)

* The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2023 was HK$6.35 (2022 – not applicable).

HKFRS2(45)(b)(v)

No options expired during the periods covered by the above tables.

HKFRS2(45)(a),(b)(vi),(d)

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

Grant Date	**Expiry date**	**Exercise price**	**Share options 31 December 2023**	Share options 31 December 2022
1 November 2020	30 October 2025	HK$5.28	263,000	546,000
1 November 2021	30 October 2026	HK$5.51	569,000	709,000
1 November 2022	30 October 2027	HK$5.78	641,000	801,000
1 November 2023	30 October 2028	HK$6.18	728,000	-
Total			2,201,000	2,056,000
Weighted average remaining contractual life of options outstanding at end of period			3.67 years	3.96 years

HKFRS2(45)(d)

(i) Fair value of options granted

HKFRS2(46),(47)(a)(i)

The assessed fair value at grant date of options granted during the year ended 31 December 2023 was HK$1.80 per option (2022 – HK$1.75). The fair value at grant date is independently determined using an adjusted form of the Black Scholes Model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

HKFRS2(47)(a)(i),(iii)

The model inputs for options granted during the year ended 31 December 2023 included:

(a) options are granted for no consideration and vest based on VALUE HKFRS Limited’s TSR ranking within a peer group of 20 selected companies over a three year period. Vested options are exercisable for a period of two years after vesting
(b) exercise price: HK$6.18 (2022 – HK$5.78)
(c) grant date: 1 November 2023 (2022 – 1 November 2022)
(d) expiry date: 30 October 2028 (2022 – 30 October 2027)
(e) share price at grant date: HK$6.12 (2022 – HK$5.83)
(f) expected price volatility of the company’s shares: 35% (2022 – 30%)
(g) expected dividend yield: 3.8% (2022 – 3.2%), and
(h) risk-free interest rate: 6% (2022 – 5.5%)

HKFRS2(47)(a)(ii)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(b) Deferred shares – executive short-term incentive scheme

HKFRS2(45)(a)

Under the group’s short-term incentive (STI) scheme, executives receive 50% of the annual STI achieved in cash and 50% in the form of rights to deferred shares of VALUE HKFRS Limited. The rights are granted on the 28 February of the following year and vest after two years from the grant date. They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period. If an executive ceases to be employed by the group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

The deferred shares are administered by the VALUE HKFRS Employee Share Trust. This trust is consolidated in accordance with note 48.1. The shares are acquired on market at the grant date and are held under employee share scheme until such time as they are vested. Forfeited shares are reallocated in subsequent grants. Under the terms of the trust deed, VALUE HKFRS Limited is required to provide the trust with the necessary funding for the acquisition of the shares at the time of the grant.

HKFRS12(14),(17)

HKFRS2(47)(b)

The number of rights to be granted is determined based on the currency value of the achieved STI divided by the weighted average price at which the company’s shares are traded on the Hong Kong Stock Exchange during the week up to and including the date of the grant (HK$5.94 for the rights granted in February 2023 and HK$6.08 for the rights granted in 2022).

HKFRS2(47)(b)

The fair value of the rights at grant date (HK$5.50; 2022 – HK$5.71) was estimated by taking the market price of the company's shares on that date less the present value of expected dividends that will not be received by the executives on their rights during the two year vesting period. The fair value is recognised as an expense over the relevant service period, which is the year to which the bonus relates and the vesting period of the shares.

Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

The following table shows the deferred shares granted and outstanding at the beginning and end of the reporting period:

HKFRS2(45)(b)(i),(ii),(iii),(iv),(vii)

	2023 **Number of shares**	2022 Number of shares
As at 1 January	**88,360**	46,916
Granted during the year	**57,636**	52,364
Vested during the year	**(40,374)**	-
Forfeited during the year	**(21,699)**	(10,920)
As at 31 December	**83,923**	88,360
Weighted average remaining contractual life of the deferred shares outstanding at end of period	**0.68 years**	0.70 years

HKFRS2(45)(d)

(i) Net settlement feature for withholding tax obligations

HKFRS2(44), (45)(a)

Under tax and company laws applicable, VALUE HKFRS Limited must withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount in cash to the tax authority on the employee's behalf. The deferred shares granted under the group's STI scheme include a net settlement feature under which the trust withholds shares in order to settle the employee's tax obligations.

HKFRS2(52)

The group is settling the deferred share grant on a net basis by withholding the number of shares with a fair value equal to the monetary value of the employee's tax obligation and only issuing the remaining shares on completion of the vesting period. This reduces the dilutive impact of the deferred share scheme. If all of the deferred shares outstanding as at 31 December 2023 will subsequently vest, the group will be required to pay approximately HK$46,000 to the taxation authority (2022 - nil).

(c) Employee share scheme

HKFRS2(44),(45)(a) A scheme under which shares may be issued by the company to employees for no cash consideration was approved by shareholders at the 2019 annual general meeting. All Hong Kong resident permanent employees (excluding executive directors, other key management personnel of the group and the group company secretary) who have been continuously employed by the group for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Since the current reporting period, the employee share scheme is also administered by the VALUE HKFRS Employee Share Trust. This Trust is consolidated in accordance with note 48.1.

Shares issued by the trust to the employees are acquired on-market prior to the issue. Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as shares held for employee share scheme in the financial statements (see note 28).

HKFRS2(47)(b) Under the scheme, eligible employees may be granted up to HK$1,000 worth of fully paid ordinary shares in VALUE HKFRS Limited annually for no cash consideration. The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the company's shares are traded on the Hong Kong Stock Exchange during the week up to and including the date of grant. The shares vest immediately on grant date and are recognised at the closing share price on the grant date (grant date fair value) as an issue of shares under employee share scheme by the trust (in 2022 as share capital) and as part of employee benefit costs in the period the shares are granted. HKFRS2(46)

Offers under the scheme are at the discretion of the company, and no offer may be made unless annual profit growth in the financial year prior to the date of the offer was at least 3% greater than the increase in the consumer price index.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment by the group. In all other respects the shares rank equally with other fully-paid ordinary shares on issue (see note 27).

		2023	2022
HKFRS2(45)(a)	Number of shares issued under the plan to participating employees on 31 December 2023 (31 December 2022)	**145,902**	142,857

HKFRS2(47)(b) Each participant was issued with shares worth HK$1,000 based on the weighted average market price of HK$6.42 (2022 – HK$5.50). The shares had a grant date fair value of HK$6.18 (2022 - HK$5.59).

(d) Share appreciation rights

HKFRS2(44),(45)(a) In September 2023, the remuneration committee decided to reward divisional managers for their contribution to the performance of the group by granting them 200,000 share appreciation rights (SARs). The rights entitle the employees to a cash payment after three years of service. The amount payable will be determined based on the increase of VALUE HKFRS Limited's share price between the grant date (25 September 2023: HK$5.43) and the vesting date (25 September 2026). The rights must be exercised on vesting date and will expire if not exercised on that date.

HKFRS2(46) The fair value of the SARs was determined using the Black-Scholes model using the following inputs as at 31 December 2023:

		31 December 2023
	Share price at measurement date	**HK$6.19**
	Expected volatility	**32%**
	Dividend yield	**3.8%**
	Risk-free interest rate	**6%**
HKFRS2(51)(b)(i)	Carrying amount of liability – included in employee benefit obligations (note 35)	**HK$138,000**

HKFRS2(51)(b)(ii) There were no SARs granted in prior years and none of the SARs had vested as at 31 December 2023.

(e) Expenses arising from share-based payment transactions

HKFRS2(50),(51)(a)

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2023 **HK$'000**	2022 HK$'000
Options issued under employee option plan	**896**	330
Deferred shares issued under the short-term incentive scheme	**220**	225
Shares issued under employee share scheme	**902**	798
Share appreciation rights	**138**	-
	2,156	1,353

Share-based payments

Share award disclosures

HKFRS2(45)

1. The detailed disclosures in paragraph 45 of HKFRS 2 are only required for share options. However, share awards such as the deferred shares in our example, are equivalent to share options with a zero exercise price. It may therefore be appropriate to provide similar disclosures to the extent they are applicable to the share awards.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

Fair value of goods or services received, or of equity instruments granted

2. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	**Relevant disclosures or references**
HKFRS2(47)(c)	Modification of share-based payment arrangements	Explain the modifications, disclose the incremental fair value granted and how this was measured (see below).
HKFRS2(49)	Rebuttal of the presumption that the fair value of goods of services received from parties other than employees can be measured reliably	Disclose that fact and explain why the presumption was rebutted.
HKFRS2(52)	The information disclosed does not satisfy the principles in HKFRS 2 paragraphs 44, 46 and 50 of HKFRS 2	Provide additional information as necessary.

3. The following illustrative disclosure may be useful where relevant to an entity:

Modification of share-based payment arrangements

HKFRS2(47)(c)

In May 2023, VALUE HKFRS Limited increased the vesting period for the employee share options granted in October 2022 from three to five years and reduced the exercise price to HK$4.00 to reflect the recent fall in the company's share price. The fair value of the options at the date of the modification was determined to be HK$2.05. The incremental fair value of HK$0.25 will be recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original option grant will continue to be recognised as if the terms had not been modified.

The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs: [provide details].

32 Trade and other payables

		2023 HK$'000	2022 HK$'000
	Current liabilities		
HKAS1(77)	Trade payables	**9,480**	7,801
HKAS1(77)	Payables under supplier finance arrangement (note 4.2(f))	**520**	430
	Payroll tax and other statutory liabilities	**1,570**	1,207
HKFRS15(105)	Refund liabilities (i)	**490**	235
HKAS1(77)	Other payables	**3,700**	2,050
		15,760	11,723

Adoption of amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

Trade payables are unsecured and are usually paid within 30 days of recognition.

HKFRS7(29)(a)
HKFRS13(97),(93)(b),(d)

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

HKAS1(117)

(i) Refund liabilities

HKFRS15(55),(B20)-(B27)

Where a customer has a right to return a product within a given period, the group recognises a refund liability for the amount of consideration received for which the entity does not expect to be entitled (HK$221,000; 2022 – HK$110,000). The group also recognises a right to the returned goods measured by reference to the former carrying amount of the goods (HK$76,000 as at 31 December 2023 and HK$38,000 as at 31 December 2022; see note 26). The costs to recover the products are not material because the customers usually return them in a saleable condition.

Refund liabilities are further recognised for volume discounts payable to wholesale customers (HK$269,000; 2022 – HK$125,000). Note 5 has further explanations about both types of refund liabilities.

A4(2), GEM18.50B (2)

At 31 December, the ageing analysis[1] of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were are follows:

	2023 **HK$'000**	**2022** **HK$'000**
[insert ageing, e.g.]		
0-30 days	**xxx**	xxx
31-60 days	**xxx**	xxx
61-90 days	**xxx**	xxx
	xxx	xxx

Trade and other payables

Disclosures of ageing analysis

A4(2)(4.2), GEM18.50B(2)

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, the ageing analysis should be presented on the basis of the date of the relevant invoice and categorised into time-bands based on analysis used by an issuer's management to monitor the issuer's financial position (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.). The basis on which the ageing analysis is presented should be disclosed.

33 Borrowings

HKAS1(77)

	2023 Current HK$'000	2023 Non-current HK$'000	2023 Total HK$'000	2022 Current HK$'000	2022 Non-current HK$'000	2022 Total HK$'000
Secured						
Bank overdrafts	**2,650**	**-**	**2,650**	2,250	-	2,250
Bank loans (i)	**4,250**	**37,535**	**41,785**	2,865	45,500	48,365
Debentures (v)	**-**	**-**	**-**	2,000	2,000	4,000
Other loans	**450**	**8,580**	**9,030**	150	14,100	14,250
Total secured borrowings (i)	**7,350**	**46,115**	**56,465**	7,265	61,600	68,865
Unsecured						
Bills payable	**1,050**	**-**	**1,050**	730	-	730
Convertible notes (iii)	**-**	**16,815**	**16,815**	-	-	-
Redeemable preference shares (iv)	**-**	**11,000**	**11,000**	-	11,000	11,000
Loans from related parties *	**-**	**15,185**	**15,185**	-	4,000	4,000
Total unsecured borrowings	**1,050**	**43,000**	**44,050**	730	15,000	15,730
Total borrowings	**8,400**	**89,115**	**97,515**	7,995	76,600	84,595

HKAS1(77) (Unsecured)

* Further information relating to loans from related parties is set out in note 44.

HKFRS7(31), A22, GEM18.21

Bank borrowings mature until 2025 and bear average coupons of 7.5% annually (2022: 7.4% annually).

At 31 December, the group's borrowings were repayable as follows:

	Bank borrowings and overdrafts 2023 HK$'000	Bank borrowings and overdrafts 2022 HK$'000	Other loans 2023 HK$'000	Other loans 2022 HK$'000
Within 1 year	**xxx**	xxx	**xxx**	xxx
Between 1 and 2 years	**xxx**	xxx	**xxx**	xxx
Between 2 and 5 years	**xxx**	xxx	**xxx**	xxx
Over 5 years	**xxx**	xxx	**xxx**	xxx
	xxx	xxx	**xxx**	xxx
	xxx	xxx	**xxx**	xxx

(i) Secured liabilities and assets pledged as security

HKFRS7(7),(14)(b)
HKFRS7(42D)

Of the bank loans, HK$3,100,000 relate to transferred receivables (see note 22). The remaining bank loans and overdrafts are secured by first mortgages over the group's freehold land and buildings, including those classified as investment properties.

The debentures were secured by a floating charge over the assets of VALUE HKFRS Limited.

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

HKFRS7(14)(a)

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 41.

(ii) Compliance with loan covenants

HKAS1(135)(d)
Revised illustration

VALUE HKFRS Limited has complied with the financial covenants of its bank loans during both periods presented, see note 3.2 for details.

(iii) Convertible notes

HKFRS7(17)
HKAS1(79)(a)(vii)
A10(1)&(2), GEM18.11&
18.12

VALUE HKFRS Limited issued 1,500,000 7% convertible notes for HK$20 million on 23 January 2023. The notes are convertible into ordinary shares of the entity, at the option of the holder, or repayable on 23 January 2027. The conversion rate is two shares for each note held, which is based on the market price per share at the date of the issue of the notes (HK$6.10), but subject to adjustments for reconstructions of equity. The convertible notes are presented in the statement of financial position as follows:

	2023 HK$'000	2022 HK$'000
Face value of notes issued	**20,000**	-
Other equity securities – value of conversion rights (see note 29)	**(3,500)**	-
	16,500	-
Interest expense *	**842**	-
Interest paid	**(527)**	-
Non-current liability	**16,815**	-

* Interest expense is calculated by applying the effective interest rate of 9.6% to the liability component.

HKAS32(17),(18),(28),(29)
AG31(a)

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

(iv) Redeemable preference shares

HKFRS7(7)
HKAS1(79)(a)(v)

The redeemable preference shares represent 5,000,000 fully paid 6% cumulative redeemable preference shares. The shares are redeemable at HK$2.20 per share on 31 December 2030 or by VALUE HKFRS Limited at any time before that date. The shares are entitled to dividends at the rate of 6% per annum. If insufficient profits are available in a particular financial year, the dividends accumulate and are payable when sufficient profits are available. The shares participate in a winding up of the company only to the extent of HK$2.20 per share.

HKAS32(17),(18)

Since the shares are mandatorily redeemable on a specified date, they are recognised as liabilities.

(v) Repurchase of debentures

HKFRS7(7)
HKFRS9(3.3.3)
HKFRS7(20)(a)(v)

During the reporting period, VALUE HKFRS Limited repurchased the remaining outstanding debentures for a lump sum payment of HK$1,605,000. The carrying amount of the debentures at the time of the payment was HK$2,000,000 and costs incurred were HK$40,000, resulting in a net gain on settlement of HK$355,000 which is included in finance income in the statement of profit or loss.

(vi) Set-off of assets and liabilities

See note 3.4 for information about the group's offsetting arrangements.

(vii) Fair value

HKFRS7(25),(29)(a)

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since either:

- the interest payable on those borrowings is close to current market rates, or
- the borrowings are of a short-term nature.

Material differences are identified only for the following borrowings:

	2023		2022	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Bank loans	**41,320**	**40,456**	47,900	48,950
Convertible notes	**16,815**	**17,175**	-	-
Redeemable preference shares	**11,000**	**9,475**	11,000	10,860

HKFRS13(97),(93)(b),(d)

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see note 3.3) due to the use of unobservable inputs, including own credit risk.

(viii) Risk exposures

HKFRS7(31)

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 3.1.

34 Deferred income tax

(i) Deferred tax assets

		Notes	**2023** **HK$'000**	2022 HK$'000
HKAS12(81)(g)(i)	**The balance comprises temporary differences attributable to:**			
	Lease liabilities	15(b)	**3,450**	3,387
	Tax losses		**3,170**	2,245
	Defined benefit pension obligations	35	**1,317**	783
	Provisions for warranties, restructuring volume discounts, refunds, make good obligations and legal claims	36	**1,137**	786
			9,074	7,201
	Other			
	Employee benefits		**914**	822
	Finance leases	15b		232
	Cash flow hedges		**230**	234
	Loss allowances for financial assets	3.1	**215**	121
	Derivatives held for trading	21	**183**	186
	Contract liability – customer loyalty programme	5	**166**	161
	Contingent liability	36	**143**	-
	Write-down of building	6	**140**	-
	Refund liabilities	32	**148**	71
	Other		**65**	18
	Sub-total other		**2,204**	1,613
	Total deferred tax assets		**11,278**	8,814
HKAS12(74)	Set-off of deferred tax liabilities pursuant to set-off provisions	(ii)	**(3,429)**	(3,290)
	Net deferred tax assets		**7,849**	5,524

	Movements	**Lease liabilities HK$'000**	**Tax losses HK$'000**	**Pension obligation HK$'000**	**Pro-visions HK$'000**	**Other HK$'000**	**Total HK$'000**
	At 1 January 2022	2,888	1,300	551	610	1,201	6,550
	(Charged)/credited						
HKAS12(81)(g)(ii)	- to profit or loss	499	945	(41)	176	108	1,687
	- to other comprehensive income	-	-	273	-	304	577
	At 31 December 2022	3,387	2,245	783	786	1,613	8,814

	Movements	**Lease liabilities HK$'000**	**Tax losses HK$'000**	**Pension obligation HK$'000**	**Pro-visions HK$'000**	**Other HK$'000**	**Total HK$'000**
	At 1 January 2023	3,387	2,245	783	786	1,613	8,814
	(Charged)/credited						
HKAS12(81)(g)(ii)	- to profit or loss	63	(600)	(4)	351	194	4
	- to other comprehensive income	-	-	(36)	-	77	41
HKAS12(81)(a)	- directly to equity	-	-	-	-	60	60
	Acquisition of subsidiary	-	1,525	574	-	260	2,359
	At 31 December 2023	3,450	3,170	1,317	1,137	2,204	11,278

(ii) Deferred tax liabilities

HKAS12(81)(g)(i)

	Notes	2023 HK$'000	2022 Restated* HK$'000
The balance comprises temporary differences attributable to:			
Property, plant and equipment	15	**6,243**	4,140
Right-of-use assets	15(b)	**2,927**	2,852
Intangible assets	17	**2,375**	770
Investment property	16	**1,124**	719
		12,669	8,466
Other			
Convertible notes	33	**955**	-
Financial assets at fair value through profit or loss	24	**804**	441
Cash flow hedges	20	**649**	639
Financial assets at fair value through other comprehensive income	20	**173**	142
Investments in associates	12(b)	**131**	113
Prepayments	26	**125**	118
Inventories	23	**120**	-
Non-current asset recognised for costs to fulfil a contract	5	**94**	156
Share-based payments (deferred shares)	31	**51**	22
Other		**114**	13
Sub-total other		**3,216**	1,644
Total deferred tax liabilities		**15,885**	10,110
Set-off of deferred tax liabilities pursuant to set-off provisions	(i)	**(3,429)**	(3,290)
Net deferred tax liabilities		**12,465**	6,820

HKAS12(74)

* See note 4.3 for details regarding the restatement as a result of an error..

Movements	**Property, plant and equipment HK$'000**	**Right-of-use assets HK$'000**	**Intangible assets HK$'000**	**Investment property HK$'000**	**Other HK$'000**	**Total HK$'000**
At 1 January 2022 (Restated*)	2,150	2,312	615	300	1,291	6,668
Charged/(credited)						
- to profit or loss	223	540	155	419	62	1,399
- to other comprehensive income	1,752	-	-	-	291	2,043
At 31 December 2022	4,125	2,852	770	719	1,644	10,110
Charged/(credited)						
- to profit or loss	(379)	75	(255)	405	(23)	(177)
- to other comprehensive income	2,173	-	-	-	425	2,598
- directly to equity	-	-	-	-	1,050	1,050
Acquisition of subsidiary	324	-	1,860	-	120	2,304
At 31 December 2023	6,243	2,927	2,375	1,124	3,216	15,885

HKAS12(81)(g)(ii)

HKAS12(81)(g)(ii)

* See note 4.3 for details regarding the restatement as a result of an error.

Offsetting within tax consolidated group

VALUE HKFRS Limited and its wholly-owned Hong Kong subsidiaries have applied the tax consolidation legislation which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

Deferred tax assets and liabilities

Offsetting

HKAS12(74) 1. Deferred tax assets and liabilities shall be set off if, and only if:
   - (a) there is a legally enforceable right to set off current tax assets and liabilities, and
   - (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either:
     - (i) the same taxable entity, or
     - (ii) different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

HKAS12(76) 2. The circumstances giving rise to a set-off between entities in a consolidated entity are likely to be rare unless the entities are part of a tax consolidated group. As disclosed in note 34 we have assumed this to be the case for VALUE HKFRS Limited.

Disclosure of reconciliation by type of temporary difference

HKAS12(81)(g) 3. HKAS 12 requires the following disclosures for each type of temporary difference and in respect of each type of unused tax loss and tax credit:
   - (a) the deferred tax balances recognised for each period presented
   - (b) the amounts of deferred tax income or expense recognised in profit or loss, if this is not apparent from the changes in the amounts recognised in the statement of financial position.

4. This information can be presented in various ways. VALUE HKFRS Limited has chosen to provide the information in the form of a reconciliation by type of temporary difference. However, other formats are equally acceptable as long as all of the required disclosures are made.

Deferred tax arising from investment properties measured at fair value

There is a rebuttable presumption that the carrying amount of the investments property that is measured using the fair value model in HKAS 40, will be recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Sufficient details should be provided to reader with an understanding of the entity's business model. The following illustrate possible disclosure for the Group.

As of 31 December 2023, investment properties located in [location A] amounted to HK$[x] (2022: HK$[x]) are held by certain subsidiaries with a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The investment properties located in [location B] amounted to HK$[x] (2022: HK$[x]) are held by certain subsidiaries and expected to be recovered entirely through sale. The group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 34).

Deferred tax on right-of-use assets and lease liabilities

ED/2019/5 5. HKAS 12 does not specifically address the tax effects of right-of-use assets and lease liabilities and there are currently different approaches in practice. However, in June 2021 the HKICPA made amendments to HKAS 12 which will narrow the scope of the initial recognition exception in paragraphs 15 and 24 of HKAS 12 and require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

6. As a consequence, entities will be required to recognise both a deferred tax asset and a deferred tax liability on the initial recognition of a lease. While these would typically qualify for offsetting in the statement of financial position, the notes need to disclose the gross amounts. VALUE HKFRS Limited has illustrated this in note 15(b).

7. The amendments apply to annual reporting periods beginning on or after 1 January 2023 but could be adopted early. VALUE HKFRS Limited chose to do so in the previous year. No changes were necessary to any of the amounts recognised or disclosures made, because VALUE HKFRS Limited's accounting policy already complied with the now mandatory presentation requirement.

Recognition of deferred tax assets by loss-making entities

HKAS12(82) 8. If an entity has incurred a loss in the current or a preceding period and the utilisation of the deferred tax assets is depending on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences, the entity must disclose the amount of the deferred tax assets that are depending on excess future taxable profits and the nature of the evidence that is supporting the recognition of the tax assets.

9. The recognition of deferred tax assets for carried forward tax losses, particularly by loss-making entities, is a focus area for many regulators. The European Securities and Markets Authority (ESMA), has reminded entities of the importance to assess thoroughly the nature and extent of the evidence that supports the recognition of deferred tax assets. Disclosures relating to deferred tax assets should be issuer-specific and not boilerplate, and the level of detail provided should be proportionate to the materiality of the assets in the financial statements and the uncertainties and judgements surrounding the recognition of the tax assets.

35 Employee benefits

HKAS1(77)

	2023			2022*		
		Non-			Non-	
	Current	**current**	**Total**	Current	current	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Leave obligations (i)	**690**	**2,220**	**2,910**	470	2,270	2,740
Share-appreciation rights (note 31(d))	**-**	**138**	**138**	-	-	-
Defined pension benefits (ii)	**-**	**3,684**	**3,684**	-	1,900	1,900
Post-employment medical benefits (iii)	**-**	**707**	**707**	-	711	711
Total employee benefit obligations	**690**	**6,749**	**7,439**	470	4,881	5,351

* Restated – see (i) for further information

(i) Leave obligations

The leave obligations cover the group's liabilities for long service leave and annual leave which are classifies as either other long-term or short-term benefits.

HKAS1(61)

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees who are entitled to pro rata payments in certain circumstances. The entire amount of the provision of HK$690,000 (2022 – HK$470,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2023	2022
	HK$'000	HK$'000
Current leave obligations expected to be settled after 12 months	**344**	272

Reclassification of employee benefit obligations

HKAS1(41)

The group previously presented its liabilities for accumulating sick leave and other long-term employee benefit obligations as provisions in the statement of financial position. However, management considers it to be more relevant if all employee benefit obligations are presented in one separate line item in the statement of financial position. Prior year comparatives as at 31 December 2022 have been restated by reclassifying HK$470,000 from current provisions to current employee benefit obligations, and HK$2,270,000 from non-current provisions to non-current employee benefit obligations (HK$440,000 and HK$2,196,000 respectively as at 1 January 2022).

(ii) Defined benefit pension plans

HKAS19(139)(a)
HKAS1(112)(c)

The group operates defined benefit pension plans in Hong Kong and the US under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the Hong Kong plans, pensions in payment are generally updated in line with the retail price index, whereas in the US plans, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in Hong Kong, the plans face broadly similar risks, as described below.

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the group meets the benefit payment obligation as it falls due. Plan assets held in trusts are 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. Responsibility for governance of the plans – including investment decisions and contributions schedules – lies jointly with the group and the board of trustees. The board of trustees must be composed of representatives of the group and plan participants in accordance with the plan's regulations.

HKAS19(53)

The group also operates a couple of defined contribution plans which receive fixed contributions from group companies. The group's legal or constructive obligation for these plans is limited to the contributions. The expense recognised in the current period in relation to these contributions was HK$2,425,000 (2022 – HK$2,075,000).

Amounts recognised in the statement of financial position

HKAS19(140)(a)(i), (ii),(141)

The amounts recognised in the statement of financial position and the movements in the net defined benefit obligation over the year are as follows:

		Present value of obligation HK$'000	Fair value of plan assets HK$'000	Total HK$'000	Impact of minimum funding requirement/ asset ceiling HK$'000	Net amount HK$'000
	1 January 2022	**3,479**	**(2,264)**	**1,215**	**120**	**1,335**
HKAS19(141)(a)	Current service cost	319	-	319		319
HKAS19(141)(d)	Losses on curtailment and settlement	179	-	179		179
HKAS19(141)(b)	Interest expense/(income)	214	(156)	58	5	63
	Total amount recognised in profit or loss	712	(156)	556	5	561
HKAS19(141)(c)	Remeasurements					
	Return on plan assets, excluding amounts included in interest (income)	-	(85)	(85)	-	(85)
	Loss from change in demographic assumptions	20	-	20	-	20
	Loss from change in financial assumptions	61	-	61	-	61
	Experience losses	641	-	641	-	641
	Change in asset ceiling, excluding amounts included in interest expense	-	-	-	80	80
	Total amount recognised in other comprehensive income	722	(85)	637	80	717
HKAS19(141)(e)	Exchange differences	(324)	22	(302)	-	(302)
HKAS19(141)(f)	Contributions:					
	Employers	-	(411)	(411)	-	(411)
	Plan participants	30	(30)	-	-	-
HKAS19(141)(g)	Benefit payments	(127)	127			
	31 December 2022	**4,492**	**(2,797)**	**1,695**	**205**	**1,900**

		Present value of obligation HK$'000	Fair value of plan assets HK$'000	Total HK$'000	Impact of minimum funding requirement/ asset ceiling HK$'000	Net amount HK$'000
	1 January 2023	**4,492**	**(2,797)**	**1,695**	**205**	**1,900**
HKAS19(141)(a)	Current service cost	751	-	751	-	751
HKAS19(141)(d)	Losses on curtailment and settlement	65	-	65		65
HKAS19(141)(b)	Interest expense/(income)	431	(308)	123	9	132
	Total amount recognised in profit or loss	1,247	(308)	939	9	948
HKAS19(141)(c)	Remeasurements					
	Return on plan assets, excluding amounts included in interest (income)	-	(187)	(187)	-	(187)
	Loss from change in demographic assumptions	32	-	32	-	32
	Loss from change in financial assumptions	121	-	121	-	121
	Experience (gains)	(150)	-	(150)	-	(150)
	Change in asset ceiling, excluding amounts included in interest expense	-	-	-	100	100
	Total amount recognised in other comprehensive income	3	(187)	(184)	100	(84)
HKAS19(141)(e)	Exchange differences	(61)	(25)	(86)	-	(86)
HKAS19(141)(f)	Contributions:					
	Employers	-	(908)	(908)	-	(908)
	Plan participants	55	(55)	-	-	-
	Payments from plan:					
HKAS19(141)(g)	Benefit payments	(566)	566	-	-	-
HKAS19(141)(g)	Settlements	(280)	280	-	-	-
HKAS19(141)(h)	Acquired in business combination (see note 43)	3,691	(1,777)	1,914	-	1,914
	31 December 2023	**8,581**	**(5,211)**	**3,370**	**314**	**3,684**

HKAS19(141) One of our Hong Kong plans has a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

HKAS19(139)(c) In connection with the closure of a factory, a curtailment loss was incurred and a settlement arrangement agreed with the plan trustees, effective 31 December 2023, which settled all retirement benefit plan obligations relating to the employees of that factory. In the prior year, the group made minor amendments to the terms of the plan, resulting in past service cost of HK$179,000.

HKAS19(138)(e) The net liability disclosed above relates to funded and unfunded plans as follows:

	2023 HK$'000	2022 HK$'000
Present value of funded obligations	**6,155**	2,943
Fair value of plan assets	**(5,211)**	(2,797)
Deficit of funded plans	**944**	146
Present value of unfunded obligations	**2,426**	1,549
Total deficit of defined benefit pension plans (before asset ceiling)	**3,370**	1,695

HKAS1(112)(c)

The group has no legal obligation to settle the deficit in the funded plans with an immediate contribution or additional one-off contributions. The group intends to continue to contribute to the defined benefit section of the plan at a rate of 14% of salaries in line with the actuary's latest recommendations.

HKAS19(138)(a)

The following table shows a breakdown of the defined benefit obligation and plan assets by country:

	2023			2022		
	Hong Kong HK$'000	**US HK$'000**	**Total HK$'000**	Hong Kong HK$'000	US HK$'000	Total HK$'000
Present value of obligation	**4,215**	**4,366**	**8,581**	1,050	3,442	4,492
Fair value of plan assets	**(2,102)**	**(3,109)**	**(5,211)**	(394)	(2,403)	(2,797)
	2,113	**1,257**	**3,370**	656	1,039	1,695
Impact of minimum funding requirement/asset ceiling	**314**	**-**	**314**	205	-	205
Total liability	**2,427**	**1,257**	**3,684**	861	1,039	1,900

HKAS19(137)(a)

As at the last valuation date, the present value of the defined benefit obligation included approximately HK$3,120,000 (2022 – HK$1,371,000) relating to active employees, HK$3,900,000 (2022 – HK$2,115,000) relating to deferred members and HK$1,561,000 (2022 – HK$1,006,000) relating to members in retirement.

(iii) Post-employment medical plans

HKAS19(138),(139)(a)
HKAS1(112)(c)
HKAS19(144)

The group operates a number of post-employment medical benefit schemes, principally in the US. The majority of these plans are unfunded. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for the defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 8.0% (2022 – 7.6%) and claim rates of 6% (2022 – 5.2%).

Amounts recognised in the statement of financial position

HKAS19(140)(a)(i),
(ii),(141)

The amounts recognised in the statement of financial position and the movements in the net defined benefit obligation over the year are as follows:

		Present value of obligation HK$'000	**Fair value of plan assets HK$'000**	**Net amount HK$'000**
	1 January 2022	**708**	**(207)**	**501**
HKAS19(141)(a)	Current service cost	107	-	107
HKAS19(141)(b)	Interest expense/(income)	25	(13)	12
	Total amount recognised in profit or loss	132	(13)	119
HKAS19(141)(c)	Remeasurements			
	Return on plan assets, excluding amounts included in interest (income)	-	(11)	(11)
	Loss from change in demographic assumptions	3	-	3
	Loss from change in financial assumptions	7	-	7
	Experience losses	194	-	194
	Total amount recognised in OCI	204	(11)	193
HKAS19(141)(e)	Exchange differences	(31)	2	(29)
HKAS19(141)(f)	Employer contributions/premiums paid:	-	(73)	(73)
HKAS19(141)(g)	Benefit payments from plan	(8)	8	-
	31 December 2022	**1,005**	**(294)**	**711**

		Present value of obligation HK$'000	Fair value of plan assets HK$'000	Net amount HK$'000
	1 January 2023	**1,005**	**(294)**	**711**
HKAS19(141)(a)	Current service cost	153	-	153
HKAS19(141)(b)	Interest expense/(income)	49	(18)	31
	Total amount recognised in profit or loss	202	(18)	184
HKAS19(141)(c)	Remeasurements			
	Return on plan assets, excluding amounts included in interest (income)	-	(33)	(33)
	Loss from change in demographic assumptions	4	-	4
	Loss from change in financial assumptions	10	-	10
	Experience (gains)	(16)	-	(16)
	Total amount recognised in OCI	(2)	(33)	(35)
HKAS19(141)(e)	Exchange differences	37	(5)	32
HKAS19(141)(f)	Employer contributions/premiums paid:	-	(185)	(185)
HKAS19(141)(g)	Benefit payments from plan	(7)	7	-
	31 December 2023	**1,235**	**(528)**	**707**

HKAS19(138)(e) The net liability disclosed above relates to funded and unfunded plans as follows:

	2023 HK$'000	2022 HK$'000
Present value of funded obligations	**650**	350
Fair value of plan assets	**(528)**	(294)
Deficit of funded plans	**122**	56
Present value of unfunded obligations	**585**	655
Total deficit of post-employment medical plans	**707**	711

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

HKAS19(144) The significant actuarial assumptions were as follows:

	2023		2022	
	Hong Kong	**US**	Hong Kong	US
Discount rate	**5.1%**	**5.2%**	5.5%	5.6%
Inflation				
Salary growth rate	**4.0%**	**4.5%**	4.5%	4.0%
Pension growth rate	**3.0%**	**0%**	3.1%	0%
Long-term increase in health care costs	**-**	**8.0%**	-	7.6%
Claim rates	**-**	**6%**	-	5.2%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2023		2022	
	Hong Kong	**US**	Hong Kong	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	**24**	**23**	24	23
Female	**27**	**26**	27	26

HKAS19(145)(a) The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

			Impact on defined benefit obligation					
	Change in assumption		**Increase in assumption**			**Decrease in assumption**		
	2023	2022		**2023**	2022		**2023**	2022
Discount rate	**0.50%**	0.3%	**Decrease by**	**8.2%**	6.6%	**Increase by**	**9.0%**	7.2%
Salary growth rate	**0.50%**	0.7%	**Increase by**	**1.8%**	2.3%	**Decrease by**	**1.7%**	2.1%
Pension growth rate	**0.25%**	0.3%	**Increase by**	**4.7%**	5.2%	**Decrease by**	**4.4%**	5.1%
Life expectancy	**+/- 1 year**		**Increase by:**	**2.8%**	**2.5%**	**Decrease by**	**2.9%**	2.7%
Long-term increase in health care costs	**0.5%**	0.4%	**Increase by**	**5.5%**	5.2%	**Decrease by**	**4.8%**	4.3%
Claim rates	**0.5%**	0.4%	**Increase by**	**6.3%**	5.9%	**Decrease by**	**6.8%**	6.4%

HKAS19(145)(b) The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position.

HKAS19(145)(c) The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Amounts recognised in the statement of financial position

HKAS19(142) The major categories of plan assets are as follows:

	31 December 2023				31 December 2022			
	Quoted	**Un-quoted**	**Total**	**in %**	Quoted	Un-quoted	Total	in %
	HK$'000	**HK$'000**	**HK$'000**		HK$'000	HK$'000	HK$'000	
Equity instruments			**1,824**	**32%**			1,216	39%
Information technology	**502**	**-**	**502**		994	-	994	
Energy	**557**	**-**	**557**		-	-	-	
Manufacturing	**746**	**-**	**746**		194	-	194	
Other	**-**	**19**	**19**		-	28	28	
Debt instruments			**2,161**	**38%**			571	19%
Government	**916**	**-**	**916**		321	-	321	
Corporate bonds (investment grade)	**900**	**-**	**900**		99	-	99	
Corporate bonds (non-investment grade)	**68**	**277**	**345**		41	110	151	
Property			**1,047**	**18%**			943	31%
In US	**-**	**800**	**800**			697	697	
In Hong Kong	**-**	**247**	**247**		-	246	246	
Qualifying Insurance policies	**-**	**419**	**419**	**7%**	-	190	190	6%
Cash and cash equivalents	**177**	**-**	**177**	**3%**	94	-	94	3%
Investment funds	**111**	**-**	**111**	**2%**	77	-	77	2%
Total	**3,977**	**1,762**	**5,739**	**100%**	1,820	1,271	3,091	100%

HKAS19(143) The assets set out in the above table include ordinary shares issued by VALUE HKFRS Limited with a fair value of HK$530,000 (2022 – HK$410,000) and land and buildings occupied by the group with a fair value of HK$550,000 (2022 – HK$580,000).

Risk exposure

HKAS19(139)(b) Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the Hong Kong and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in FY2023 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in Hong Kong and US government securities only. The corporate bonds are global securities with an emphasis on Hong Kong and the US. However, the group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently. See below for more details on the group's asset-liability matching strategy.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risks	Some of the group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the Hong Kong plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

HKAS19(146) In the case of funded plans, the group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

The group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets in 2023 consists of equities and bonds, although the group also invests in property, bonds, cash and investment (hedge) funds. 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 Hong Kong and Europe, 30% in the US and the remainder in emerging markets.

(v) Defined benefit liability and employer contributions

HKAS19(147)(a) The group has agreed that it will aim to eliminate the pension plan deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed contribution rate is 14% of pensionable salaries in Hong Kong and 12% in the US. The next valuation is due to be completed as at 31 December 2024. 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.

HKAS19(147)(b) Expected contributions to post-employment benefit plans for the year ending 31 December 2024 are HK$1,150,000.

HKAS19(147)(c) The weighted average duration of the defined benefit obligation is 25.2 years (2022 – 25.8 years). The expected maturity analysis of undiscounted pension and post-employment medical benefits is as follows:

HKAS19(147)(c)

	Less than a year HK$'000	**Between 1 - 2 years HK$'000**	**Between 2 - 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
31 December 2023					
Defined benefit obligation	**628**	**927**	**2,004**	**21,947**	**25,506**
Post-employment medical benefits	**127**	**174**	**614**	**4,775**	**5,690**
Total	**755**	**1,101**	**2,618**	**26,722**	**31,196**
HKAS1(38) 31 December 2022					
Defined benefit obligation	314	450	1,103	12,923	14,790
Post-employment medical benefits	69	88	388	2,591	3,136
Total	383	538	1,491	15,514	17,926

Employee benefits

HKAS37(1)(c),(5)(d) 2. HKAS 37 does not generally apply to employee benefits as these are dealt with by HKAS 19 *Employee Benefits*. However, employee benefits may be classified as provisions in the statement of financial position where either the amounts or the timing of the future payments in respect of these obligations is uncertain. Alternatively, they could either be classified as other payables (where the amount and timing is certain) or, as we have done in this publication, presented as a separate line item in the statement of financial position. If the amounts recognised in relation to employee benefit obligations are material, entities should consider providing the information required by HKAS 37 regardless of how the amounts are presented.

Classification of employee benefits obligations as non-current

2. Other long-term employee benefit obligations, which are those that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the service that gives rise to the benefit, can only be classified in the statement of financial position as a non-current liability if there is no possibility the entity could be required to settle the obligation within the next 12 months. This means, for example, that where employees are entitled to take their long service leave or accrued annual leave within the next 12 months, the obligation relating to them must be recorded as a current liability even though the employees may not be expected to take the leave for a longer period.

HKAS1(69) 3. A net post-employment asset or liability will typically have a current and a non-current portion. However, the distinction between the two might be arbitrary and difficult to determine, in particular for funded post-employment plans. The net plan asset or liability is therefore generally presented as a single non-current item for funded post-employment plans. However, if a reliable distinction is possible, separate presentation of the two balances would be appropriate.

Disclosures for defined benefit obligations

HKAS19(135) 4. There is an overriding objective in HKAS 19 *Employee Benefits* that the disclosures for defined benefit plans must:
   - (a) explain the characteristics of the plans and the associated risks
   - (b) identify and explain the amounts in the financial statements arising from the plans
   - (c) describe how the plans may affect the amount, timing and uncertainty of the entity's future cash flows.

HKAS19(136)-(138) 5. Entities will need to consider on a case-by-case basis how detailed the disclosures will have to be to satisfy these objectives. Additional information or further disaggregation may be necessary in some circumstances. However, preparers should also keep in mind that materiality applies to all of the disclosures required under HKAS 19.

Reclassification

HKAS1(41) 6. Where an entity has reclassified comparative amounts because of a **"change in presentation"**, it must disclose the nature and reason for the reclassification in the notes. To illustrate this disclosure, we have assumed in this publication that VALUE HKFRS Limited has reclassified its employee obligations in the current year from provisions to a separate line item in the statement of financial position.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

7. The following requirements are not illustrated in this publication as they are either not applicable or immaterial to VALUE HKFRS Limited:

	Issue not illustrated	Relevant disclosures or references
HKAS19(140)(b)	Defined benefit plans: reimbursement rights	These will need to be separately disclosed in the reconciliation of the amounts recognised in the statement of financial position.
HKAS19(148),(149)	Multi-employer and group plans	Provide additional information as specified in HKAS 19(148) and (149).

36 Provisions for other liabilities and charges

HKAS1(77)

	2023			2022*		
	Current HK$'000	**Non-current HK$'000**	**Total HK$'000**	Current HK$'000	Non-current HK$'000	Total HK$'000
Make good provision (i)	**225**	**1,573**	**1,798**	-	1,382	1,382
Restructuring costs (i)	**900**	**-**	**900**	-	-	-
Service warranties (i)	**635**	**-**	**635**	920	-	920
Legal claim (i)	**460**	**-**	**460**	320	-	320
Contingent liability (note 43)	**477**	**-**	**477**	-	-	-
	2,697	**1,573**	**4,270**	1,240	1,382	2,622

*** Restated – see note 35(i) for further information**

Consider impact of climate change – see Appendix G

(i) Information about individual provisions and significant estimates

Make good provision

HKAS37(85)(a),(b)

VALUE HKFRS Retail Limited is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

Restructuring

HKAS37(85)(a),(b)

The reduction in output in the furniture manufacturing and wholesale division (see note 17) resulted in the loss of 155 jobs at two factories. An agreement was reached with the local union representatives in October 2023, which 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. The total estimated staff restructuring costs to be incurred are HK$1,050,000. Other direct costs attributable to the restructuring, including costs incurred in relation to the cancellation of supply contracts, are HK$327,000. These costs were fully provided for in the current reporting period. The remaining provision of HK$900,000 is expected to be fully utilised over the next 12 months.

Service warranties

HKAS37(85)(a),(b)

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year.

Legal claim

HKAS37(85)(a),(b)

In October 2023, an unfavourable judgement was handed down against the group in respect of a legal claim made by a customer of the IT consulting segment. However, after taking appropriate legal advice, the directors have decided to appeal against the decision. No payment has been made to the claimant pending outcome of the appeal. If upheld, payment of HK$860,000 will be required. The recognised provision reflects the directors' best estimate of the most likely outcome. The court of appeal is expected to consider this matter in August 2024.

See note 48.22 for the group's other accounting policies relevant to provisions.

(ii) Movements in provisions

HKAS37(84) Movements in each class of provision during the financial year are set out below:

		Make good provision HK$'000	Restructuring obligations HK$'000	Service warranties HK$'000	Contingent liability HK$'000	Legal claim HK$'000	Total HK$'000
	2023						
HKAS37(84)(a)	Carrying amount at start of year	**1,382**	**-**	**920**	**-**	**320**	**2,622**
	Acquired through business combination	**-**	**-**	**-**	**450**	**-**	**450**
HKAS37(84)(b)	Additional provision charged to plant and equipment	**350**	**-**	**-**	**-**	**-**	**350**
	Charged/(credited) to profit or loss						
HKAS37(84)(b)	- additional provisions recognised	**-**	**1,377**	**268**	**-**	**140**	**1,785**
HKAS37(84)(d)	- unused amounts reversed	**-**	**-**	**(330)**	**-**	**-**	**(330)**
HKAS37(84)(e)	- unwinding of discount	**66**	**-**	**-**	**27**	**-**	**93**
HKAS37(84)(c)	Amounts used during the year	**-**	**(477)**	**(223)**	**-**	**-**	**(700)**
HKAS37(84)(a)	Carrying amount at end of year	**1,798**	**900**	**635**	**477**	**460**	**4,270**

		Make good provision HK$'000	Restructuring obligations HK$'000	Service warranties HK$'000	Contingent liability HK$'000	Legal claim HK$'000	Total HK$'000
	2022						
HKAS37(84)(a)	Carrying amount at start of year	1,322	-	480	-	246	2,048
	Acquired through business combination	-	-	-	-	-	-
HKAS37(84)(b)	Additional provision charged to plant and equipment	-	-	-	-	-	-
	Charged/(credited) to profit or loss						
HKAS37(84)(b)	- additional provisions recognised	-	-	773	-	74	847
HKAS37(84)(d)	- unused amounts reversed	-	-	(150)	-	-	(150)
HKAS37(84)(e)	- unwinding of discount	60	-	-	-	-	60
HKAS37(84)(c)	Amounts used during the year	-	-	(183)	-	-	(183)
HKAS37(84)(a)	Carrying amount at end of year	1,382	-	920	-	320	2,622

Provisions for other liabilities and charges

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	Relevant disclosures or references
HKAS37(92)	Provisions: information omitted because disclosure would be prejudicial	Disclose that fact, the general nature of the dispute and reasons why further information is not disclosed.

37 Dividends

		2023 **HK$'000**	2022 HK$'000
	(i) Ordinary shares		
HKAS1(107)	Final dividend for the year ended 31 December 2022 of 21 cents (2021 – 10 cents) per fully paid share	**11,506**	5,455
HKAS1(107)	Interim dividend for the year ended 31 December 2023 of 20 cents (2022 – 10 cents) per fully paid share	**11,310**	5,476
	(ii) 7% non-redeemable participating preference shares		
HKAS1(107)	Annual dividend of 7% (2022 – 7%) on the face value of the shares	**107**	107
HKAS1(107)	Total dividends provided for or paid	**22,923**	11,038
	Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2023 and 2022 were as follows:		
	Paid in cash	**22,357**	10,470
HKAS7(43)	Satisfied by issue of shares	**566**	559
		22,923	11,029
	(iii) Dividends not recognised at the end of the reporting period		
HKAS1(137)(a) HKAS10(12)	In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 22 cents per fully paid ordinary share (2022 – 21 cents). The aggregate amount of the proposed dividend expected to be paid on 10 April 2024 out of retained earnings at 31 December 2023, but not recognised as a liability at year end, is	**12,782**	11,507

Dividends

Parent vs consolidated information

3. The dividends disclosed in this note are only those paid by the parent entity and do not include dividends paid by subsidiaries to non-controlling interests. HKAS 1 requires disclosure of the dividends recognised as distribution to owners during the period (paragraph 107). The term 'owners' is generally used in HKAS 1 in the context of owners of the parent entity (e.g. paragraphs 81B and 106). The focus of the financial statements is still on the parent entity shareholders and on that basis a disclosure of dividends per share is only relevant for the owners of the parent entity. This disclosure also correlates to the disclosure of the number of shares issued as required under paragraph 79 of HKAS 1. Holders of non-controlling interests will receive their dividend information from the separate financial statements of the relevant subsidiaries.

Disclosure not illustrated: not applicable to VALUE HKFRS Limited

2. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	Relevant disclosures or references
HKAS1(137)(b)	Cumulative preference dividends not recognised	Disclose amount.
HK(IFRIC)17(15)-(17)	Dividends in the form of non-cash assets	Various disclosures, see HK(IFRIC)17 and the illustrative example below for details.
HKAS1R(76ZA)(b)	Entity may have difficulties complying with covenants after the reporting date	Disclose the facts and circumstances that indicate that the entity may have difficulty complying with the covenants.

3. The following illustrative disclosure may be useful where relevant to an entity:

Difficulties complying with covenants

HKAS1R(76ZA)(b)
Early adoption of Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 – Non-current Liabilities with Covenants

Where there are indications that an entity may have difficulty complying with covenants, and that there is therefore a risk that a non-current liability may become repayable within 12 months after the reporting period, the entity might disclose something along the following lines (note that we have changed the covenant terms for these illustrative purposes):

> Under the terms of the major bank loan, which has a carrying amount of HK$35,000 (2022 – HK$37,000), the group is required to comply with the following covenants at the end of March and September each year:
>
> - the gearing ratio must be not more than 50%, and
> - the ratio of net finance cost to EBITDA must be not more than 5%.
>
> The bank loan bears interest at a variable interest rate. The group experienced a significant increase in interest costs on the loan during 2023 due to the current economic environment of high interest rates. As a result, the group's ratio of net finance costs to EBITDA at 31 December 2023 at 31 December 2023 is 6.2%. There is therefore a risk that the group will not comply with the covenants when they are tested at the end of March 2024, in which case the loan will become immediately repayable. The group is currently in negotiations with the bank to revise the covenant related to the ratio of net finance cost to EBITDA.

Non-cash dividends

HK(IFRIC)17(11),(14),(15),(16)

Where an entity distributes non-cash assets to its owners, an explanation could read as follows:

In November 2023, XYZ Plc transferred all of the shares held in its subsidiary, ABC Limited, to its parent entity as a non-cash dividend. The dividend was measured at the fair value of the subsidiary (HK$2,500,000). The difference between the fair value of the shares and their carrying amount (HK$ 1,800,000) is presented in the statement of profit or loss as other income (HK$700,000).

38 Cash flow information

(a) Cash generated from operations

HKAS7(18)(b),(20)

	Note	**2023** **HK$'000**	2022 HK$'000
Profit before income tax from			
Continuing operations		**51,086**	39,617
Discontinued operations	26	**1,111**	570
Profit before income tax including discontinued operations		**52,197**	40,187
Adjustments for			
Depreciation and amortisation	9	**12,540**	10,080
Impairment of goodwill	6	**2,410**	-
Write off of assets destroyed by fire	6	**1,210**	-
Non-cash employee benefits expense – share based payments		**2,156**	1,353
Net (gain)/loss on sale of non-current assets		**(1,620)**	530
Gain on disposal of engineering division	26	**(760)**	-
Fair value adjustment to investment property	16	**(1,350)**	(1,397)
Fair value adjustment to derivatives		**(11)**	621
Net (gain)/loss on sale of available-for-sale financial assets	20	**-**	548
Fair value (gains) on non-current financial assets at fair value through profit or loss	24	**(120)**	-
Share of profits of associates and joint ventures	12(b)	**(340)**	(355)
Gain on derecognition of contingent consideration payable	43	**(135)**	-
Gain on remeasurement of contingent consideration receivable	26	**(130)**	-
Dividend income and interest classified as investing cash flows		**(3,558)**	(4,549)
Finance costs – net	11	**5,875**	5,830
Net exchange differences		**604**	479
Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of engineering division:			
(Increase) in trade receivable		**(6,470)**	(4,647)
Decrease/(increase) in contract assets		**1,258**	(1,220)
(Increase) in inventories		**(1,340)**	(1,832)
Decrease/(Increase) in financial assets at fair value through profit or loss		**465**	(1,235)
Decrease in other operating assets		**2**	5,202
Increase/(decrease) in trade creditors		**1,339**	(6)
Increase in contract liabilities		**457**	870
Increase/(decrease) in other operating liabilities		**1,066**	(1,704)
Increase in other provisions		**1,215**	574
Cash generated from operations		**66,960**	48,781

HKAS7(43)

(b) Non-cash investing and financing activities

	2023 **HK$'000**	2022 HK$'000
Acquisition of retail store furniture and fittings from lessor as lease incentive (note 15)	**-**	950

Non-cash investing and financing activities disclosed in other notes are:

- acquisition of right-of-use assets – note 15(b)
- partial settlement of a business combination through the issue of shares – note 43
- deferred settlement of part proceeds of the sale of the engineering division – note 26
- dividends satisfied by the issue of shares under the dividend reinvestment plan – note 37, and

options and shares issued to employees under the VALUE HKFRS Employee Option Plan and employee share scheme for no cash consideration – note 31.

38(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	**2023** **HK$'000**	2022 HK$'000
Cash and cash equivalents (note 25)	**55,083**	30,299
Liquid investments (i)	**11,300**	10,915
Bank overdrafts (note 33)	**(2,650)**	(2,250)
Borrowings (excluding bank overdraft, note 33)	**(94,865)**	(82,345)
Liabilities under supplier finance arrangement (note 32)	**(520)**	(430)
Lease liabilities (note 15(b))	**(11,501)**	(11,291)
Net debt	**(43,153)**	(55,102)

		Liabilities from financing activities				**Other assets**		
HKAS7(44A)-(44E)		**Borrowings** **HK$'000**	**Supplier finance** **HK$'000**	**Leases** **HK$'000**	**Sub-total** **HK$'000**	**Cash/ bank overdraft** **HK$'000**	**Liquid invest-ments (i)** **HK$'000**	**Total** **HK$'000**
	Net debt as at 1 January 2022	(80,056)	(460)	(9,629)	(90,145)	21,573	10,370	(58,202)
HKAS7(44B)(a)	Financing cash flows	(11,911)	30	1,338	(543)	6,260	1,235	6,952
HKAS7(44B)(e)	New leases	-	-	(3,000)	(3,000)	-	-	(3,000)
HKAS7(44B)(c)	Foreign exchange adjustments	(810)	-	-	(810)	216	-	(594)
HKAS7(44B)(d)	Changes in fair values	-	-	-	-	-	(690)	(690)
HKAS7(44B)(e)	Other changes							
	Interest expense	(5,822)	-	(505)	(6,327)	(40)	-	(6,367)
	Interest payments (presented as operating cash flows)	6,254	-	505	6,759	40	-	6,799
	Net debt as at 31 December 2022	**(82,345)**	**(430)**	**(11,291)**	**(94,066)**	**28,049**	**10,915**	**(55,102)**
HKAS7(44B)(a)	Financing cash flows	(12,569)	(90)	1,942	(10,717)	24,632	(465)	13,450
HKAS7(44B)(e)	New leases	-	-	(2,152)	(2,152)	-	-	(2,152)
HKAS7(44B)(c)	Foreign exchange adjustments	(31)	-	-	(1,122)	(248)	15	(1,355)
HKAS7(44B)(d)	Changes in fair values	-	-	-	-	-	835	835
HKAS7(44B)(e)	Other changes					-	-	
	Interest expense	(6,394)	-	(527)	(6,921)	(35)	-	(6,956)
	Interest payments (presented as operating cash flows)	7,565	-	527	8,092	35	-	8,127
	Net debt as at 31 December 2023	**(94,865)**	**(520)**	**(11,501)**	**(106,886)**	**52,433**	**11,300**	**(43,153)**

(i) Liquid investments comprise current investments that are traded in an active market, being the group's financial assets held at fair value through profit or loss (see note 24).

(ii) Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flow when paid.

Cash flow information

Reconciliation to cash generated from operations

1. Entities that use the direct method for their statement of cash flows will not need to disclose a reconciliation from profit or loss to their operating cash flows. Appendix B shows the cash flow statement for VALUE HKFRS Limited prepared using the direct method.

Non-cash investing and financing activities – information to be disclosed

HKAS7(43)

2. Investing and financing transactions that do not require the use of cash or cash equivalents shall be disclosed in a way that provides all the relevant information about the investing and financing activities.

HKAS7(44)

3. Other examples of transactions or events that would require disclosure under paragraph 43 of HKAS 7 include the following:
   (a) acquisitions of assets by assuming directly related liabilities, such as purchase of a building by incurring a mortgage to the seller
   (b) conversion of debt to equity.

Net debt reconciliation

HKAS7(44A)

HKAS7(44E)

4. Entities must explain changes in their liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. While the standard does not prohibit including other assets or liabilities in the reconciliation, entities shall separately identify the changes in liabilities arising from financing activities where they have chosen to do so, as illustrated in note 38(c).

HKAS7(44D),(BC19)

5. HKAS 7 is also flexible in terms of how the information required by paragraph 44A is presented. Specifically, entities do not need to provide a reconciliation from opening to closing balances but could provide the information in other ways.

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6. However, in 2019, the IFRS Interpretations Committee (IFRS IC) published an agenda decision that identified areas on which entities should focus when preparing this disclosure. It also emphasised the need for entities to consider carefully the disclosure and disaggregation requirements in HKAS 1 and HKAS 7.
7. The agenda decision further noted that an entity which complies with the requirements in HKAS 7 by preparing a tabular reconciliation should provide the following:
   (a) A reconciliation of changes in liabilities from financing. If an entity also chooses to define, and reconcile a different 'net debt measure', this does not remove the requirement for the entity to identify and reconcile the changes in its liabilities arising from financing activities.
   (b) Separate disclosure of changes in liabilities arising from financing activities from the changes in any other assets or liabilities.
   (c) Information that enables users to link the items included in the reconciliation to the opening and closing balance in the statement of financial position.
   (d) Appropriate disaggregation, for example by presenting separately material reconciling items and not aggregating dissimilar items.
   (e) Additional disclosure, where necessary to explain the items in the reconciliation.

HKAS7(44C)

8. Changes in financial assets must be included in the disclosure if the cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. This could apply, for example, to assets that hedge liabilities arising from financing activities.

Supplier finance arrangements (SFAs)

HKAS7(43,44A)

9. As explained in the commentary on the statement of cash flows (paragraphs 7 and 8 on page 19), for the purpose of this publication we have assumed that a gross presentation of cash flows relating to supplier finance arrangements (i.e. gross operating cash outflow and financing cash inflow) is appropriate. However, this may not always be the case. Where no cash flows occurred for the entity when the financial institution settles the invoices by paying the supplier, the entity should disclose this as a non-cash financing transaction and also identify it as a non-cash change in the reconciliation of the liabilities from financing activities. For further guidance see our practical guide *Link: Financial reporting considerations for supplier finance arrangements* on Viewpoint.
10. Entities with SFAs should be mindful of the new disclosures that apply from 1 January 2024. See commentary paragraphs 6 to 9 in note 18 for further information.

39 Contingencies

(a) Contingent liabilities

The group had contingent liabilities at 31 December 2023 in respect of:

(i) Claims

HKAS37(86),(91) A claim for unspecified damages was lodged against VALUE HKFRS Retail Limited in December 2022 in relation to alleged non-performance under a sales contract. The company has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim but legal advice indicates that it is not probable that a material liability will arise.

HKAS37(86) In September 2023, a claim was lodged against VALUE HKFRS Manufacturing Limited asserting that the entity had breached certain registered patents of a competitor. The matter is currently being considered by the courts and the group expects judgement before the end of June 2024. The group considers it to be probable that the judgement will be in its favour and has therefore not recognised a provision in relation to this claim. The potential undiscounted amount of the total payments that the group could be required to make if there was an adverse decision related to the lawsuit is estimated to be approximately HK$250,000.

(ii) Associates and joint ventures

HKFRS12(23)(b) For contingent liabilities relating to associates and joint ventures see note 12(b).

(b) Contingent assets

HKAS37(89) A subsidiary has lodged a claim against a supplier for damages caused by the supply of faulty products. The matter has been referred to arbitration and, having received legal advice, the directors believe that a favourable outcome is probable. However, the contingent asset has not been recognised as a receivable at 31 December 2023 as receipt of the amount is dependent on the outcome of the arbitration process.

Contingent liabilities and contingent assets

Definitions

HKAS37(10) *Application of definitions*

11. Careful consideration will need to be given to each potential contingent liability or asset. For example, in the case of an entity that has:
    (a) incurred liabilities in acting as trustee for a trust: if the liabilities of the trust are insignificant compared to the assets in the trust and the chances of the trustee being called to meet those liabilities is remote, no contingent liability and asset disclosures will need to be made. It is likely that it will be possible to demonstrate remoteness where the entity is acting as trustee for an equity trust that has no borrowings and holds investments that can be readily sold to meet any liabilities that do arise. Remoteness is unlikely to be demonstrated where an entity acts as trustee for a trust that is carrying on a business and the trustee is incurring liabilities and undertaking the risks relating to the business
    (b) provided a guarantee or indemnity to another party: it will be more difficult to demonstrate the probability of having to meet the potential liabilities as being remote because there are likely to be commercial risks which gave rise to the need for the guarantee or indemnity.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

2. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	Relevant disclosures or references
HKAS37(88)	Provisions and contingent liabilities arising from the same set of circumstances	Make the required disclosures in such a way that the link between the provision and the contingent liability is clear.
HKAS37(91)	Information cannot be disclosed because it is not practicable to do so	Disclose the fact.
HKAS37(92)	Disclosure of information can be expected to seriously prejudice the position of the entity	Disclose the general nature of the dispute together with the fact that, and the reasons why, the information has not been disclosed.
HKAS19(152)	Contingent liabilities arising from post-employment benefit plans	Provide information about these contingent liabilities where required by HKAS 37.

40 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

		2023	2022
		HK$'000	HK$'000
HKAS16(74)(c)	Property, plant and equipment	**4,200**	800
HKAS40(75)(h)	Investment property	**520**	1,250
HKAS38(122)(e)	Intangible assets	**450**	-

Fernwood Partnership

HKFRS12(23)(a) The above commitments include capital expenditure commitments of HK$500,000 (2022 – nil) relating to the Fernwood Partnership (see note 12(b)).

(b) Repairs and maintenance: investment property

		2023	2022
		HK$'000	HK$'000
HKAS40(75)(h)	Contractual obligation for future repairs and maintenance – not recognised as a liability	**540**	389

41 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

			2023	2022
		Notes	**HK$'000**	HK$'000
	Current			
	Transferred receivables		**3,250**	-
	Floating charge			
HKFRS7(14)(a)	Cash and cash equivalents	25	**24,678**	11,154
HKFRS7(14)(a)	Receivables	22	**10,410**	6,542
HKFRS7(14)(a)	Financial assets at fair value through profit or loss	24	**11,300**	10,915
HKFRS7(14)(a)	Derivative financial instruments	21	**1,088**	640
	Total current assets pledged as security		**50,726**	29,251
	Non-current			
	First mortgage			
HKAS16(74)(a)	Freehold land and buildings	15	**24,950**	23,640
HKAS40(75)(g)	Investment properties	16	**13,300**	10,050
			38,250	33,690
	Floating charge			
HKFRS7(14)(a)	Financial assets at amortised cost	19	**2,700**	700
HKFRS7(14)(a)	Financial assets at fair value thorough other comprehensive income	20	**6,782**	7,148
HKFRS7(14)(a)	Financial assets at fair value through profit or loss	24	**1,200**	-
HKFRS7(14)(a)	Derivative financial instruments	21	**308**	712
HKAS16(74)(a)	Plant and equipment	15	**6,150**	4,100
			17,140	12,660
	Total non-current assets pledged as security		**55,390**	46,350
	Total assets pledged as security		**106,116**	75,601

Restrictions and covenants imposed under leasing agreements over right-of-use assets are disclosed in note 15(b).

42 Transactions with non-controlling interests

HKFRS12(10)(b)(iii),(18) On 21 October 2023, the group acquired an additional 5% of the issued shares of VALUE HKFRS Manufacturing Limited for HK$1,500,000. Immediately prior to the purchase, the carrying amount of the existing 15% non-controlling interest in VALUE HKFRS Manufacturing Limited was HK$3,501,000. The group recognised a decrease in non-controlling interests of HK$1,167,000 and a decrease in equity attributable to owners of the parent of HK$333,000. The effect on the equity attributable to the owners of VALUE HKFRS Limited during the year is summarised as follows:

	2023 **HK$'000**	2022 HK$'000
Carrying amount of non-controlling interests acquired	**1,167**	-
Consideration paid to non-controlling interests	**(1,500)**	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(333)**	-

There were no transactions with non-controlling interests in 2022.

43 Business combination

(a) Summary of acquisition

HKFRS3(B64)(a)-(d) On 1 April 2023 VALUE HKFRS Limited acquired 70% of the issued share capital of VALUE HKFRS Electronics Group, a manufacturer of electronic equipment. The acquisition has significantly increased the group's market share in this industry and complements the group's existing IT consultancy division.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

		HK$'000
HKFRS3(B64)(f)	Purchase consideration (refer to (b) below):	
	Cash paid	**3,000**
	Ordinary shares issued	**9,765**
	Contingent consideration	**135**
HKAS7(40)(a)	Total purchase consideration	**12,900**

HKFRS3(B64)(f)(iv),(m) The fair value of the 1,698,000 shares issued as part of the consideration paid for VALUE HKFRS Electronics Group (HK$9.765m) was based on the published share price on 1 April 2023 of HK$5.78 per share. Issue costs of HK$50,000 which were directly attributable to the issue of the shares have been netted against the deemed proceeds.

HKFRS3(B64)(i)
HKAS7(40)(d) The assets and liabilities recognised as a result of the acquisition are as follows:

		Fair value **HK$'000**
	Cash	**1,550**
	Trade receivables	**780**
	Inventories	**1,140**
	Land and buildings	**4,200**
	Plant and equipment	**7,610**
	Deferred tax asset	**2,359**
	Intangible assets: trademarks	**3,020**
	Intangible assets: customer contracts	**3,180**
	Trade payables	**(470)**
	Contract liabilities – consulting contracts	**(300)**
	Bank overdraft	**(1,150)**
	Contingent liability	**(450)**
	Deferred tax liability	**(2,304)**
	Post-employment benefit obligations	**(1,914)**
	Other employee benefit obligations	**(415)**
	Net identifiable assets acquired	**16,836**
HKFRS3(B64)(o)(i)	Less: non-controlling interests	**(5,051)**
	Add: goodwill	**1,115**
	Net assets acquired	**12,900**

HKFRS3(B64)(e),(k) The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

HKAS1(38) There were no acquisitions in the year ending 31 December 2022.

HKFRS3(B64)(h) *(i) Acquired receivables*

The fair value of acquired trade receivables is HK$780,000. The gross contractual amount for trade receivables due is HK$807,000, with a loss allowance of HK$27,000 recognised on acquisition.

(ii) Accounting policy choice for non-controlling interests

HKFRS3(B64)(o)(i) The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in VALUE HKFRS Electronics Group, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 48.2 for the group's accounting policies for business combinations.

(iii) Revenue and profit contribution

HKFRS3(B64)(q) The acquired business contributed revenues of HK$3,850,000 and net profit of HK$1,405,000 to the group for the period from 1 April to 31 December 2023.

If the acquisition had occurred on 1 January 2023, consolidated pro-forma[2] revenue and profit for the year ended 31 December 2023 would have been HK$212,030,000 and HK$38,070,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- 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 2023, together with the consequential tax effects.

(b) Purchase consideration – cash outflow

		2023 **HK$'000**	2022 HK$'000
	Outflow of cash to acquire subsidiary, net of cash acquired		
HKAS7(40)(b)	Cash consideration	**3,000**	-
HKAS7(40)(c)	Less: Balances acquired		
	Cash	**1,550**	-
	Bank overdraft	**(1,150)**	-
		400	-
	Net outflow of cash – investing activities	**2,600**	-

Acquisition-related costs

HKFRS3(B64)(m) Acquisition-related costs of HK$750,000 that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

Business combination

Comparatives

HKAS1(38)

12. Under HKAS 1, comparative information must be given for all numerical information reported in the financial statements, including narratives. However, HKFRS 3 does not separately require comparative information in respect of business combinations. In our view, the HKFRS 3 disclosures are required only for business combinations occurring during the period. This means that in the period following the combination, the disclosures required in paragraph B64 of HKFRS 3 do not need to be repeated. However, the disclosures that are required in relation to a prior business combination in paragraph B67 of HKFRS 3 must be made.

13. The information on combined revenue and profit do not represent actual results for the year and is therefore labelled as pro-forma.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

Additional disclosures

14. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	**Relevant disclosures or references**
HKFRS3(B64)(g)	The entity has recognised an indemnification asset	Disclose the amount recognised on acquisition, a description of the arrangement and the basis for determining the amount of the payment, and information about the range of outcomes as specified in HKFRS 3.
HKFRS3(B64)(l),(52)	Transactions that are recognised separately from the business combination	Disclose a description of the transaction and how it was accounted for, the amounts recognised and other information as specified in HKFRS 3.
HKFRS3(B64)(n)	The entity has made a bargain purchase	Disclose the gain recognised and explain why the transaction resulted in a gain.
HKFRS3(B64)(p)	The business combination was achieved in stages	Disclose the acquisition-date FV of the equity interest held immediately before the acquisition and the gain or loss recognised as a result of remeasuring the equity interest to fair value.
HKFRS3(B67)(a)	The initial accounting for the business combination is incomplete	Explain why the initial accounting is incomplete, which items are affected and any adjustments recognised during the reporting period.
HKFRS3(B67)(e)	The entity has recognised a gain or loss in the current reporting period relating to identifiable assets acquired or liabilities assumed in a business combination from the current or a prior period	Disclose the amount and provide an explanation of the gain or loss.
HKFRS3(63)	The objectives of HKFRS 3 are not satisfied with the required disclosures	Provide additional explanations as necessary.

44 Related party transactions

(a) Parent entities

HKAS1(138)(c)

The group is controlled by the following entities:

HKAS24(13), HKAS1(138)(c)

HKAS24(13)
HKAS1(138)(c)
4Sch.p1.3
A28(1)(b)(iii)
GEM18.07A(1)(b)(iii)

			Ownership interest	
Name	**Type**	**Place of incorporation**	**2023**	2022
Lion (Hong Kong) Limited	Immediate parent entity	Hong Kong	**60%**	**63.7%**
Lion AG	Ultimate parent entity# and controlling party	Germany	**60% ***	**63.7% ***

* Lion AG holds 100% of the issued ordinary shares of Lion (Hong Kong) Limited.

Refer to instruction note # in Note 1 “General Information” for disclosure of “ultimate parent undertaking”

(b) Subsidiaries

Interests in subsidiaries are set out in note 12(a).

(c) Key management personnel compensation

HKAS24(17)

		2023 HK$’000	2022 HK$’000
HKAS24(17)(a)	Short-term employee benefits	**2,333**	2,103
HKAS24(17)(b)	Post-employment benefits	**180**	161
HKAS24(17)(c)	Long-term benefits	**39**	33
HKAS24(17)(d)	Termination benefits	**115**	-
HKAS24(17)(e)	Share-based payments	**705**	548
		3,372	2,845

HKAS24(18)(b)
Revised illustration

The short-term benefits disclosed above include HK$354,000 (2023 – HK$296,000) of bonuses payable under a short-term incentive scheme which were unpaid as at year end and are included in other payables. In addition, the leave obligations disclosed in note 35(i) include HK$234,000 (2022 – HK$56,000) and the defined pension benefits disclosed in note 35 (ii) include HK$534,000 (2022 – HK$585,000) of obligations payable to the key management personnel (KMP). The share-based payments provided to KMP consist of options and deferred shares which are both equity-settled, see note 31(a) and 31(b).

Detailed remuneration disclosures are provided in the remuneration report on pages [x] to [y].

HKAS24(18)(b)

In addition to the above, the group is committed to pay the CEO and the CFO up to HK$250,000 in the event of a change in control of the group.

(d) Transactions with other related parties

HKAS24(18)
HKAS24(18)(a)

The following transactions occurred with related parties:

		2023 HK$’000	2022 HK$’000
	Sales and purchases of goods and services		
HKAS24(19)(d)	Sale of goods to associates	**125**	-
HKAS24(19)(a)	Purchase of management services from parent	**450**	370
HKAS24(19)(g)	Purchases of electronic equipment from other related parties	**182**	78
HKAS24(19)(f)	Purchases of various goods and services from entities controlled by key management personnel (i)	**764**	576
	Dividend revenue		
HKAS24(19)(g)	Other related parties	**150**	300
	Superannuation contributions		
HKAS24(19)(g)	Contributions to superannuation funds on behalf of employees *	**3,719**	3,287

* see note 35 for information about VALUE HKFRS Limited shares held by the group’s defined benefit plan and property owned by the plan that is occupied by the group.

		2023 HK$’000	2022 HK$’000
	Other transactions		
HKAS24(19)(a)	Dividends paid to Hong Kong parent entity	**13,690**	6,963
HKAS24(19)(a)	Final call on partly paid ordinary shares paid by Hong Kong parent entity (note 27)	**840**	-

HKAS24(19)(a)	Subscriptions for new ordinary shares by Hong Kong parent entity (note 27)	**4,626**	-
HKAS24(19)(f)	Subscription for new ordinary shares by key management personnel as a result of the rights issue (note 27)	**118**	-

(i) Purchases from entities controlled by key management personnel

HKAS24(18) The group acquired the following goods and services from entities that are controlled by members of the group's key management personnel:

- construction of a warehouse building
- rental of an office building, and
- legal services.

(e) Outstanding balances arising from sales/purchases of goods and services

HKAS24(18)(b) The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

		2023 **HK$'000**	2022 HK$'000
	Current payables (purchases of goods and services)		
HKAS24(19)(a)	Lion (Hong Kong) Limited (parent entity)	**58**	73
HKAS24(19)(f)	Entities controlled by key management personnel	**196**	91
HKAS24(19)(g)	Other related parties	**265**	94

(f) Loans to/from related parties

HKAS24(19)(f)	*Loans to key management personnel*		
HKAS24(18)(b), 4Sch.p1.1, A28(1)(b)(i), GEM18.07A(1)(b)(i)	Beginning of the year	**604**	502
HKAS24(18)(a)	Loans advanced	**220**	150
HKAS24(18)(a)	Loan repayments received	**(109)**	(46)
HKAS24(18)(a)	Interest charged	**57**	41
HKAS24(18)(a)	Interest received	**(57)**	(41)
	Loss allowance (see note 3.1)	**(1)**	(2)
HKAS24(18)(b), 4Sch.p1.1, A28(1)(b)(i), GEM18.07A(1)(b)(i)	End of year	**714**	604
HKAS24(19)(g)	*Loans to other related parties*		
HKAS24(18)(b)	Beginning of the year	**698**	600
HKAS24(18)(a)	Loans advanced	**1,000**	600
HKAS24(18)(a)	Loan repayments received	**(400)**	(500)
HKAS24(18)(a)	Interest charged	**81**	62
HKAS24(18)(a)	Interest received	**(81)**	(62)
	Loss allowance (see note 3.1)	**(2)**	(2)
HKAS24(18)(b)	End of year	**1,296**	698
HKAS24(19)(a)	*Loans from Lion (Hong Kong) Limited (parent entity)*		
HKAS24(18)(b)	Beginning of the year	**4,000**	-
HKAS24(18)(a)	Loans advanced	**7,150**	4,100
HKAS24(18)(a)	Loan repayments made	**(2,050)**	(100)
HKAS24(18)(a)	Interest charged	**185**	104
HKAS24(18)(a)	Interest paid	**(185)**	(104)
HKAS24(18)(b)	End of year	**9,100**	4,000

(f) Loans to/from related parties

		2023 HK$'000	2022 HK$'000
HKAS24(19)(d)	*Loans from associates*		
HKAS24(18)(b)	Beginning of the year	**-**	-
HKAS24(18)(a)	Loans advanced	**6,285**	800
HKAS24(18)(a)	Loan repayments made	**(200)**	(800)
HKAS24(18)(a)	Interest charged	**245**	84
HKAS24(18)(a)	Interest paid	**(245)**	(84)
HKAS24(18)(b)	End of year	**6,085**	-

HKAS24(18)(c),(d) A small allowance of HK$2,000 (2022 – HK$2,000) was recognised in relation to loans to related parties during the year, and the loss allowance on loans to key management personnel was increased by HK$1,000 (2022 – HK$1,000), see note 3.1 for further information.

(g) Terms and conditions

HKAS24(18)(b)(i) Transactions relating to dividends, calls on partly paid ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

The loans to key management personnel are generally for periods of ten years repayable in quarterly instalments at interest rates of 5% per annum. They are secured by first mortgages over the individuals' residences. One unsecured loan of HK$60,000 was made to a director of VALUE HKFRS Limited for a period of two years with an interest rate of 8% per annum. This loan is repayable in full on 30 March 2024.

Goods were sold to associates during the year based on the price lists in force and terms that would be available to third parties. Management services were bought from the immediate parent entity on a cost-plus basis, allowing a margin ranging from 15% to 30% (2022 – 10% to 24%). All other transactions were made on normal commercial terms and conditions and market rates. The loans to other related parties are repayable between 2 to 4 years from the reporting dates, the loans from the associates mature in 3 years and the loans from the parent entity are repayable in instalments from 2028. The average interest rate on the other loans during the year was 9.5% (2022 – 9.75%).

HKAS24(18)(b)(i) Outstanding balances other than loans to key management personnel are unsecured and are repayable in cash.

Requirements under Listing Rules

MB14A.72
GEM20.70

Under the Listing Rules, when the listed issuer discloses in its annual report information of any related party transaction under the accounting standards for preparing its financial statements, it **must specify** whether the related party transaction is a connected transaction under Chapter 14A of the Listing Rules and whether it has complied with the requirements in Chapter 14A of the Listing Rules. Such information **should be disclosed** in the annual report. Please refer to Appendix A – "Report of the Directors – connected transaction" for sample disclosures.

Related party transactions

Presentation

15. All of the related party information required by HKAS 24 that is relevant to VALUE HKFRS Limited has been presented, or referred to, in one note. This is considered to be a convenient and desirable method of presentation, but there is no requirement to present the information in this manner. Compliance with the standard could also be achieved by disclosing the information in relevant notes throughout the financial statements.

Materiality

HKAS1(7)

16. The disclosures required by HKAS 24 apply to the financial statements when the information is material. According to HKAS 1 *Presentation of Financial Statements,* materiality depends on the size and nature of an item. It may be necessary to treat an item or a group of items as material because of their nature, even if they would not be judged material on the basis of the amounts involved. This may apply when transactions occur between an entity and parties who have a fiduciary responsibility in relation to that entity, such as those transactions between the entity and its key management personnel.

Key management personnel (KMP) compensation

17. While the disclosures under HKAS 24 paragraph 17 are subject to materiality, this must be determined based on both quantitative and qualitative factors. In our view, it will not be appropriate to omit the aggregate compensation disclosures based on materiality.

Related party transactions

18. Whether it is necessary to disclose additional information about KMP compensation and amounts such as outstanding leave balances, unpaid salaries, bonuses or pension obligations to satisfy the requirements in paragraph 18 of HKAS 24 will depend on the individual circumstances and on the materiality of the amounts involved – from both a quantitative and a qualitative point of view. Disclosure will more likely be required if there are unusual circumstances associated with those payments and balances, such as special bonuses provided to KMPs only, unusual payment terms or unusually large unpaid amounts.

Related party definition

HKAS24(9)
HKAS24(IE4)-(IE26)

19. The definition of a related party includes the following persons and entities:

(a) A person (or a close member of that person's family) is related to the reporting entity if the person:
  (i) has control or joint control over the reporting entity
  (ii) has significant influence over the reporting entity, or
  (iii) is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

(b) The reporting entity (A) is related to another entity (B) if:
  (i) A and B are members of the same group (that is all entities within a group are related to each other)
  (ii) A is an associate or joint venture of B. In this case A is related to all members of the group that B belongs to
  (iii) A and B are joint ventures of the same third party, C
  (iv) A is a joint venture of C and B is an associate of C (or vice versa)
  (v) B is a post-employment benefit plan for the benefit of employees of A or an entity related to A. If A is itself a post-employment benefit plan, any sponsoring employers are also related to A
  (vi) B is controlled or jointly controlled by a person identified in (a) above
  (vii) a person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B, or
  (viii) B (or any member of the group of which B is a part) provides key management personnel services to A or A's parent.

HKAS24(12)

In this definition, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Post-employment benefit plans

HKAS24(9)(b)(v)
HKAS19(151)

20. Post-employment benefit plans for the benefit of employees of the entity, or of any entity that is a related party of the entity, are related parties under the definition in HKAS 24 paragraph 9. This means that contributions made to such plans by the entity or any other entity in the consolidated group must be disclosed as a related party transaction, regardless of whether the plans are defined contribution or defined benefit plans. However, industry-wide and state pension schemes that are not exclusively for the benefit of the entity's employees, or for the benefit of employees of the entity's related parties, would generally not be regarded as related parties of the entity. Similarly, where employees have a choice of selecting a post-employment benefit plan into which the entity will make contributions and the plan is otherwise unrelated to the reporting entity it would not become a related party merely because of the employees' membership.

Transactions with related parties

HKAS24(9),(21)
HKAS37(3)

21. Related party transactions are transfers of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. They include commitments to do something if a particular event occurs (or does not occur) in the future and executory contracts (recognised or unrecognised). As per HKAS 37, executory contracts are contracts under which neither party has performed any of its obligations, or both parties have partially performed their obligations to an equal extent.

Comparatives

HKAS1(38)

22. HKAS 24 is silent on comparatives. Under HKAS 1 comparative information must be provided for all amounts reported in the financial statements, except when a standard provides otherwise, which is not the case with HKAS 24. As the notes are part of the financial statements (see HKAS 1(10)), comparative information should be included for all amounts that provide further analysis of the line items in the financial statements.

Related party transactions

23. HKAS 1 further states that comparative information should also be provided for narrative and descriptive information where it is relevant to an understanding of the current period's financial statements. In the case of related party disclosures, comparative information is likely to be relevant for all narrative and descriptive information. The comparative information should disclose transactions with parties that were related at the time the transaction took place, but need not include information about transactions with parties that were unrelated at that time.

Requirements under Companies Ordinance

4Sch.p1.3
A28(1)(b)(iii)
GEM18.07A(1)(b)(iii)

24. HKCO requires disclosure of the name of the 'ultimate parent undertaking'. The term 'undertaking' as defined in the paragraph 1 of Schedule 1 of the HKCO (Cap. 622), 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 paragraph 3 of Part 1 of Schedule 4 of HKCO (Cap. 622) and HKAS 24 are similar, it should be noted that where the ultimate parent undertaking controlled by an individual, additional disclosure will be required to meet both the requirements of the HKCO (Cap. 622) and HKAS 24.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

25. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	Relevant disclosures or references
HKAS24(18)(b)	Commitments to related parties, including committed future purchases or sales	Disclose amount of commitments as at the end of the reporting period, including terms and conditions.
HKAS24(18),(18A)	Key management personnel (KMP) services are provided by a separate management entity	Disclose fee paid to the management entity for the KMP services and any other transactions with that entity.
HKAS24(21)(g)	Guarantees given or received in relation to outstanding balances due to/from related parties	Disclose the details of the guarantees.
HKAS24(25)-(27)	The entity applies the exemption for government related entities.	Provide the information required by paragraph 25 – 27 of HKAS 24.
	An investment entity is exempt from consolidating certain subsidiaries and measures them at fair value through profit or loss instead.	Disclose any transactions and outstanding balances with those subsidiaries, as they are not eliminated on consolidation.

45 Events occurring after the reporting period

(a) Business combination

HKAS10(21)(a),(b) HKFRS3(59)(b) HKFRS3(B64),(B66) On 15 February 2024, VALUE HKFRS Limited acquired 87.5% of the issued shares in Better Office Furnishings Limited, a manufacturer of office furniture and equipment, for consideration of HK$12,030,000. The acquisition is expected to increase the group's market share and reduce cost through economies of scale. The financial effects of this transaction have not been recognised at 31 December 2023. The operating results and assets and liabilities of the acquired company will be consolidated from 15 February 2024.

(i) Purchase consideration and fair value of net assets acquired

HKFRS3(B64)(f) Details of the consideration transferred are:

	HK$'000
Purchase consideration	
Cash paid	**11,750**
Contingent consideration	**280**
Total purchase consideration	**12,030**

HKFRS3(B64)(i) The provisionally determined fair values of the assets and liabilities of Better Office Furnishings Limited as at the date of acquisition are as follows:

	Fair value HK$'000
Cash and cash equivalents	**575**
Property, plant and equipment	**12,095**
Intangible assets: customer list	**2,285**
Intangible assets: customer contracts	**1,180**
Inventories	**1,010**
Receivables	**685**
Payables	**(2,380)**
Employee benefit obligations	**(230)**
Borrowings	**(3,250)**
Net deferred tax assets	**420**
Net identifiable assets acquired	**12,390**
Less: non-controlling interests	**(1,720)**
Add: goodwill	**1,360**
Net assets acquired	**12,030**

(a) Business combination (Continued)

HKFRS3(B64)(e),(k) The goodwill is attributable to Better Office Furnishings Limited's strong position and profitability in trading in the office furniture and equipment market and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

(ii) Contingent consideration

HKFRS3(B64)(g) The contingent consideration arrangement requires the group to pay the former owners of Better Office Furnishings Limited 5% of the profit of Better Office Furnishings Limited, in excess of HK$4,000,000 for the year ending 31 December 2024, up to a maximum undiscounted amount of HK$800,000.

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$800,000. The fair value of the contingent consideration arrangement of HK$280,000 has been estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 8% and assumed probability-adjusted profit in Better Office Furnishings Limited of HK$4,400,000 to HK$4,800,000.

(iii) Acquisition-related costs

HKFRS3(B64)(m) Acquisition-related costs of HK$750,000 will be included in administrative expenses in profit or loss in the reporting period ending 31 December 2024.

(iv) Non-controlling interest

HKFRS3(B64)(o) The group has chosen to recognise the non-controlling interest at its fair value for this acquisition. The fair value of the non-controlling interest in Better Office Furnishings Limited, 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 Better Office Furnishings Limited, 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 Better Office Furnishing Limited.

(v) Information not disclosed as not yet available

HKFRS3(B66) At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Better Office Furnishings Limited. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

(b) Associates

HKAS10(21) 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 2023.

Details of net assets acquired and goodwill are as follows:

	On acquisition **HK$'000**
Purchase consideration:	
– 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**
Contractual customer relationships	380
Property, plant and equipment	3,200
Inventory	500
Cash	220
Trade creditors	(420)
Borrowings	(1,880)
Net asset acquired	**2,000**

(c) Equity transactions

HKAS10(21)
HKAS33(71(e))
HKAS10(22(f))

On 1 January 2024, options on 1,200 shares 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 2025).

(d) Refinancing of borrowing

HKAS10(21) At the beginning of February 2024, the group renegotiated its existing loan facility to finance the construction of the new production plant for the electronic equipment division. The total available amount under the facility was increased by HK$20,000,000, which is expected to be drawn down over the next 12 months. The facility is now repayable in three annual instalments, commencing 1 June 2029. The refinancing resulted in the recognition of a modification gain of HK$80,000 which will be recognised in profit or loss in the 2024 financial year.

(e) Other events

HKAS10(21) See note 37 for the final dividend recommended by the directors, to be paid on 10 April 2024.

Events occurring after the reporting period

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

1. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	**Relevant disclosures or references**
HKAS10(21),(22)(c) HKFRS3(B64)	Business combination disclosures	Information about acquired receivables, recognised or unrecognised contingent liabilities, equity instruments issued or issuable, transactions that are recognised separately from the business combination, a bargain purchase and business combinations achieved in stages.
HKAS10(21),(22)(c) HKFRS5(12),(41)(a),(b),(d)	Discontinued operations or assets held for sale where the criteria as held for sale were met after the end of the reporting period	Provide a description of the non-current asset or disposal group, the facts and circumstances and expected timing of the sale or disposal and the reportable segment in which the asset(s) are presented (where applicable).
HKAS1(76)	Events that occurred after the reporting date and which would have affected the classification of a loan as current if they had occurred before the end of the reporting period	The following events may require disclosures: - refinancing on a long-term basis - rectification of a breach of a long-term agreement, and - the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least 12 months after the reporting period.

46 Statement of financial position and reserve movement of the Company

4Sch.p1.2(1)(a), 4Sch.p1.2(3), A28(1)(b)(ii), GEM18.07A(1)(b)(ii)

Statement of financial position of the Company

		Note	As at 31 December 2023 HK$'000	2022 HK$'000
HKAS1(10)(a), (54), (113), (38) A2, A4(2), GEM18.07, GEM18.50B(2)	**Assets**			
HKAS1(60), (66)	**Non-current assets**			
	Investments in subsidiaries			
HKFRS7(8)(c)	Loans to subsidiaries			
HKAS1(60), (66)	**Current assets**			
HKAS1(54)(i), HKFRS7(8)	Cash and cash equivalents			
	Total assets			
	Equity and liabilities			
HKAS1(54)(r)	**Equity attributable to owners of the company**			
HKAS1(78)(e)	Share capital			
HKAS1(78)(e), (55)	Shares held for employee share scheme	(Note (a))		
HKAS1(78)(e)	Other reserves	(Note (b))		
HKAS1(78)(e), (55)	Retained earnings	(Note (b))		
	Total equity			
	Liabilities			
HKAS1(60), (69)	**Non-current liabilities**			
HKAS1(54)(m), HKFRS7(8)(f)	Borrowings			
HKAS1(54)(o), (56)	Deferred income tax liabilities			
	Total liabilities			
	Total equity and liabilities			

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The statement of financial position of the Company was approved by the Board of Directors on [DATE] and was signed on its behalf:

[Name of Director] [Name of Director]

4Sch.p1.2(1), 4Sch.p1.2(2),

Commentary – For Hong Kong incorporated companies

Section 387 of the CO states that the directors must sign a statement of financial position that "forms part of any financial statements". As Schedule 4 to the CO requires the company level statement of financial position of the holding company to be included in the notes to its consolidated financial statements, it follows that this is a statement of financial position that falls under the scope of section 387. It must therefore be approved by the directors and signed on their behalf by 2 directors, or in the case of a company having only one director, by that director, despite the fact that the directors have already approved the entire set of consolidated financial statements (which includes notes to the consolidated financial statements) by signing on the consolidated statement of financial position.

Note (a) Shares held for employee share scheme

Please refer to note 48.15 for the Group's accounting policy on shares held for employee share scheme.

Note (b) Reserve movement of the Company

4Sch.p1.2(1)(b) A28(1)(b)(ii) GEM(1)(b)(ii)		**Retained earnings HK$'000**	**Other reserves HK$'000**
HKAS1(106)(d)	At 1 January 2022		
	Profit for the year		
HKAS1(106)(d)	Dividends		
HKFRS2(50)	Value of employee services		
	At 31 December 2022		
HKAS1(106)(d)	At 1 January 2023		
	Profit for the year		
HKAS1(106)(d)	Dividends		
HKFRS2(50)	Employee share schemes - value of employee services		
HKFRS2(50)	Issue of shares under employee share scheme		
HKAS1(97)(a)	Buy-back of preference shares		
HKAS32(28)	Value of conversion rights on convertible note		
HKAS12(61A)	Deferred tax liability on conversion rights		
	At 31 December 2023		

Statement of financial position and reserve movement of the Company

4Sch.p.1.2, A28(1)(b)(ii), GEM18.07A(1)(b)(ii)

1. The holding company's statement of financial position is no longer required to be presented as one of the primary financial statements. Paragraph 2(1)(a)&(b) of part 1 of Schedule 4 requires the holding company's statement of financial position and reserve movements to be contained in the notes to annual financial statements for the financial year, Paragraph 2(2) of part 1 of Schedule 4 specifies that the holding company's statement of financial position to be contained in the notes to the annual consolidated financial statements for a financial year is not required to contain any notes.

HKAS27(38A)
HKAS36(12)(h)

2. An investor is required to recognise dividends received from a subsidiary, joint venture or associate in its separate financial statements as income. The receipt of a dividend from a subsidiary, joint venture 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, joint venture or associate in the period that the dividend is declared.
3. Except for the note disclosing the movement of the holding company's reserves, the statement of financial position of the holding company is not required to contain any other notes.
4. There are Q&As issued by the Hong Kong Companies Registry and the Hong Kong institute of Certified Public Accountants for frequently asked questions relating to holding company's statement of financial position. See Alerts A40/14 and A31/15.

47 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

Commentary – Meaning of "company", "director", "subsidiary undertakings" and "person" in the Companies (Disclosure of Information about Benefits of Directors) Regulation (C(DIBD)R or Cap. 622G)

1. The C(DIBD)R sets out explicit disclosure requirements relating to directors' benefits which should be interpreted literally. In these requirements, the reference to "the company" refers to the company preparing the financial statements and references to "director" should be construed as references to a director of that company only. There is no requirement to extend these disclosures to directors of subsidiary undertakings of the company unless explicitly required to do so by the C(DIBD)R, even if the company is preparing consolidated financial statements.

   The particulars of any directors' benefits provided by a subsidiary undertaking of the company for a person who at any time during the financial year was a director of the company must be contained in the notes to the financial statements of the company for a financial year.

2. The definition of parent undertaking and subsidiary undertakings under C(DIBD)R has the same meaning as in Part 9 of the HKCO (Cap.622).

   - The C(DIBD)R also widens the definition of "subsidiary undertakings" for the purpose of Part 2 of the C(DIBD)R (directors' remuneration disclosure) to include any other undertaking to which a director of a company has been nominated by their company (whether direct or indirect) as a director of that other undertaking (section 3 (4)(a)). An example is a director of a company who is appointed as a director of an associate.

   - Where a company has to include in its directors' emoluments disclosures those emoluments paid to a director from a non-controlled subsidiary or other undertaking, the company should include an explanation for the reason and the difference in terminologies used by the Companies Ordinance and HKFRSs.

3. Directors remuneration must include all relevant sums paid by or receivable from the company, its subsidiary undertakings and any other person (section 10(1) of the C(DIBD)R). Section 3 of the Interpretation and General Clauses Ordinance Cap.1 defines "person" to include any body of persons, corporate or unincorporate. "Any other person" therefore includes the company's holding or parent companies or undertakings or ultimate controlling party, fellow subsidiaries, associates, joint ventures or in fact any other company, body corporate, partnership, trust or individuals.

   A payment to or receivable by a director includes: -
   (a) a payment to or receivable by a connected entity of the director;
   (b) a payment to a person made or to be made at the direction of, or for the benefit of, the director or a connected entity of the director (section 10(2) of the C (DIBD)R).

   A reference to a payment by a person includes a payment by another person made at the direction of, or on behalf of, the person (section 10(3) of the C (DIBD)R).

A24(1)-(6) GEM18.28(1)-(6)
S383(1)(a)
622G4
A28(1)(a), (c)

(A) Directors'[5] and chief executive's[2] emoluments[1]

The remuneration[1] of every director[5] and the chief executive[2] is set out below **[For listed companies only]**:

For the year ended 31 December 2023:

Name	Fees 622G4(6)(a)(i)	Salary 622G4(6)(a)(i) (Note (a))	Discretionary bonuses 622G4(6)(a)(i),3 (Note (g))	Allowances and benefits in kind 622G4(5), (6)(a)(iv) (Note (b))	Employer's contribution to a retirement benefit scheme 622G4(6)(a)(iii),4	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking 622G4(3)(b) (Note (h))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman							
Mr. C	150	-	-	-	-	-	150
Executive directors							
Mr. A	40	400	-	-	20	-	460
Mr. B (Note(f))	75	3,000	1,000	125	150	200	4,550
Mr. D (Note(c))	40	1,250	-	155	63	-	1,508
Mr. F(Note (e))	75	1,500	200	100	75	-	1,950
Independent nor executive directors							
Mr. E	100	-	-	-	-	-	100
Mr. G	100	-	-	-	-	-	100
Mr. H (Note (d))	100	-	-	-	-	-	100
Chief executive[2]							
Mr. I	-	4,800	2,000	200	240	-	7,240
Total	680	10,950	3,200	580	548	200	16,158

For the year ended 31 December 2022:

Name	Fees 622G4(6)(a)(i) HK$'000	Salary 622G4(6)(a)(i) (Note (a)) HK$'000	Discretionary bonuses 622G4(6)(a)(i),3 (Note (g)) HK$'000	Allowances and benefits in kind 622G4(5), (6)(a)(iv) (Note (b)) HK$'000	Employer's contribution to a retirement benefit scheme 622G4(6)(a)(iii),4 HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking 622G4(3)(b) (Note (h)) HK$'000	Total HK$'000
Chairman							
Mr. C	150	-	-	-	-	-	150
Executive directors							
Mr. A	40	400	-	-	20	-	460
Mr. B	75	3,000	800	100	150	200	4,325
Mr. F	75	1,500	200	-	75	-	1,750
Independent nor executive directors							
Mr. E	100	-	-	-	-	-	100
Mr. G	100	-	-	-	-	-	100
Mr. H	100	-	-	-	-	-	100
Chief executive[2]							
Mr. I	-	4,800	1,200	200	240	-	6,440
Total	640	9,700	2,100	300	485	200	13,425

Notes:

(a) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the company or its subsidiary undertakings.622G4(3)(b)

(b) Includes housing allowances and estimated money value of other non-cash benefits: share options, car, insurance premium and club membership 622G4(2)(b)

(c) Resigned on [Date].

(d) Appointed on [Date].

(e) Retired on [Date].

(f) Represents the payments made to a management service company connected to Mr. B in respect of Mr. B's services in connection with the management of the affairs of the group.

(g) Discretionary bonuses are determined on [state the basis of determining the discretionary bonuses].

(h) Disclosure should also be for any emoluments paid or receivable in respect of a person accepting office as a director are to be treated as emoluments paid or receivable in respect of that person's services as a director622G4, A24(5)

Directors'emoluments[1] [For both listed and unlisted companies]

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the company or its subsidiary undertaking[622G4(3)(a)]		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the company or its subsidiary undertaking[622G4(3)(b)] (Note (ii))		Total	Total
2023	2022	2023	2022	2023	2022
HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1,060	740	7,858	6,245	8,918	6,985

Notes:

i) Emoluments above include estimated money value of non-cash benefits: share options, car, insurance premium and club membership [622G4(2)(b)].

ii) Includes the payments made to a management service company connected to Mr. I in respect of Mr. I's services in connection with the management of the affairs of the group.

iii) As Mr. I is not the Company's director, his emoluments have been excluded from above table.

A24A GEM18.29 During the year, Mr. B waived emoluments of HK$1 million and has agreed to waive 2022 emoluments of HK$1 million.

Commentary

622G4(3) requires the information about directors' emoluments must distinguish between (a) the emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking; and (b) the emoluments paid or receivable in respect of that person's other services in connection with the management of the affairs of the company or its subsidiary undertaking. Disclosure of emoluments by name of director is requirement under listing rule.

Commentary – Estimated money value of a non-cash benefit

622G4(5) specifies that, if any emoluments consist of a non-cash benefit otherwise, then the reference to the amount of emoluments is a reference to the estimated money value of that benefit. However, the term "estimated money value" is not defined under either the old CO or the new CO. Revised AB3 issued by HKICPA in June 2019 provides some guidance in respect of the determination of the "estimated money value" under the new CO. There are a number of different acceptable approaches to estimating the money value of share options granted to directors for the purposes of disclosure under the Regulation. These include the following approaches:

- the amount recognized as an expense in the period in accordance with HKFRS 2 Share-based Payment; or
- the amount of the gain if the options are exercised, or as if they were exercised, at the time of vesting, for those options which vested during the year. The amount of the gain is the difference between the market price of the shares on the day of vesting and the price paid, if any, for the shares.

It is not appropriate to measure the money value of the benefit on the basis of gains realised by directors on the exercise of options at the time of their exercise, as such amounts would include gains or losses experienced by the directors after the vesting period had ended. Once the options have vested, any further gains or losses are experienced by the directors as holders of the options, rather than in their capacity as directors of the company.

Companies should apply a consistent measurement approach, from one director to the next and from one year to the next in accordance with the general principles set out in HKAS 1. The emoluments note should also disclose the approach chosen.

Included in the directors' emoluments disclosed above, directors Mr. A and Mr. B of the company receive emoluments from the parent company, amounting to HK$1.25 million each (2022: HK$1 million each), part of which is in respect of their services to the parent company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.***

***** No apportionment is made as the number of working hours spent by the individual directors on their services to the Company [and its subsidiary undertakings] are judged to be insignificant and thus they are regarded as incidental to their roles and responsibilities to the larger group.*

Commentary

In practice, there may be practical difficulties in making such an apportionment. According to paragraphs 44 to 51 of Accounting Bulletin 3 "Guidance on Disclosure of Directors' Remuneration" (Revised) issued by HKICPA in June 2019 ("Revised AB 3"), in the case of directors being paid solely by the holding company or by one of the group companies for their services to the group as a whole, the directors need to use judgement to apportion the payments received. One common method of apportionment would be by reference to the number of working hours that the individual spent on providing qualifying services to the company or its subsidiaries, if the director spends more than an insignificant amount of time on such activities and thus those services are more than just incidental.

According to paragraphs 52 to 54 of Revised AB 3, if the company pays a management fee to the holding company or a fellow subsidiary for making available the qualifying services of one or more of the company's directors, disclosure of the payment is necessary. If the management fee also includes other matters (such as office space rental or shared administration costs), then the apportionment also apply to this payment between amounts for directors' qualifying services and other matters, by using reasonable knowledge of the basis of the management fee re-charge payable by the company.

Section 383(5) places an obligation on a director to notify his/her company of the details of any remuneration paid to or receivable by that director from any person other than the Company in connection with his/her services to the Company and/or its subsidiary undertakings.

Notes

1. In making the above disclosures, reference can be made to AB 3 (Revised) June 2019 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. Reference should be also made to Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G), which specifically addresses the detailed disclosure requirements in respect of directors' emoluments.

   Particularly, 622G10 specifies that the directors' emoluments should include all relevant sums, whether paid by or receivable from the company or its subsidiary undertaking or any other person. A reference to a payment to or receivable by a director includes: a) a payment to or receivable by a connected entity of the director; and b) a payment to a person made or to be made at the direction of, or for the benefit of, the director or a connected entity of the director. A reference to a payment by a person includes a payment by another person made at the direction of, or on behalf of, the person. Connected entity of the director is defined in section 486 of the CO, which is not the same as the definition of related party under HKAS24. Please refer to Section D of the HK - Annual Report Checklist (Unlisted / Listed) – 2023 for extracts of section 486 of the CO.

   622G9 specifies directors emoluments must be the amount of (a) all relevant sums receivable in respect of that year (whenever paid); or (b) in the case of sums not receivable in respect of a period, the sums paid during that year. It also requires that the corresponding amount for the immediately preceding financial year must also be shown in the notes.

2. The disclosure refers to the remuneration of a chief executive who is not a director. If the director who is also the chief executive, no separate disclosure in respect of the remuneration of the chief executive is required, but a note should be added to indicate that the director is also the chief executive.

3. 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.

4. According to 622G4(6)(a)(iii) and 622G4(6)(b), this includes any contributions paid under a retirement benefits scheme, by any person other than the director, in respect of the director; and excludes any retirement benefits to which the director is entitled under any retirement benefits scheme. The retirement benefits to which the director is entitled under any retirement benefit scheme are disclosed in accordance with 622G5 separately in note 47(B).

5. In the case of a PRC issuer, references to directors or past directors shall also mean and include supervisors and past supervisors (as appropriate).

A28(1)(a), (c)
S383(1)(b)

(B) Directors’ retirement benefits

622G5(3)(a), 622G5(3)(b)

The retirement benefits paid to [or receivable by] Mr.H during the year ended 31 December 2023 by a defined benefit pension plan operated by the group in respect of Mr. H’s services as a director of the company and its subsidiaries is HK$[200,000] (2022: HK$200,000). No other retirement benefits were paid to [or receivable by] Mr. H in respect of Mr. H’s other services in connection with the management of the affairs of the company or its subsidiary undertaking (2022: same).

Commentary:

622G5(4),
622G4(6)(a)
(iii)

For the purpose of disclosure of the retirement benefits paid to or receivable by the directors, 622G5(4) states that any amount of the retirement benefits paid or receivable under a retirement benefits scheme is to be disregarded if the contributions made under the scheme are substantially adequate for the maintenance of the scheme. Accordingly, retirement benefits paid to or receivable by the directors through the defined contribution schemes are not required to be disclosed as directors’ retirement benefits. According to 622G4(6)(a)(iii), the contributions made by the company to the defined contribution schemes for the benefits of directors are considered as directors’ emoluments.

A28(1)(a), (c)
S383(1)(c)

(C) Directors’ termination benefits$^{\text{A24(6)}}$

On 10 September 2023, the Board made a resolution to terminate the appointment of Mr. B as the director of the company and certain subsidiaries. The company, subsidiaries of the company and the controlling shareholder M Limited made the following payments to Mr. B as compensation for the early termination of the appointment:

622G6(4)(a), 622G6(4)(b),
622G6(4)(c)

	Paid by or receivable from:			
	the company$^{\text{622G6(4)(a)}}$	the subsidiary undertakings $^{\text{622G6(4)(b)}}$	the controlling shareholder $^{\text{622G6(4)(c)}}$	Total
	HK$’000	HK$’000	HK$’000	HK$’000
622G6(3)(a) for the loss of office as a director$^{\text{622G6(3)(a)}}$	100	-	20	120
622G6(3)(b) for the loss of any other office in connection with the management of the affairs of the company and[/or] its subsidiaries$^{\text{622G6(3)(b)}}$	50	100(Note (a))	-	150
	150	100	20	270

622G6(2)(b), 622G6(5)

Included in the HK$100,000 paid to Mr. B, HK$80,000 is estimated money value $^{\text{622G6(5)}}$ of one year’s free use of an apartment of a subsidiary$^{\text{622G6(2)(b)}}$.

622G7(1)

(D) Consideration provided to third parties for making available directors’ services

During the year ended 31 December 2023, the company paid HK$250,000$^{\text{622G7(2)}}$ to the former employer of Mr. D for making available the services of Mr. D as a director of the Company$^{\text{622G7(1)}}$ (2022: nil).

Commentary:

According to section 383(2)(a) of the CO, the directors’ retirement benefits should include former directors.

According to section 383(2)(a)(ii), the directors’ termination benefits should include former directors and shadow directors. Shadow director (幕后董事), in relation to a body corporate, is defined in section 2 of the CO as a person in accordance with whose directions or instructions (excluding advice given in a professional capacity) the directors, or a majority of the directors, of the body corporate are accustomed to act.

Reference should be made to Part 2 of 622G (622G2 – 622G12) for detailed requirements of the disclosure of directors’ emoluments and retirement benefits, payments in respect of termination of directors’ services and consideration for directors’ services. Those requirements have been reproduced in Section B of the HK - Annual Report Checklist (Unlisted / Listed) – 2023.

A28(1)(a), (c)
S383
(1)(d)
622G15
(2), 622G15
(3)(a), 622G15
(3)(b), 622G16(2)(a)

(E) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

(a) The information about loans, quasi-loans and other dealings entered into by the company$^{\text{622G15(2)(a)}}$ or subsidiary undertaking of the company$^{\text{622G15(2)(b)}}$, where applicable, in favour of directors$^{\text{622G15(2)(a)(i)}}$ is as follows:

Name of director 622G15(3)(a)	Total amount payable 622G15(3)(b)(i) HK$'000	Outstanding 622G15(3)(b)(ii)/ Aggregate outstanding amount 622G16(2)(a)(i) at the beginning of the year HK$'000	Outstanding 622G15(3)(b)(iia)/ Aggregate outstanding amounts 622G16(2)(a)(ia) at the end of the year HK$'000	Maximum outstanding during the year 622G15(3)(b)(iii) HK$'000	Amounts 622G15(3)(b)(iv)/ Aggregate amounts 622G16(2)(a)(ii) fallen due but not been paid HK$'000	Provisions 622G15(3)(b)(v)/ Aggregate provisions 622G16(2)(a)(iii) for doubtful/bad debts made HK$'000	Term 622G15(3)(b)(i)	Interest rate 622G15(3)(b)(i)	Security 622G15(3)(b)(i)
At 31 December 2023:									
Loans:									
Mr. E	200	-	150	200	-	-	Repayable quarterly over 4 years	6.3%	Nil
Mr. F	240	-	120	240	-	-	Repayable monthly in 2 years	5.5%	Nil
Quasi-loans or credit transactions:									
Mr. F	180	-	120	180	-	-	Repayable annually over 3 years	6.0%	Nil
Mr. G	Quasi-loan 1: 80; Quasi-loan 2: 80	-	120	Quasi-loan 1: 80; Quasi-loan 2: 80	-	-	Quasi-loan 1: Repayable monthly over 2 years; Quasi-loan 2: Repayable monthly over 4 years	Quasi-loan 1: 5.5%; Quasi-loan 2: 6.3%	Nil
At 31 December 2022:									
Loans:									
Mr. E	200	-	150	200	-	-	Repayable quarterly over 4 years	6.3%	Nil
Mr. F	240	-	120	240	-	-	Repayable monthly in 2 years	5.5%	Nil
Quasi-loans or credit transactions:									
Mr. F	180	-	120	180	-	-	Repayable annually over 3 years	6.0%	Nil
Mr. G	Quasi-loan 1: 80; Quasi-loan 2: 80	-	120	Quasi-loan 1: 80; Quasi-loan 2: 80	-	-	Quasi-loan 1: Repayable monthly over 2 years; Quasi-loan 2: Repayable monthly over 4 years	Quasi-loan 1: 5.5%; Quasi-loan 2: 6.3%	Nil

622G15(2), 622G15(3)(a), 622G15(3)(b)

(b) The information about loans, quasi-loans and other dealings entered into by the company$^{622G15(2)(a)}$ or subsidiary undertaking of the company$^{622G15(2)(b)}$, where applicable, in favour of a controlled body corporate of Mr. A$^{622G15(2)(a)(ii)}$ is as follows:

Name of the borrower$^{622G15(3)(a)}$	Total amount payable $^{622G15(3)(b)(i)}$ HK$'000	Outstanding $^{622G15(3)(b)(ii)}$/ Aggregate outstanding amounts $^{622G16(2)(a)(i)}$ at the beginning of the year HK$'000	Outstanding $^{622G15(3)(b)(iia)}$/ Aggregate outstanding amounts $^{622G16(2)(a)(ia)}$ at the end of the year HK$'000	Maximum outstanding during the year $^{622G15(3)(b)(iii)}$ HK$'000	Amounts$^{622G15(3)(b)(iv)}$/Aggregate amounts $^{622G16(2)(a)(ii)}$ fallen due but not been paid HK$'000	Provisions $^{622G15(3)(b)(v)}$/ Aggregate provisions $^{622G16(2)(a)(iii)}$ for doubtful/ bad debts made HK$'000	Term $^{622G15(3)(b)(i)}$	Interest rate $^{622G15(3)(b)(i)}$	Security $^{622G15(3)(b)(i)}$
At 31 December 2023:									
Loan:									
A Limited	1,000	800	600	800	-	-	Repayable annually over 5 years	6.5%	Pledge of a property
Quasi-loans or credit transactions:									
A Limited	Quasi-loan 1: 400; Quasi-loan 2: 400	-	400	Quasi-loan 1: 400; Quasi-loan 2: 400	-	-	Quasi-loan 1: Repayable quarterly over 1 year; Quasi-loan 2: Repayable quarterly over 2 years	Quasi-loan 1: 5%; Quasi-loan 2: 5.5%	Quasi-loan 1: Secured by a piece of land of A Limited; Quasi-loan 2: Nil
At 31 December 2022:									
Loan:									
A Limited	1,000	800	600	800	-	-	Repayable annually over 5 years	6.5%	Pledge of a property

622G15(2),
622G15(3)(a),
622G15(3)(b)

(c) The information about loans, quasi-loans and other dealings entered into by the company[622G15(2)(a)] or subsidiary undertaking of the company[622G15(2)(a)], where applicable, in favour of certain connected entities[622G15(2)(a)(iii)] of Mr. K, a director of the holding company of the company[622G15(2)(a)(i)], is as follows:

Name of the borrower [622G15(3)(a)]	Nature of connection [622G15(3)(a)(ii)]	Total amount payable [622G15(3)(b)(i)] HK$'000	Outstanding [622G15(3)(b)(ii)]/ Aggregate outstanding amounts [622G16(2)(a)(i)] at the beginning of the year HK$'000	Outstanding [622G15(3)(b)(iia)]/ Aggregate outstanding amounts [622G16(2)(a)(ia)] at the end of the year HK$'000	Maximum outstanding during the year [622G15(3)(b)(iii)] HK$'000	Amounts [622G15(3)(b)(iv)]/ Aggregate amounts [622G16(2)(a)(iia)] fallen due but not been paid HK$'000	Provisions [622G15(3)(b)(v)]/ Aggregate provisions [622G16(2)(a)(iii)] for doubtful/ bad debts made HK$'000	Term [622G15(3)(b)(i)]	Interest rate [622G15(3)(b)(i)]	Security [622G15(3)(b)(i)]
At 31 December 2023:										
Loan:										
Mr. K Junior	Son of Mr. K	100	-	80	100	-	-	Repayable monthly over 1 year	5.0%	Nil
Quasi-loans or credit transactions:										
K Limited	Associate of Mr. K where Mr. K holds 30% shares	Quasi-loan 1: 1,250; Quasi-loan 2: 1,250	2,500	2,500	Quasi-loan 1: 1,250; Quasi-loan 2: 1,250	-	-	Quasi-loan 1: Repayable on maturity over 2 years; Quasi-loan 2: Repayable on maturity over 4 years	Quasi-loan 1: 6.0%; Quasi-loan 2: 6.3%	Quasi-loan 1: Pledge of properties; Quasi-loan 2: Machineries
At 31 December 2022:										
Quasi-loans or credit transactions:										
K Limited	Associate of Mr. K where Mr. K holds 30% shares	Quasi-loan 1: 1,250; Quasi-loan 2: 1,250	2,500	2,500	Quasi-loan 1: 1,250; Quasi-loan 2: 1,250	-	-	Quasi-loan 1: Repayable on maturity over 2 years; Quasi-loan 2: Repayable on maturity over 4 years	Quasi-loan 1: 6.0%; Quasi-loan 2: 6.3%	Quasi-loan 1: Pledge of properties; Quasi-loan 2: Machineries

622G15(2), 622G15(3)(a), 622G15(3)(c)

(d) The information about the guarantee or security$^{622G13(6)(a)}$ provided to certain controlled body corporates$^{622G15(2)(a)(ii)}$ and connected entities$^{622G15(2)(a)(iii)}$ of Mr. G in respect of their loan, quasi-loans or credit transactions is as follows:

			Maximum liability that may be incurred under the guarantee			
Name of the borrower $^{622G15(3)(a)}$	Nature of connection $^{622G15(3)(a)(ii)}$	Nature of guarantee or security$^{622G15(2)}$	Individually $^{622G15(3)(c)(i)}$/ in aggregate $^{622G16(2)(b)(i)}$ at the beginning of the year	Individually $^{622G15(3)(c)(ia)}$/ in aggregate $^{622G16(2)(b)(ia)}$ at the end of the year	During the year $^{622G15(3)(c)(ii)}$	Amounts $^{622G15(3)(c)(iii)}$/ Aggregate amounts $^{622G16(2)(b)(ii)}$ paid or liability/ aggregate liabilities incurred during the financial year for the purpose of fulfilling the guarantee or discharging the security
			HK$'000	HK$'000	HK$'000	
As at 31 December 2023:						
Loan:						
G Limited	Controlled body corporate of Mr. G	Guarantee	2,000	3,000	3,000	-
Quasi-loans or credit transactions:						
G Associate Limited	Associate of Mr. G where Mr. G holds 25% shares	Quasi-loan 1: Pledge of properties; Quasi-loan 2: Machineries	5,500	4,000	Quasi-loan 1: 2,500; Quasi-loan 2: 3,000	-
As at 31 December 2022:						
Loan:						
G Limited	Controlled body corporate of Mr. G	Guarantee	2,000	3,000	3,000	-
Quasi-loans or credit transactions:						
G Associate Limited	Associate of Mr. G where Mr. G holds 25% shares	Quasi-loan 1: Pledge of properties; Quasi-loan 2: Machineries	5,500	4,000	Quasi-loan 1: 2,500; Quasi-loan 2: 3,000	-

Commentary:

According to section 383(2)(a)(iii), loans, quasi-loans and other dealings in favour of director of the company and of a holding company of the company, or bodies corporate controlled by such directors, or entities connected with such directors, also include a shadow director of that director.

According to 622G15(2)(a), if the loans, quasi-loans and other dealings were entered into by the company, the scope of disclosure includes relevant information of the loans, quasi-loans and other dealings in favour of the following person who at any time during the financial year was:

(i) a director of the company or of its holding company;
(ii) a controlled body corporate of such a director; or
(iii) in the case of a specified company, a connected entity of such a director;

According to 622G15(2)(b), if the loans, quasi-loans and other dealings were entered into by the subsidiary undertaking of the company, the scope of disclosure only includes the relevant information of the loans, quasi-loans and other dealings in favour of a person who at any time during the financial year was a director of the company.

According to 622G16(2), in relation to **all quasi-loans or credit transactions**, and **guarantees or securities in connection with quasi-loans or credit transactions** entered into by the company or its subsidiary undertakings with each person as listed under 622G15(3)(a), where applicable, the information required by 622G15(3)(b)(ii), 622G15(3)(b)(iia), 622G15(3)(b)(iv), 622G15(3)(b)(v), 622G15(3)(c)(i), 622G15(3)(c)(ia) and 622G15(3)(c)(iii) can be disclosed **in aggregate**, i.e.

- outstanding amount at the beginning of the financial year;
- outstanding amount at the end of the year;
- amount fallen due but not been paid;
- provision for doubtful and bad debts;
- maximum liability that may be incurred under the guarantee or security at the beginning of the financial year;
- maximum liability that may be incurred under the guarantee or security at the end of the financial year;
- amount paid and liability incurred during the financial year for the purpose of fulfilling the guarantee or discharging the security

For **each of the loans**, **guarantees or securities in connection with loans**, the information required by 622G15 should be disclosed **separately**.

Reference should be made to Part 3 of 622G (622G13-622G19) for detailed requirements of the disclosure of information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities. Those requirements have been reproduced in Section B of the HK - Annual Report Checklist (Unlisted / Listed) – 2023. Please refer to that section for the definitions of quasi-loan, credit transactions, controlled bodies corporate and connected entities.

Commentary: Disclosures applicable to companies that are authorised financial institutions or where their subsidiary undertakings are authorised financial institutions:

Please refer to 622G17(1) – 622G17(3) in Section B of the HK - Annual Report Checklist (Unlisted / Listed) – 2023.

A28(1)(a), (c)
S383(1)(e), 622G20

(F) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the 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

Pursuant to an agreement dated 28 February 2023 (the "Agreement") made between the Company [622G20(3)(c)], and LMF Holdings Limited ("LMF")[622G20(3)(c)], the Company agreed to pay LMF an annual fee for the provision of consultancy services in accordance with the terms of the Agreement. LMF was paid a fee of HK$[ ] for the year ended 31 December 2023 (2022: HK$83,000) [622G20(3)(a),622G20(3)(b)]. Mr E [622G20(3)(d)], a non-executive director of the Company, is interested in this transaction to the extent that LMF is controlled by him [622G20(3)(d)].

Save for contracts amongst group companies and the aforementioned transaction, no other significant transactions, arrangements and contracts to which the 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.]

Commentary:

The disclosures relating to directors' material interests in contracts required by Schedule 162 and 129D(3)(j) in the old CO were previously disclosed in the Directors' Report. According to section 383(1)(e) of the new CO and in accordance with section 20 of 622G, the scope has been expanded to cover the directors' material interests in transactions, arrangements or contracts. In respect of the location of the disclosure, if the transaction, arrangement or contract involves the company, it is required by section 383(1)(e) and 622G22(1)(1) to be disclosed in the notes to the financial statements. If the transaction, arrangement or contract involves a "specified undertaking of the company", it is required by 622D10(1) to be disclosed in the Directors' Report. A "specified undertaking of the company" is defined in section 1 of 622D, which includes:

(i) a parent company of the company;
(ii) a subsidiary undertaking of the company; or
(iii) a subsidiary undertaking of the company's parent company.

According to section 383(2)(a)(iii), the information about material interests of director's in transactions, arrangements or contracts entered into by the company also include a shadow director of that director.

622G22(5) refers a transaction, arrangement or contract to that is significant in relation to the company's business. The directors of the company should consider if a transaction, arrangement or contract is significant in relation to the company's business. 622G22(7) states that the directors of the company should consider if the director's interest in a transaction, arrangement or contract is material or not.

Reference should be made to Part 4 of 622G(622G20 – 622G23) for detailed requirements of the disclosure of directors' material interests in transactions, arrangements or contracts. Those requirements have been reproduced in Section B of the HK - Annual Report Checklist (Unlisted / Listed) – 2023.

HKAS1(117)

48 Summary of other potentially material accounting policies

HKAS1(112)(a),(b) (51)(b), A2.2 GEM18.04 Consider impact of climate change – see Appendix G

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of VALUE HKFRS Limited and its subsidiaries.

HKAS1(119)

48.1 Principles of consolidation and equity accounting

i. Subsidiaries

HKFRS10(5)-(7),(20),(25) Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

HKFRS3(4) The acquisition method of accounting is used to account for business combinations by the group (refer to note 48.2).

HKFRS10(19),(B86)(c) Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

HKFRS10(22) Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

ii. Associates

HKAS28(5),(16) Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

iii. Joint arrangements

HKFRS11(14) Under HKFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. VALUE HKFRS Limited has both joint operations and joint ventures.

Joint operations

HKFRS11(20) VALUE HKFRS Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 12(b).

Joint ventures

HKFRS11(24) HKAS28(10) Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial position.

iv. Equity method

HKAS28(10) Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

HKAS28(38),(39) Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

HKAS28(28),(30) Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

HKAS28(42) The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 48.7.

v. Changes in ownership interests

HKFRS10(23)(B96) The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of VALUE HKFRS Limited.

HKFRS10(25),(B97)-(B99) HKAS28(22) When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

HKAS28(25) If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

HKAS1(119),(120)

48.2 Business combinations

HKFRS3(5),(37),(39),(53),(18),(19) The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

HKFRS3(32),(34) The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

HKFRS3(42) If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

HKAS1(119)

48.3 Segment reporting

HKFRS8(5),(7) Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of VALUE HKFRS Limited has appointed a strategic steering committee which assesses the financial performance and position of the group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

HKAS1(119),(120)

48.4 Foreign currency translation

HKAS1(119)

(i) Functional and presentation currency

HKAS21(9),(17),(18) HKAS1(51)(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 Hong Kong dollar (HK$), which is VALUE HKFRS Limited's functional and presentation currency.

HKAS1(119)

(ii) Transactions and balances

HKAS21(21),(28),(32) HKFRS9(6.5.11)(b) (6.5.13)(a) Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

HKAS21(23)(c) HKAS21(30) Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

HKAS1(119)

(iii) Group companies

HKAS21(39) The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

HKAS21(39)

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this 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 dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

HKFRS9(6.5.13) On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

HKAS21(47) Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

HKAS1(119)

48.5 Property, plant and equipment

HKAS16(73)(a),(35)(b),(17)
HKFRS9(6.5.11)(d)(i)

The group's accounting policy for land and buildings is explained in note 15. All other property, plant and equipment are 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 or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

HKAS16(12)

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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

HKAS16(39)

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

HKAS16(51)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

HKAS36(59)

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 48.7).

HKAS16(68),(71),(41)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

HKAS1(119)

48.6 Intangible assets

HKAS1(119)

(i) Goodwill

HKFRS3(32)
HKAS36(10)

Goodwill is measured as described in note 48.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

HKAS36(80)

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. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

HKAS1(119)

(ii) Trademarks, licences and customer contracts

HKAS38(74),(97),
(118)(a),(b)

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

HKAS1(119)

(iii) Research and development

HKAS38(54),(71)
Revised illustration

Research expenditure and development expenditure that do not meet the criteria for capitalisation as set out in note 17(ii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

HKAS1(119)

48.7 Impairment of non-financial assets

HKAS36(9),(10)

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

HKAS1(119)

48.8 Non-current assets (or disposal groups) held for sale and discontinued operations

HKFRS5(6),(15)

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

HKFRS5(20)-(22)

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

HKFRS5(25)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

HKFRS5(38)

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

HKFRS5(31),(32),
(33)(a)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

48.9 Investments and other financial assets

(i) Classification

HKFRS9(4.1.1) The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

HKFRS9(4.1.4),(5.7.1) For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

HKFRS9(4.4.1) The group reclassifies debt investments when and only when its business model for managing those assets changes.

HKFRS7(21),(B5)(c) *(ii) Recognition and derecognition*

HKFRS9(3.1.1),(3.2.2), (B3.1.3)-(B3.1.6) Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

HKFRS9(5.2.1) At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

HKFRS9(4.3.2),(4.3.3) Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

HKFRS9(5.1.1) Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- HKFRS9(4.1.2) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- HKFRS9(4.1.1),(4.1.2A), (5.7.10) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- HKFRS9(4.1.1),(4.1.4) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

HKFRS9(5.7.5),(5.7.6) The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

HKFRS9(5.7.1) Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 22 for further details.

HKAS1(119)
HKFRS7(21)

48.10 Financial guarantee contracts

HKFRS9(4.2.1)(c)

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 *Financial Instruments,* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

HKAS1(119)
HKFRS7(21)

48.11 Derivatives and hedging activities

HKFRS9(5.5.1)(5.2.1)(c), (5.2.3)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value 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:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

HKFRS9(6.5.2)

HKFRS9(6.4.1)(b)

At the inception of the hedging, the group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 21. Movements in the hedging reserve in shareholders' equity are shown in note 29.

(i) Cash flow hedge that quantity for hedge accounting

HKFRS9(6.5.11)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other gains/(losses).

HKFRS9(6.5.15)

Where option contracts are used to hedge forecast transactions, the group designates only the intrinsic value of the options as the hedging instrument.

HKFRS9(6.5.15)(c)

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

HKFRS9(6.5.16)

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

HKFRS9(6.5.15)
HKFRS9(6.5.16)

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

HKFRS9(6.5.11)(d)(i)

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

HKFRS9(6.5.12)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

HKAS1(119)

(ii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

HKFRS9(6.5.13)

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses).

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

HKAS1(119)

(iii) Derivatives that do not qualify for hedge accounting

HKFRS9(5.7.1)

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

HKAS1(119)

48.12 Inventories

HKAS1(119)

(i) Raw materials and stores, work in progress and finished goods

HKAS2(9),(10),(25),(36)(a)
HKFRS9(6.5.11)(d)(i)

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

HKAS1(119)

(ii) Land held for resale

HKAS2(9),(10),(23),(36)(a)
HKAS23(8),(22)

Land held for resale is stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

HKAS1(119)

48.13 Trade receivables

HKFRS7(21)

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 22 for further information about the group's accounting for trade receivables and note 3.1 for a description of the group's impairment policies.

HKAS1(119)

48.14 Cash and cash equivalents

HKAS7(6),(8),(46)

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

HKAS1(119)

48.15 Share capital and shares held for employee share scheme

HKAS32(18)(a) Ordinary shares are classified as equity (note 27). Mandatorily redeemable preference shares are classified as liabilities (note 33).

HKAS32(35),(37) 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.

HKAS32(33) Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of VALUE HKFRS Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary 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 owners of VALUE HKFRS Limited.

HKAS32(33) Shares held by the VALUE HKFRS Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

HKAS1(119)

48.16 Trade and other payables

HKFRS7(21)
HKFRS9(5.1.1) These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

HKAS1(119)

48.17 Borrowings

HKFRS7(21)
HKFRS9(5.1.1)(4.2.1) Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

HKAS32(18) Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs.

HKAS32(18),(28),
(AG31)(a) The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

HKFRS9(3.3.1)(3.3.3) Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

HK(IFRIC)19(9) Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

HKAS1(69) 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 reporting period.

HKAS1(119)
HKAS23(8)

48.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

HKAS1(119),(120)

48.19 Current and deferred income tax

HKAS12(46) The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

HKAS12(12),(46)

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. HK(IFRIC)23

HKAS12(15),(24),(47)

Deferred income tax

Deferred income tax is provided in full, 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

HKAS12(51C) The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

HKAS12(24),(34) Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

HKAS12(39),(44) Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

HKAS12(71),(74) Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

HKAS12(61A) Current and deferred tax is recognised in profit or loss, 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.

HKAS1(119)

48.20 Employee benefits

(i) Short-term obligations

HKAS19(11),(13) Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

HKAS19(8),(155),(156) *(ii) Other long-term employee benefit obligations*

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

HKAS1(69) The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

A26(1), & (2)&(4), GEM18.34(1), &(2) (4) The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension obligations

HKAS19(57),(67) The liability or asset recognised in the statement of financial position 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. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

HKAS19(83),(86) 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 approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

HKAS19(123) The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

HKAS19(57)(d) Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

HKAS19(93) Certain defined benefit schemes require employees to contribute to reduce the cost of the benefits to the Group. Contributions from employees are linked to service and hence, the contributions reduce service cost.
HKAS19(93) The Group attributes the contributions from employees to periods of service on a straight-line basis.

HKAS19(103) Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

HKAS19(51) 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.

A26(2)
GEM18.34(2)

Instruction notes for defined contribution schemes:
Under Listing Rules, in the case of defined contribution schemes, listed issuers are required to disclose details of whether forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the employer to reduce the existing level of contributions.

If there is no forfeited contribution to reduce the existing level of contributions, a negative statement should also be disclosed. See sample disclosure as follows:

"There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes."

OR

If the forfeited contributions may be used by the employer to reduce the existing level of contributions, the amounts so utilised in the course of the year and available at the date of statement of financial position for such use should be disclosed. Refer to note 10(a) for sample disclosures.

Other post-employment obligations

HKAS19(155) 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. Remeasurement 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.

HKAS1(119) *(iv) Profit-sharing and bonus plans*

HKAS19(19) 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.

HKAS1(119) *(v) Termination benefits*

HKAS19(165),(166) Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

HKAS1(119), MB17.08, GEM23.08

48.21 Share-based payments

Share-based compensation benefits are provided to employees via the VALUE HKFRS Employee Option Plan and an employee share scheme, the executive short-term incentive scheme and share appreciation. Information relating to these schemes is set out in note 31.

Employee options

HKFRS2(15)(b),(19) The fair value of options granted under the VALUE HKFRS Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- HKFRS2(21) including any market performance conditions (e.g. the entity's share price)
- HKFRS2(20) excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- HKFRS2(21A) including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

HKFRS2(19) 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 period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Deferred shares

HKFRS2(15),(16),(19) HKFRS2(19)

The fair value of deferred shares granted to employees for nil consideration under the short-term incentive scheme is recognised as an expense over the relevant service period. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

Share appreciation rights

HKFRS2(30)
Revised illustration

Liabilities for the group’s share appreciation rights are recognised as employee benefit expense over the relevant service period based on the estimated number of rights that are expected to vest. The liabilities are presented as employee benefit obligations and remeasured to fair value at each reporting date, with any measurement changes recognised in profit or loss as employee benefit expense. In estimating the fair value, market conditions and non-vesting conditions are taken into account. Where share appreciation rights are forfeited due to a failure by the employee to satisfy the service conditions, the liability is derecognised and expenses previously recognised are reversed.

HKAS1(119)

48.22 Provisions

HKAS37(14),(24),(63)

Provisions for legal claims, service warranties and make good obligations 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 can be reliably estimated. Provisions are not recognised for future operating losses.

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.

HKAS37(36),(45),(47),(60)

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

HKAS1(119)

48.23 Earnings per share

(i) Basic earnings per share

HKAS33(10)

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

HKAS33(30)

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

HKAS1(119)

48.24 Leases

HKAS1(117) HKFRS16(27) Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

HKFRS16(18) Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

HKFRS16(38) Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

HKAS1(117) Right-of-use assets are measured at cost comprising the following:

HKFRS16 (24)

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Entity-specific details about the group’s leasing policy are provided in note 15(b).

HKAS1(119)

48.25 Dividend distribution

HKAS10(12),(13) Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

HKAS1(119)

48.26 Government grants

HKAS20(7),(39)(a) 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.

Note 7 provides further information on how the group accounts for government grants.

Summary of other potentially material accounting policies

Whether to disclose an accounting policy

HKAS1(119) 1. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users where those policies are selected from alternatives allowed in HKFRS.

2. Some HKFRS specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, HKAS 16 *Property, Plant and Equipment* requires disclosure of the measurement bases used for classes of property, plant and equipment and HKFRS 3 *Business Combinations* requires disclosure of the measurement basis used for non-controlling interest acquired during the period.

Changes made to HKAS 1 from 1 January 2023

3. The HKICPA has amended HKAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting policy information.

HKAS1(117) 4. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

HKAS1(117A) 5. Even if a transaction or other event is material in terms of amounts, accounting policy information could be omitted if the information itself is not material for an understanding of the entity's accounting for that particular transaction or event. Conversely, accounting policy information for less significant transactions or other events could, because of the nature of the related transaction or event, be material.

HKAS1(117B) 6. Factors to consider when determining if accounting policy information is material could include, but not necessarily be limited to, the following:

   (a) The entity changed its accounting policies during the reporting period, and the change resulted in a material change to information in the financial statements.

   (b) The accounting policies were chosen from a set of alternatives under HKFRS.

   (c) Accounting policies for the particular transaction or event are not specifically described under HKFRS, hence the entity derived the accounting policies using the guidance in paragraphs 10-12 of HKAS 8.

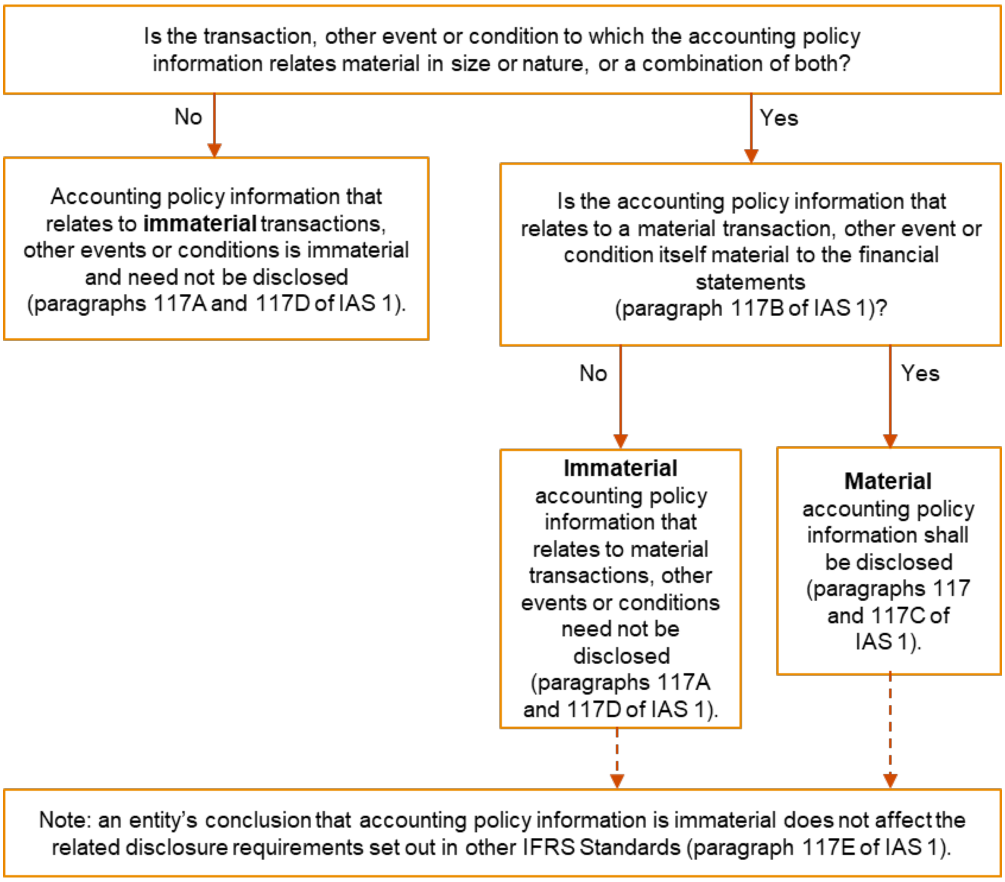
   (d) The accounting policies relate to areas where the entity was required to apply significant judgement or assumptions in applying those policies, and the entity discloses those judgements as required by paragraphs 122 and 125 of HKAS 1.

   (e) The accounting requirements for the particular transaction or event are complex, hence the primary users of the financial statements need information about the accounting policies to gain an understanding of the accounting for that transaction or event.

HKAS1(117C) 7. Accounting policy information that is entity-specific and tailor-made is more relevant for the primary user's understanding of the financial statements than generic information ("boilerplate information").

Summary of other potentially material accounting policies

8. To support the amendments made to HKAS 1, the HKICPA also amended HKFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The following decision tree from the practice statement may be helpful in determining if accounting policy information should be disclosed for any particular transaction or event:



Is the transaction, other event or condition to which the accounting policy information relates material in size or nature, or a combination of both?

No

Accounting policy information that relates to **immaterial** transactions, other events or conditions is immaterial and need not be disclosed (paragraphs 117A and 117D of IAS 1).

Yes

Is the accounting policy information that relates to a material transaction, other event or condition itself material to the financial statements (paragraph 117B of IAS 1)?

No

Immaterial accounting policy information that relates to material transactions, other events or conditions need not be disclosed (paragraphs 117A and 117D of IAS 1).

Yes

Material accounting policy information shall be disclosed (paragraphs 117 and 117C of IAS 1).

Note: an entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRS Standards (paragraph 117E of IAS 1).

How we disclose accounting policies in this publication

9. In this publication, we have disclosed policies that are specific to the entity and relevant for an understanding of individual line items in the financial statements, together with the notes for those line items. This includes policies which were chosen from a set of alternatives, policies for transactions or events that are not specifically described under HKFRS or where the entity was required to apply significant judgements or assumptions in applying the policies. Policies which are not entity-specific but rather summarise the requirements of the accounting standards are included in note 48. These policies would only need to be included if they are assessed to be material for an entity based on the criteria listed above.

HKFRS7(21),(B5) 10. However, preparers should note that HKFRS 7 has been amended to state that information about the measurement basis (bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information. See paragraph 19 below for guidance on what the disclosures of the measurement basis can include.

Change in accounting policy – new and revised accounting standards

HKAS8(28) 11. Where an entity has changed any of its accounting policies either as a result of a new or revised accounting standard or voluntarily it must explain the change in its notes. Additional disclosures are required where a policy is changed retrospectively.

HKAS8(28) 12. New or revised accounting standards and interpretations only need to be disclosed if they resulted in a change in accounting policy which had an impact in the current year or could impact on future periods. There is no need to disclose pronouncements that did not have any impact on the entity's accounting policies and amounts recognised in the financial statements.

13. For the purpose of this edition, we have assumed that VALUE HKFRS Limited did not have to make any changes to its accounting policies as a result of the amendments summarised in Appendix F(a).However, this assumption will not necessarily apply to all entities. Where there has been a change in policy, this will need to be explained, see note 2.2 for further information.

Summary of other potentially material accounting policies

14. In particular, entities should consider whether HKFRS 17 Insurance Contracts could apply to them. Insurance contracts are defined as contracts ‘under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder’. This could also include certain contracts entered into by entities that are not insurers, such as fixed-fee for service contracts or financial guarantee contracts that were previously accounted for under HKFRS 4 *Insurance Contracts*. Our In depth INT2022-14 *HKFRS 17 affects more than just insurance companies* is designed to help entities to navigate through the various considerations that might be relevant in determining whether the standard applies and what adjustments and disclosures may be required.

Early adoption of accounting standards

HKFRS16(60A),(C1C)

Early adoption of Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 – Non-current Liabilities with Covenants

15. VALUE HKFRS Limited does not generally adopt any standards or amendments to standards early, unless the amendments are only clarifying existing practice and do not introduce any major changes (for example, the amendments made to HKAS 1 in relation to the classification of liabilities as current or non-current and to non-current liabilities with covenants). The impact of standards and interpretations that have not been early adopted is disclosed in note 2.1(iv). For a listing of standards and interpretations that were on issue as at 31 October 2023 but not yet mandatory refer to Appendix F.

Standards and interpretations issued but not yet effective

HKAS8(30)

16. Entities must explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the current period and on foreseeable future transactions. Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in the future.

17. In our view, where the expected impact is material, entities should make these disclosures even if the new accounting pronouncement is issued after the reporting date but before the date of authorisation of the financial statements.

18. The illustrative accounting policy note assumes that none of the standards on issue at the time of writing will have a material impact on VALUE HKFRS Limited. However, this will not apply to all entities alike and entities will need to provide appropriate disclosures where necessary. For a listing of standards and interpretations that were on issue as at 31 October 2023 but not yet mandatory please refer to Appendix F.

Financial instruments

HKFRS7(21),(B5)

19. Disclosure of the measurement bases of financial instruments may include:
    - (a) the nature of financial assets and financial liabilities that have been designated at fair value through profit or loss (FVPL), the criteria for designating them at FVPL and how the entity has satisfied the conditions in HKFRS 9 for such designation.
    - (b) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date
    - (c) how net gains or net losses on each category of financial instruments are determined (eg whether the net gains or losses on items at FVPL include interest or dividend income)

Summary of other potentially material accounting policies

Presentation of fair value gains and losses on financial assets and derivatives

19. VALUE HKFRS Limited's accounting policies for financial assets and derivatives specify where in the statement of comprehensive income (or statement of profit or loss, as applicable) the relevant fair value gains or losses are presented. However, HKFRS 9 does not prescribe the presentation in the statement of comprehensive income. Other ways of presenting the fair value gains and losses may be equally appropriate. We believe that an entity's accounting policy on the presentation of hedge ineffectiveness should be consistent with the entity's policy on presenting the results of trading derivatives and derivatives that are not part of a designated hedge accounting relationship.

Financial instruments

Income tax

HKAS12(39) 22. Generally, VALUE HKFRS Limited is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Employee benefits

Presentation and measurement of annual leave obligations

25. VALUE HKFRS Limited has presented its obligation for accrued annual leave within current employee benefit obligations. However, it may be equally appropriate to present these amounts either as provisions (if the timing and/or amount of the future payments is uncertain such that they satisfy the definition of 'provision' in HKAS 37), or as other payables.

HKAS19(8),(BC16)-(BC21) For measurement purposes, we have assumed that VALUE HKFRS Limited has both, annual leave obligations that are classified as short-term benefits and those that are classified as other long-term benefits under the principles in HKAS 19. The appropriate treatment will depend on the individual facts and circumstances and the employment regulations in the respective countries. To be classified and measured as short-term benefits, the obligations must be expected to be settled wholly within 12 months after the end of the annual reporting period in which the employee has rendered the related services. The HKICPA has clarified that this must be assessed for the annual leave obligation as a whole and not on an employee-by-employee basis.

Share-based payments – expense recognition and grant date

HKFRS2(IG4) 28. Share-based payment expenses should be recognised over the period during which the employees provide the relevant services. This period may commence prior to the grant date. In this situation, the entity estimates the grant date fair value of the equity instruments for the purposes of recognising the services received during the period between service commencement date and grant date. Once the grant date has been established, the entity revises the earlier estimate so that the amounts recognised for services received is ultimately based on the grant date fair value of the equity instruments. The deferred shares awarded by VALUE HKFRS Limited are an example where this is the case. They are expensed over three years and two months, being the period to which the bonus relates and the two subsequent years until the deferred shares vest.

HK(IFRIC)10 **Impairment of non-financial assets**

23. An entity may be required to recognise impairment in an interim period, but by the end of the financial year the impairment may have reversed either in full or partially. HK (IFRIC) 10 'Interim reporting and impairment' states that an impairment loss recognised in an interim period on goodwill should not be reversed.

Disclosures not illustrated: not applicable to VALUE HKFRS Limited

24. The following requirements are not illustrated in this publication as they are not applicable to VALUE HKFRS Limited:

	Issue not illustrated	**Relevant disclosures or references**
HKFRS7(28) HKFRS9(B5.1.2A)	Fair value determined using valuation technique - difference on initial recognition	Disclose (by class of financial instrument) the accounting policy for recognising the difference.
HKAS1(117) HKFRS7(B5)(a),(aa)	Financial assets and liabilities designated at fair value through profit or loss (FVPL)	Disclose the nature of the financial assets or liabilities designated as at FVPL, the criteria for the designation and how the entity has satisfied the conditions for designation. See commentary to note 3.3 paragraph 14 for illustrative disclosures.
HKAS29(39)	Financial reporting in hyperinflationary economies	Disclose the fact that the financial statements and comparatives have been restated, which method was used (historical cost or current cost approach), and information about the identity and the level of the price index.

Independent Auditor’s Report

To the Members of VALUE HKFRS Limited

(incorporated in Hong Kong with limited liability)

We have not included an illustrative report in this publication. Please use Create to automate an auditor's report.

A28(2)(a), A28(2)(e)

REPORT OF THE DIRECTORS

s388(1), s388(2),

The directors submit their report together with the audited financial statements for the year ended 31 December 2023.

Principal activities and geographical analysis of operations

s390(1)(b), s390(3)

The principal activity of the company is investment holding. The activities of the subsidiaries are set out in note 12a to the financial statements.

An analysis of the group's performance for the year by operating segment is set out in note 5 to the financial statements.

Business review

Sch5, A28(2)(d)

Insert business review disclosures as required by Schedule 5 of the CO. A directors' report for a financial year must contain a business review that consists of:

- *a fair review of the group's business (Note 1);*
- *a description of the principal risks and uncertainties facing the group (Note 2);*
- *particulars of important events affecting the group that have occurred since the end of the financial year;*
- *an indication of likely future development in the group's business; and*
- *to the extent necessary for an understanding of the development, performance or position of the group's business, a business review must include:*
- *an analysis using financial key performance indicators (Note 3);*
- *a discussion on:*
  1. *the group's environmental policies and performance (Note 4); and*
  2. *the group's compliance with the relevant laws and regulations that have a significant impact on the group (Note 5); and*
- *an account of the group's key relationships with its employees, customers and suppliers and others that have a significant impact on the group and on which the group's success depends (Note 6)*

HKEx Review 2017, 2018 and 2019

Notes:

Guidance from HKEx's review of annual reports on disclosures regarding business review:

1. Issuers that were previously subject to negative market commentaries that questioned the credibility of the issuers' business model and published financial information should enhance their disclosures about:
   1. their business model / revenue recognition methodology of each core business;
   2. unique characteristics of their operation processes;
   3. relationships with key customers and suppliers;
   4. principal risks affecting the operations and measures to manage such risks; and
   5. strategies (including operation strategies and treasury policies) for meeting the business objectives.

   The issuers should also discuss the key performance drivers for each core business and why they are significant to the issuer's strategies and results. (HKEx Review 2018, Executive summary)
2. Issuers should also disclose how the principal risks would affect their business operations and financial conditions, and measures taken to manage these risks (HKEx Review 2017, Executive summary)
3. Issuers should disclose meaningful information on how the selected KPIs are linked with their business objectives and discuss how the issuers' performance compared to their industry peers (Review 2017, Executive summary)
4. Issuers should disclose impact of the identified laws and regulations to their operations and provide compliance record (HKEx Review 2017, para 52)
5. For industries with major regulatory or governmental policy changes, issuer should disclose an assessment on the impact of the changes to their business operations and previously announced business plans, and where applicable, discuss the impact of the policy changes to their financial performance during the financial year (HKEx Review 2019, Executive summary)
6. Issuers should disclose meaningful information on their key stakeholders such as the background of the major customers / suppliers and their length of relationship with the issuers, the credit terms granted to / by these customers / suppliers, details of subsequent settlement, the underlying risks associated with their major customers / suppliers and the measures undertaken to mitigate such risks (HKEx Review 2017, Executive summary)

Commentary

*This illustrative "*Report *of Directors" does not include the Business Review as required by s388(1)(a). When preparing the business review, an entity is required to follow the requirements in Schedule 5 and make reference to the guidance in Accounting Bulletin 5 issued by HKICPA ("AB5").*

For companies listed in Hong Kong, the Listing Rules require the issuer to disclose a discussion and analysis of its performance (MD&A) in its annual report (not necessarily in the director's report section). To a certain extent, the business review disclosures required by Schedule 5 of the CO overlaps with the MD&A disclosures required *by the Listing Rules, If the listed issuer wants to rely on the MD&A disclosures made outside the directors' report section to fulfill part of the business review disclosures required by the CO, a cross reference to the relevant part of the MD&A should be made in the directors' report. While there is a degree of overlap between the two, the MD&A disclosures may not cover all the business review disclosures required by Schedule 5 of the CO, and vice versa. Hence, the company should be careful in making the required disclosures. The company may also refer to "Clear and Concise - A director's guide to writing a Business Review of an Annual Report" issued by the Hong Kong Institute of Directors for the preparation of business review. There are Q&As issued by the Hong Kong Companies Registry and the Hong Kong Institute of Certified Public accountants for frequently asked questions relating to Business Review. See Alerts A40/14 and A31/15.*

Please *refer to the "Appendix B – Operating and financial review" for mandatory and recommended disclosures in MD&A required under Listing Rules.*

Results and appropriations

The results of the group for the year are set out in the consolidated statement of profit or loss on pages [X – Y].

622D7 The directors recommend the payment of a final dividend of HK$0.22 per ordinary share, totalling HK$11,989,000 (2022: HK$0.22 per ordinary share, totalling HK$11,989,000).

OR

622D7 *[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.]*

Donations

622D4 Charitable and other donations made by the group during the year amounted to HK$500,000 (2022: HK$500,000).

622D4 **Commentary:**
The amount of donations made by the Company and its subsidiary undertakings which are exempted from disclosure is raised to HK$10,000 from HK$1,000 in section 129D(3)(e) of the old Companies Ordinance (Cap.32).

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 [X] of the annual report.

Shares issued in the year

622D5 Details of the shares issued in the year ended 31 December 2023 are set out in note 27 and note 28 to the financial statements.

622D5 **Commentary:**
If, in any financial year of a company, the company has issued any shares, a directors' report for the financial year must state: (a)the reason for making the issue; (b) the classes of shares issued; and (c) for each class of shares, the number of shares issued and the consideration received by the company for the issue.

Distributable reserves

A29
GEM18.37

Distributable reserves of the company at 31 December 2023, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622) *[or legislation applicable in company's place of incorporation]*, amounted to HK$37,693,000 (2022: HK$36,224,000).

Commentary
For further guidance, please refer to Accounting Bulletin 4 – Guidance on the Determination of Realised Profits and Losses in the context of Distributions under the Hong Kong Companies Ordinance.

Debentures issued in the year

622D5A

The group issued [20,000 6% debentures at a par value of HK$2,000,000] on *[date]*[622D5A(b)]. After deducting the issuance costs, the group received net consideration of *[amount]*[622D5A(c)] from the issuance. The reason for issuing the debentures is *[state the reason]*[622D5A(a)].

Equity linked agreements

(a) Convertible bonds

622D6

The Company issued 1,500,000 7.0% convertible bonds at a par value of HK$20 million on 23 January 2023. The bonds mature four years from the issue at their nominal value of HK$20 million or can be converted into shares at the holder's option upon conversion at the rate of [x shares] for each note held[622D6(1)(b)(i),622D6(1)(b)(ii),622D6(2)(d)] . The maximum number of ordinary shares[622D6(2)(a)] to be issued upon conversion is 3,000,000 shares[622D6(2)(b)] and none of them was issued up to 31 December 2023. [622D6(1)(d),622D(2)(b)] The net proceeds received from the issuance of convertible bonds was HK$20 million. [622D6(1)(b)(iii)] The group will not receive further consideration when the holders determines to convert the bonds into ordinary shares of the Company at maturity date. [622D6(2)(c)] The reason for issuance of the convertible bonds is *[state the reason].* [622D6(1)(a)]

(b) Share options granted to directors and selected employees

622D6

Details of the share options granted in prior years and current year is set out in <u>note 31</u> of the financial statements and "Share scheme" section contained in this Directors' Report. For the share options granted during the year ended 31 December 2023, no shares were issued during the year. [622D6(1)(d)]

622D6(1)
622D6(2)

Commentary:
622D6 requires to disclose the information for equity linked agreements entered into by the group during the financial year and those subsisted at the end of the financial year.

A20

[Pre-emptive rights

There is no provision for pre-emptive rights under the company's by-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 [X] of the annual report.

Purchase, sale or redemption of securities

MB10.06(4)(b)
A6(6.3)(b)
A10(4)
GEM18.14
GEM13.13(2)

During October/November 2023, the company bought back all 500,000 7% non-redeemable participating preference shares at an average price of HK$2.7 per share on The Hong Kong Stock Exchange. The buy-back involved a total cash outlay of HK$1,380,000, including transaction costs of HK$30,000, and was for the purpose of simplifying the company's capital structure. The aggregate price of the shares bought back was charged to distributable profits within retained earnings. Consequently, there was no reduction of the company's capital due to the buy-back. Accordingly, the capital attributed to these shares has been re-allocated to the company's ordinary shares. Details are set out in note 27 (vii). The breakdown of the buy-back by month is shown as below.

	Average price per share	Highest price per share	Lowest price per share	Number of shares bought back	Total price (HK$)
October 2022	HK$2.7	HK$2.73	HK$2.65	200,000	540,000
November 2022	HK$2.7	HK$2.73	HK$2.65	300,000	810,000
					1,350,000

During 2023, the trustee of the VALUE HKFRS Employee share scheme, pursuant to the terms of the rules and trust deed of the employee share scheme, purchased on The Hong Kong Stock Exchange a total of 207,636 ordinary shares at a total consideration of HK$1,217,000. The trustee has also awarded 186,275 shares with a total value of HK$1,091,000 to employees pursuant to the terms of the rules governing the employee share scheme. Details are set out in note 28 and note 31.

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 2023 and the company has not redeemed any of its shares during the year ended 31 December 2023.

OR

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.]

A11
GEM18.32
A11A
GEM18.32A
A11(Note)
GEM18.32
(Note)

[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*
- *as respect each class of equity securities, number issued and their aggregate normal value*
- *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*
- *the total funds raised from the issue and details of the use of proceeds including*
    - *a detailed breakdown and description of the proceeds for each issue and the purposed for which they are used during the financial year;*
    - *if there is any amount not yet utilized, a detailed breakdown and description of the intended use of the proceeds for each issue and the purposes for which they are used and expected timeline; and*
    - *whether the proceeds were used, or are proposed to be used, according to the intentions previously disclosed by the isser, and the reasons for any material change or delay in the use of proceeds*
- *To the extent that there are proceeds brought forward from any issue of equity securities (including securities convertible into equity securities) made in previous financial year(s), the listed issuer shall disclose the amount of proceeds brought forward and details of the use of such proceeds as set out in Main Board paragraph 11(8)/GEM 18.32]*

Note: *Issuers are recommended to present the above information in tabular format to show separately the amounts used and the purposes for which they are used, and compare each of the actual or intended uses against the intention and expected timeframe previously disclosed by the issuer.*

Share schemes

MB17.09
GEM17.09

Commentary:
For share schemes (including share option schemes and share award schemes) of the listed issuers and of its principal subsidiaries, the Listing Rules require the listed issuer to include in its annual report a summary of each share scheme setting out:
(1) the purpose of the scheme;
(2) the participants of the scheme;
(3) the total number of shares available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the annual report;
(4) the maximum entitlement of each participant under the scheme;
(5) the period within which the option may be exercised by the grantee under the scheme;
(6) the vesting period of options or awards granted under the scheme;
(7) the amount, if any, payable on application or acceptance of the option or award and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
(8) the basis of determining the exercise price of options granted or the purchase price of shares awarded, if any; and
(9) the remaining life of the scheme.

Below is an illustrative disclosure example for share option scheme involving new shares of an issuer. For other share schemes of an issuer, and the share schemes of its principal subsidiaries*, please provide the same disclosures as required above.

*A "principal subsidiary" refers to a subsidiary whose revenue, profits or total assets accounted for 75% (or more) of that of the issuer under the percentage ratios in any of the latest three financial years.

MB17.09
A6(6.3)(j)
GEM23.09
GEM18.07(note4(i))
622D6

The company has adopted a share option scheme, namely, the Executive Share Option Scheme (the "Scheme") on 1 November 20XA.

Purpose of the Scheme

The 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[622D6(1)(a).]

Participants of the Scheme

Eligible participant of the Scheme may be a person or an entity belonging to any of the following classes:
(a) any eligible director or employee of the Group;
(b) any eligible director or employee of the related entities of the company (the "Related Entity Participant"); and
(c) any service providers who provide services to the Group on a continuing and recurring basis in their ordinary and usual course of business which are in the interests of the long term growth of the Group (the "Service Provider").

Total number of shares available for issue under the Scheme and percentage of issued shares as at the date of this annual report

The total number of shares available for issue under the Scheme as at [the date of this annual report] is [95,000,000] shares, representing approximately [4.83%] of the company's issued ordinary shares of the company as at [the date of this annual report].

Maximum entitlement of each participant under the Scheme

Total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the company in issue. But notwithstanding the aforesaid, share options may be granted to (i) a participant with options and awards granted and to be granted exceeding the 1% individual limit; and (ii) a Related Entity Participant or Service Provider with options and awards granted or to be granted in any 12-month period exceeding 0.1% of the shares in issue with the approval by shareholders in a general meeting.

The period within which the option may be exercised by the grantee under the Scheme

The options are exercisable within a period of two years after vested.

The vesting period of options under the Scheme

The options vested after two years from the date of grant

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

The options were granted at nil consideration 622D6(1)(b)(iii), 622D6(2)(c).

The basis of determining the exercise price of options granted
The exercise price of the granted options is the higher of:
(i) the closing price of the shares as stated in the Exchange's daily quotations sheet on the date of grant, which
must be a business day; and
(ii) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The remaining life of the Scheme

The Scheme shall be valid and effective for a period of 10 years from the date of adoption i.e. 1 November 20XA.

Commentary:

MB17.07
GEM23.07

For share schemes involving new shares of the listed issuers and share schemes involving new or existing shares of its principal subsidiaries, the Listing Rules request the listed issuer to include in its annual report the following information in relation to options and awards granted and to be granted under its share schemes to:

i. each of the directors, chief executive or substantial shareholders of the listed issuer, or their respective associates;
ii. each participant with options and awards granted and to be granted in excess of the 1% individual limit;
iii. each related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue; and
iv. other employee participants, related entity participants and service providers by category:

MB17.07(1)
GEM23.07(1)

(1) a table showing the following details of awards and options granted to each participant or category of participants:
  a) name of the grantee or a description of each of the categories of grantees;
  b) particulars of the outstanding options and unvested awards at the beginning and at the end of the financial year/period, including the number of options and unvested awards, date of grant, vesting period, exercise period and exercise/purchase price;
  c) particulars of the options and awards granted during the financial year/period, including (i) the number of options and awards, (ii) the date of grant, (iii) the vesting period, exercise period, exercise/purchase price and performance targets (if any), (iv) (where the shares are listed) the closing price of the shares immediately before the date on which the options or awards were granted, and (v) the fair value of options and awards at the date of grant and the accounting standard and policy adopted;

     Note: The listed issuer should calculate the fair value of options and awards in accordance with the accounting standards and policies adopted for preparing its financial statements and disclose the methodology and assumptions used, including but not limited to:

     (1) In the case of options, a description of the option pricing model and details of the significant assumptions and inputs used in that pricing model such as the expected volatility, expected dividends and the risk-free interest rate. The issuer should include an explanation of how these significant assumptions and inputs were determined.

     (2) In the case of awards, a description of the basis for fair value measurement and information on whether and how the features of the awards (for example, the expected dividends) are incoporated into the measurement of fair value.
  d) the number of options exercised and awards vested during the financial year/period with the exercise/purchase price and (where the shares are listed) the weighted average closing price of the shares immediately before the dates on which the options or awards were exercised or vested;
  e) the number of options and awards cancelled during the financial year/period together with the exercise/purchase price of the cancelled options and awards; and
  f) the number of options and awards which lapsed in accordance with the terms of the scheme during the financial year.

MB17.07(2)
GEM23.07(2)

(2) the number of options and awards available for grant under the scheme mandate and the service provider sublimit (if applicable) at the beginning and the end of the financial year/period; and

MB17.07(3)
GEM23.07(3)

(3) the number of shares that may be issued in respect of options and awards granted under all schemes of the issuer during the financial year/period divided by the weighted average number of shares of the relevant class in issue for the year/period.

Below is an illustrative disclosure example for share schemes involving new shares of an issuer. For the share schemes of its principal subsidiaries, please provide the same disclosures as required above.*

*A “principal subsidiary” refers to a subsidiary whose revenue, profits or total assets accounted for 75% (or more) of that of the issuer under the percentage ratios in any of the latest three financial years.

MB17.07(1)
A6(6.3)(j)
GEM23.07(1)
GEM18.07(note 4(i))
GEM18.28(7)
622D6

Details of the awards and options granted to each participant or category of participants involving new shares of the company for the year are as follows:

		Number of share options and awards									Price of share	
Name or category of participants	**Date of grant**	**As at 1 January 2023**	**Granted during the year**	**Share options exercised / share awards vested during the year** 622D6(1)(d)	**Cancelled during the year**	**Lapsed during the year**	**As at 31 December 2023** 622D6(1)(b)	**Vesting period**	**Exercise period**	**Exercise/ purchase price**	**prior to the grant date of share options and awards**	**prior to the exercise / vesting date of share options and awards$^{(4)}$**
Directors, chief executive and a substantial shareholder and their associates												
Mr. A												
- Share options												
- Tranche 1	xxx	xxx	--	xxx	--	--	xxx	xxx	xxx	xxx	--	xxx
- Tranche 2	xxx	--	xxx$^{(1)}$	--	--	--	xxx	xxx	xxx	xxx	xxx	--
Ms. B												
- Share options												
- Tranche 1	xxx	xxx	--	--	--	--	xxx	xxx	xxx	xxx	--	--
- Tranche 2	xxx	--	xxx$^{(2)}$	--	--	--	xxx	xxx	xxx	xxx	xxx	--
- Share awards	xxx	xxx	--	--	--	--	xxx	xxx	--	xxx	--	--
Employee (other than those covered above) with options and awards granted and to be granted in excess of the 1 % individual limit												
Mr. F - Share awards	xxx	xxx	--	--	--	xxx	xxx	xxx	--	xxx	--	--
Related entity participants with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of share in issue												
Mr. G - Share options	xxx	--	xxx$^{(3)}$	--	--	--	xxx	xxx	xxx	xxx	xxx	--
Service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of share in issue												
Provider 1 ltd - Share awards	xxx	xxx	--	--	xxx	--	xxx	xxx	--	xxx	--	--
Advisor AA - Share awards	xxx	--	xxx$^{(3)}$	--	--	--	xxx	xxx	--	xxx	xxx	--
Other employee participants												
- Share options	xxx	xxx	--	xxx	--	--	xxx	xxx	xxx	xxx	--	xxx
Other related party participants												
- Share options	xxx	--	xxx$^{(3)}$	--	--	--	xxx	xxx	xxx	xxx	xxx	--
Other service providers												
- Share awards	xxx	--	xxx$^{(2)}$	--	--	--	xxx	xxx	--	xxx	xxx	--

MB17.07(1)
A6(6.3)(j)
GEM23.07(1)
GEM18.07(note4(i))
622D6(1)(b)(i),(1)(b)(ii),(2)(d)

Note

(1) [To insert details of the performance target (if any) for the share options/awards granted during the year: e.g. the options are exercisable starting two years from the grant date only if the group achieves its target total return to shareholders.]

[To insert details of the fair value of options and awards at the date of grant and the accounting standard and policy adopted.

Note: The listed issuer should calculate the fair value of options and awards in accordance with the accounting standards and policies adopted for preparing its financial statements and disclose the methodology and assumptions used, including but not limited to:
(1) In the case of options, a description of the option pricing model and details of the significant assumptions and inputs used in that pricing model such as the expected volatility, expected dividends and the risk-free interest rate. The issuer should include an explanation of how these significant assumptions and inputs were determined.
(2) In the case of awards, a description of the basis for fair value measurement and information on whether and how the features of the awards (for example, the expected dividends) are incorporated into the measurement of fair value.

Example:. Details of the fair value of the options at the date of grant and accounting standard and policy adopted are set out in note 31 and note 48.21 of the financial statements respectively.]

(2) [To insert details of the performance target (if any) for the share options/awards granted during the year] [To insert details of the fair value of options and awards at the date of grant and the accounting standard and policy adopted]

(3) [To insert details of the performance target (if any) for the share options/awards granted during the year] [To insert details of the fair value of options and awards at the date of grant and the accounting standard and policy adopted]

(4) The stated price was the weighted average closing price of the ordinary shares immediately before the date on which the share *options* were exercised and share awards were vested.

MB17.07(2)
GEM23.07(2)
622D6(2)(b)

Number of the options and awards available for grant as at 1 January 2023 and 31 December 2023 are as follows:

	1 January 2023	31 December 2023
Share options		
Under the mandate limit	XXX	XXX
Under the sublimit for Service Provider	XXX	XXX
Share awards		
Under the mandate limit	XXX	XXX
Under the submit for Service Provider	XXX	XXX

MB17.07(3)
GEM23.07(3)

For the year ended 31 December 2023, options and awards to subscribe for a total of [xxx] shares were granted under all share schemes of the company, representing approximately [%] of the weighted average number of issued ordinary shares of the company.

MB17.12
GEM23.12

Commentary:

For share schemes involving existing shares of the listed issuers, the Listing Rules request the listed issuer to include in its annual report the information set out in rule 17.07(1) relating to grants of options and awards (as mentioned in the previous commentary) to (i) each director of the issuer; (ii) the five highest paid individuals during the financial year in aggregate; and (iii) other grantees in aggregate.

Below is an illustrative disclosure sample

MB17.12(1)(a)
GEM23.12(1)(a)

Details of the awards and options granted to each participant or category of participants involving existing shares of the company are as follows:

		Number of share options and awards									**Price of share**	
Name or category of participants	**Date of grant**	**As at 1 January 2023**	**Granted during the year**	**Share options exercised / share awards vested during the year**	**Cancelled during the year**	**Lapsed during the year**	**As at 31 December 2023**	**Vesting period**	**Exercise period**	**Exercise / purchase price**	**prior to the grant date of share options and awards**	**prior to the exercise / vesting date of share options and awards(4)**
Directors												
Mr. A												
- Share options												
- Tranche 1	xxx	xxx	--	--	--	--	xxx	xxx	xxx	xxx	--	--
- Tranche 2	xxx	--	xxx(1)	--	--	--	xxx	xxx	xxx	xxx	xxx	--
- Share awards	xxx	xxx	--	xxx	--	--	xxx	xxx	--	xxx	--	xxx
Ms. B												
- Share options	xxx	xxx	--	xxx	--	--	xxx	xxx	xxx	xxx	--	xxx
- Share awards	xxx	--	xxx(1)	--	--	--	xxx	xxx	--	xxx	xxx	--
Five highest paid individuals for the year(5)												
Mr. AA												
- Share awards	xxx	xxx	--	--	--	xxx	xxx	xxx	--	xxx	--	--
Ms. BB												
- Share options	xxx	xxx	--	xxx	--	--	xxx	xxx	xxx	xxx	--	xxx
Ms. CC												
- Share options	xxx	--	xxx(2)	--	--	--	xxx	xxx	xxx	xxx	xxx	--
Other grantees												
- Share awards	xxx	--	xxx(2)	--	--	--	xxx	xxx	--	xxx	xxx	--

MB17.12(1)(a)
GEM23.12(1)(a)
622D6(1)(b)(i),
(1)(b)(ii),(2)(d)

Note

(1) [To insert details of the performance target (if any) for the share options/awards granted during the year]

[To insert details of the fair value of options and awards at the date of grant and the accounting standard and policy adopted.]

(2) [To insert details of the performance target (if any) for the share options/awards granted during the year] [To insert details of the fair value of options and awards at the date of grant and the accounting standard and policy adopted]

(3) [To insert details of the performance target (if any) for the share options/awards granted during the year] [To insert details of the fair value of options and awards at the date of grant and the accounting standard and policy adopted]

(4) The stated price was the weighted average closing price of the ordinary shares immediately before the date on which the share options were exercised and share awards were vested.

(5) The five individuals whose emoluments were the highest in the group for the year include two directors where the details of the awards and options granted to them are reflected in the category of “Directors”.

Directors

(a) Directors of the company

s390(1)(a) The directors of the company 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.

622D8 Mr. A resigned on [*specify date*] as executive director of the company due to *[state the reason for the resignation if the Company has received a notice in writing from the director specifying that the resignation or refusal of standing for re-election is due to reasons relating to the affairs of the Company (whether or not other reasons are specified)*].

[OR
Mr. A resigned on [*specify date*] as executive director of the company. Mr. A has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the company needed to be brought to the attention of the shareholders of the company.]

MB Code Part 1E
GEM18.24(2)
GEM Code Part 1E
Mr. E, Mr. G and Mr. H are independent non-executive directors and were appointed for a two-year term expiring on [31 December 2023].

[OR
There being no provision in the company's Articles of Association for retirement by rotation, all directors continue in office.]

A28.2 **[*Applicable for HK incorporated companies only:***

(b) Directors of the company's subsidiaries

s390(1)(a), s390(3) During the year and up to the date of this report, Mr. A, B, F and D are also directors in certain subsidiaries of the company. Other directors of the company's subsidiaries during the year and up to the date of this report include: Mr. J, K and L

*[OR
A list of names of all the directors who have served on the boards of the Company's subsidiaries during the year and up to the date of this report is available on the Company's website at www.xxx.xxx*.]

Commentary:

1. Before 1 February 2019 (before the effective of the 2018 Amendment Ordinance):

In the FAQ series of Companies Registry, the Companies Registry has the following position on the disclosures of the names of the directors of the subsidiaries:

The names of directors of all subsidiary undertakings included in the annual consolidated financial statements may be disclosed on a consolidated basis, without further setting out specifically the directorship of each individual subsidiary undertaking. If the number of names of directors of all subsidiary undertakings is, in the opinion of the directors of the holding company, of excessive length, disclosure of the names of directors of subsidiary undertakings may be made by way of inclusion by reference, provided that the information on the relevant directors' names is clearly contained in the directors' report by making a list of such names readily available to the reader. This may include, for example, by providing a link to the relevant website(s) which contains a full list of the names.

The above does not affect the requirement to disclose the names of the directors of the holding company and other particulars required under section 390, such information must be contained fully in the directors' report.

There are Q&As issued by the Hong Kong Companies Registry and the Hong Kong Institute of Certified Public Accountants for frequently asked quantities relating to Directors' names. See Alerts A40/14 and A31/15.

2. On or after 1 February 2019 (upon the effective of the 2018 Amendment Ordinance):

The 2018 Amendment Ordinance provides for alternative means to disclose the names of directors of subsidairy undertakings in a holding company's directors' report as follows:

The list of the (directors) names:

(a) must, through the period specfied in subsection 7 of s390 of CO, be kept at the company's registered office; and made available for inspection by the members free of charge during business hours; or

(b) must be made available on the company's website throughout that period.

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 MB13.69
GEM17.91

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 2005 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.].*

622D10
A15, GEM18.25

Directors' material** interests in transactions, arrangements and contracts that are significant in relation to the company's business

No transactions, arrangements and contracts of significance* in relation to the group's business to which the company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the company *[applicable for public company: and the director's connected party***]* had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

[OR

622D10(2)

A15
GEM18.25

Pursuant to an agreement dated 28 February 2021 (the "Agreement") made between VALUE HKFRS Retail Limited, a subsidiary of the group, and LMF Holdings Limited ("LMF")[622D10(2)(c)], VALUE HKFRS Retail Limited agreed to pay LMF an annual fee for the provision of consultancy services in accordance with the terms of the Agreement.[622D10(2)(a)] LMF was paid a fee of HK$83,000 for the year ended 31 December 2023 (2022: HK$70,000).[622D10(2)(b)] Mr E[622D10(2)(d)], a non-executive director of the company, is interested in this transaction to the extent that LMF is controlled by him.[622D10(2)(e)]

Save for contracts amongst group companies and the aforementioned transaction, no other transactions, arrangements and contracts of significance to which the company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the company *[applicable to public company: and the director's connected party]* had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

A15.2 & A15.3
GEM18.25(note 2,3)
622D10(5)

[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. According to 622D10(5), a transaction, arrangement or contract is not significant in relation to the company's business if, after consideration, the directors of the company are of the opinion that it is not significant in relation to the company's business.]*

622D10(6)

*[Note**: According to 622D10(6), an interest that a director of a company has in a transaction, arrangement or contract is not material if, after consideration, the directors of the company are of the opinion that it is not material.]*

622D10(8)(b), s486
A15.4, GEM18.25(note4)

*[Note***: According to 622D10(8)(b), a reference to a connected entity, in relation to a director, is a reference to an entity connected with the director within the meaning of s486.]*

Biographical details of directors and senior management

A12
MB13.51B(1)
A6(6.3)(h)
GEM18.39
GEM17.50A(1)
GEM18.07(note4(f))

Brief biographical details of directors and senior management are set out on page *[x]*.

[Such details will include:

- *full name and age, which should be the same as that stated in personal particulars submitted to the Exchange under Rule 3.20(1) or 19A.07A and GEM Rule 5.13A or 25.04A;*
- *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, 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 and age, which should be the same as that stated in personal particulars submitted to the Exchange under Rule 3.20(1) or 19A.07A and GEM Rule 5.13A or 25.04A;*
- *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*
- *amount of the director's or supervisor's emoluments 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.*

622D3
A13(1)&(2)
PN 5(3.1),(3.2),(3.2)
GEM18.15, 18.17
GEM18.17A

Directors' and chief executives' interests and / or short positions in the shares, underlying shares and debentures of the company or any specified undertaking of the company* or any other associated corporation

At 31 December 2023, 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 2023.

		Number of shares held							
		Personal interests	Family interests	**Corporate interests	*Trusts and similar interests	**Persons acting in concert	Other interests	Total	% of the Issued share capital of the company
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 I	Long positions	x	x	x	x	x	x	x	x
	Short positions	x	x	x	x	x	x	x	x

622D2

* Note: Specified undertaking, in relation to a company, is defined in 622D2, with the meaning of: (a) a parent company of the company; (b) a subsidiary undertaking of the company; or (c) a subsidiary undertaking of the company's parent company. Compared with the meaning of associated corporation defined under Section 352 of Part XV of the SFO, apart from specified undertaking of the listed corporation as defined by 622D2, associated corporation also includes a corporation (not being a subsidiary of the listed corporation) in which the listed corporation has an interest in the shares of a class comprised in its share capital exceeding in number one-fifth of the number of the issued shares of that class.

** *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.*

622D3

(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 2023.

		Number of shares held							
		Personal interest	Family interests	*Corporate interests	*Trusts and similar interests	*Persons acting in concert	Other interests	Total	% of the Issued share capital of the company
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 I	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.

622D3 (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 2023	Unlisted Options (physically settled equity derivatives) As at 31 December 2023
Director Mr B	Long positions	x	x
Director Mr C	Long positions	x	x
	Short positions	x	x
Chief executive Mr I	Long positions	x	x
	Short positions	x	x

622D3

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 November 2016. 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, its specified undertakings and its other associated corporations required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap. 622).

(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

622D3

At no time during the year was the company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations 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 specified undertakings or other associated corporation.

A13(3)
GEM18.16
GEM18.17
GEM18.17B
PN5(3.4)
A6(6.3)(m)

Substantial shareholders' interests and / or short positions in the shares, underlying shares of the company

At 31 December 2023, 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 2023, 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							
		Personal interests	Family interests	*Corporate interests	'Trusts and similar interests	*Persons acting in concert	Other interests	Total	% of the Issued share capital of the company
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)
A6(6.3)(m)

[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.]

Additional disclosure requirements for listed companies with Weighted Voting Rights structures

MB8A.37

(1) A company with WVR structure should include the followings in its annual report:
  (a) the warning "A company controlled through weighted voting rights" on the front page and describe the WVR structure, the company's rationale for having it and the associated risks for shareholders. This warning statement must inform prospective investors of the potential risks of investing in an issuer with a WVR structure and that they should make the decision to invest only after due and careful consideration;

MB8A.39 –
MB8A.41

  (b) identities of the beneficiaries of weighted voting rights;
  (c) the impact of a potential conversion of WVR shares into ordinary shares on its share capital; and
  (d) all circumstances in which the weighted voting rights attached to its shares will cease.

Management contracts

s543
A28(2)(c)

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

s543
A28(2)(c)

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 2023 or any subsequent 31st December. Mr. C is one of the directors and shareholders who holds 25% shares of BXK Management Services Limited.

[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.*

**For the purpose of this requirement, "controlling shareholder" mean any shareholder entitled to exercise, or control the exercise of:*
(i) in the case of a PRC issuer, 30 per cent (or such other amount as may from time to time be specified in applicable PRC law as being the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise);
(ii) in other cases, 30 per cent (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer);

or more of the voting power at general meetings of the listed issuer or one which is in a position to control the composition of a majority of the board of directors of the listed issuer.]

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)

[Director Mr. B held a 20% interest in the share capital of the group's largest supplier.]

Notifiable transactions

14.36B(3)
GEM19.36B(3)
A6.3(i)
GEM18.07(Note 4(h))

If the listed issuer acquires a company or business from a person that constitutes a notifiable transaction and that person guarantees the profits or net assets or other matters regarding the financial performance of the company or business, the listed issuer must disclose whether the actual performance of the company or business acquired meets the guarantee in its next annual report .

Connected transactions

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 [Main Board: Chapter 14A / GEM: Chapter 20] of the Listing Rules.

(1) Connected transactions

A8(1), MB14A. 49
GEM18.09(1)
GEM20. 47

On [date], the group acquired a further x% of the share capital of A Group, a shoe and leather goods retailer operating in the US and most western European countries. The consideration was settled through the issue of [number] ordinary shares of the company at [HK$] each and cash. A Group is a subsidiary of B Corporation, a company which is controlled by Mr X who is a substantial shareholder of a subsidiary of the company. The contingent consideration arrangement requires the group to pay the former owners of A Group [10%] of the average profit of A Group for three years from [2021 to 2023], in excess of [HK$] for 2021, up to a maximum undiscounted amount of [HK$].

14A.62
14A.63(3)
A6.3(i)
GEM20.60
GEM20.61(3)
GEM18.07 (Note 4(h))

If the listed issuer's group acquires a company or business from a connected person, and the connected person guarantees the profits or net assets or other matters regarding the financial performance of the company or business, the listed issuer must disclose whether the actual performance of the company or business acquired meets the guarantee in its next annual report.

(2) Continuing connected transactions

A8(2), MB14A. 49
GEM18.09(2)
GEM20. 47
MB14A. 71
GEM20. 69

On 30 June 2021, 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 2021 to 30 June 2023 at a monthly rental of HK$1,280,000.

GL73-14

[*Note: According to GL73-14 issued by the HKEx, listed issuers should disclose whether they have followed the pricing* policies *and guidelines set out in their continuing connected transaction announcement(s) and the circular(s) (if any) when determining the price and terms of the continuing connected transactions conducted during the year. Sample wording is set out below:*

"The price and the terms of the above transaction have been determined in accordance with the pricing policies *and guideline set out in the relevant announcement dated [date] and the relevant circular dated [date]."*]

MB14A. 55
MB14A,71(6)(a)
GEM20. 53
GEM20.69.60(a)

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) on normal commercial terms or better; (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the company as a whole.

MB14A. 56
MB14A.71(6)(b)
GEM20. 54
GEM20.69(6)(b)

The company's auditor was engaged to report on the group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the group on page [x] of the Annual Report in accordance with [paragraph 14A. 56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited/paragraph 20. 54 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited]. A copy of the auditor's letter has been provided by the company to The Stock Exchange of Hong Kong Limited

MB14A.72
GEM20.70

[Note: Under the Listing Rules, when the listed issuer discloses in its annual report information of any related party transaction under the accounting standards for preparing its financial statements, it must specify whether the transaction is a connected transaction under Chapter 14A of the Listing Rules and whether it has complied with the requirements in Chapter 14A of the Listing Rules. Note that related party and connected transactions have different definitions, albeit with a high degree of overlapping.]

The related party transactions as disclosed under [item [(a)] in respect of [*description*] and item [(b)] in respect of [*description*]] of note 44 to the consolidated financial statements constitute connected transactions or continuing connected transactions under the Listing Rules. However, item [(a)] is exempt from shareholders' approval and disclosure and other requirements under Chapter 14A.76 of the Listing Rules because [*describe the reason(s) for the exemption e.g.:* they are below the de minimis threshold under Rule 14A.76(1)]. Details of item [(b)] are set out in paragraph [x] of this section. The aforesaid transactions have complied with the requirements under Chapter 14A of the Listing Rules. Save for the aforesaid transactions, the other related party transactions shown in note 44 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions under the Listing Rules.

Financial assistance and guarantees to affiliated companies

MB13.16
MB13.22
A6(6.3)(g)
GEM17.18, 17.24
GEM18.07(note4(e))

Based on the disclosure obligations under *[Main Board: Chapter 13/GEM: Chapter 17 of the Listing Rules]* as at 31 December 2020, 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 2023 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:

1. *This advance to Alfa Limited was made on 1 July 2020 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 2021.*

2. *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 2021 for working capital purposes. The aforesaid bank loan has been fully utilized by Alfa Limited.*

3. *This advance to Beta S.A. was made during the periods from 1 January 2017 to 31 December 2023.*

Combined statement of financial position of affiliated companies as at the [latest practicable date subsequent to year end]

	Alfa Limited		*Beta S.A.*		*Total*
Interest held		*15%*		*30%*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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 MB13.35
GEM17.38A, GEM18.08B
GEM11.23(7)

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
A6(6.3)(a)
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.

Compliance adviser's Interests

GEM18.45

As at 31 December 2023, as notified by the company's compliance adviser*[, insert name of the compliance adviser,]* neither the compliance adviser nor any of its directors, employees or associates (as referred to in Note 3 Rule 6A.31 of the GEM Listing Rules) had any interest in the securities of the company.

Pursuant to the compliance adviser agreement dated [insert agreement date] entered into between the company and the compliance adviser, the compliance adviser has received and shall receive an annual fee for acting as the company's retained compliance adviser for the period from [insert commencement date] to [insert termination date].

s390(2), s390(3)

Subsequent events

On 15 February 2023, the group acquired 87.5% interest in Better Office Furnishings Limite which is specialising in the manufacture of office furniture and equipment. The consideration of HK$11,750,000 was settled in cash on 1 March 2023. The estimated goodwill on acquisition of the subsidiary is approximately HK$1,360,000.

On 25 January 2023, 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.

Permitted indemnity provisions

s470, 622D9
A28(2)(b)

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company* (if made by the Company).

s470, 622D9
A28(2)(b)

[OR
The Directors' Report needs to disclose if a permitted indemnity provision is, or was, in force in any of the following situations:

(i) if at the date that the directors approved this Directors' Report a permitted indemnity provision is in force for the benefit of:

- *one or more of the directors of the Company (whether made by the Company or otherwise); or*
- *one or more directors of an associated company* (if made by the Company)*

(ii) if at any time during the financial year to which this Directors' Report relates a permitted indemnity provision is in force for the benefit of:

- *one or more of the directors of the Company (whether made by the Company or otherwise); or*
- *one or more directors of an associated company* (if made by the Company)]*

s2(1)

[Note: An associated company is defined in Section 2(1): (a) a subsidiary of the body corporate; (b) a holding company of the body corporate; or (c) a subsidiary of such holding company.]*

Other matters

s390(2), s390(3) *[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; and*
- *(b) the compliance officer.]*

Auditors

s394 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.]*

s391 On behalf of the Board

By order of the Board

______________________ OR ______________________

Name of Chairman
Hong Kong, [*specify date*]

Name of Company Secretary

I. Disclosures in Corporate Governance Reports:

A34
MB Code
GEM18.44(2)
GEM Code

Set out below is a summary of the disclosures that are required/ recommended to be included in the corporate governance report pursuant to the HK Listing Rules / guidance issued by HKEx.

There are three categories of disclosures:

- Mandatory disclosures
- Code provision disclosures
- Recommended disclosures

For **mandatory disclosures**, the issuer must include the relevant information for the accounting period covered by the annual report and significant subsequent events for the period up to the date of publication of the annual report, to the extent possible. Failure to do so will be regarded as a breach of the listing rules.

For **code provision disclosures**, issuers must state whether they have complied with the code provisions for the relevant accounting period in the annual reports. If an issuer considers that it can adopt the principles of good governance (“Principles”) without applying the code provisions, it may deviate from the code provisions provided that the issuer sets out in the Corporate Governance Report in the annual report the considered reasons for the deviation and explain how good corporate governance was achieved by means other than strict compliance with the code provision. The explanation should provide a clear rationale for the alternative actions and steps taken by the issuer and their impacts and outcome. An issuer would be in breach of the listing rules if it deviates from a code provision but does not provide considered reasons and explanation in the manner as set out above.

For **recommended disclosures**, issuers are encouraged to adopt the recommended best practices/disclosures on a voluntary basis. Issuers are encouraged to state whether they have complied with the recommended best practices and give considered reasons for any deviation

MB Code Part 1A
GEM Code Part 1A
Mandatory disclosures

1. Corporate governance practices

(a) a narrative statement explaining how the issuer has applied the Principles to enable shareholders’ evaluation of such application;

(b) a statement as to whether the issuer has complied with the code provisions; and

(c) for any deviation from the code provisions (including adoption of any alternatives other than the code provisions), details of the deviation during the financial year (including the considered reasons and explanation).

MB Code Part 1B
GEM Code Part 1B
Mandatory disclosures

2. Board of directors

(a) Composition of the board, by category of directors, including name of chairman, executive directors, non-executive directors and independent non-executive directors;

(b) number of board meetings held during the financial year;

(c) attendance of each director, by name, at the board and general meetings;

Notes:

1. *Subject to the issuer’s constitutional documents and the law and regulations of its place of incorporation, attendance by a director at a meeting by electronic means such as telephonic or video-conferencing may be counted as physical attendance.*

2. *If a director is appointed part way during a financial year, the attendance of such director should be stated by reference to the number of board meetings held during the director’s tenure.*

(d) for each named director, the number of board or committee meetings attended by the director, and, separately the number of board or committee meetings attended by the alternate of the director. Attendance at board or committee meetings by an alternate director should not be counted as attendance by the director;

(e) a statement of the respective responsibilities, accountabilities and contributions of the board and management. In particular, a statement of how the board operates, including a high level statement on the types of decisions taken by the board and those delegated to management;

(f) details of non-compliance (if any) with rules 3.10(1) and (2), and 3.10A ((GEM: 5.05 (1) & (2) and 5.05A)) and an explanation of the remedial steps taken to address non-compliance. This should cover non-compliance with appointment of a sufficient number of independent non-executive directors and appointment of an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise;

A12A
MB3.13
GEM18.39A
GEM5.09

(g) reasons why the issuer considers an independent non-executive director to be independent where such director fails to meet one or more of the guidelines for assessing independence set out in rule 3.13 (GEM: 5.09);

> *Note:*
>
> A12B, MB3.13, GEM18.39B, GEM5.09:
>
> *Under paragraph 12B of Appendix D2 (GEM: paragraph 39B of Chapter 18), a listed issuer must confirm whether it still consider the independent non-executive directors to be independent.*

(h) relationship (including financial, business, family or other material/relevant relationship(s)), if any, between board members and in particular, between the chairman and the chief executive;

MB3.09D
GEM5.02D

(ha) if any director is appointed during the account period covered by the annual report, the date on which each such director had obtained the legal advice referred to in rule 3.09D, and such director has confirmed he understood his obligations as a director of a listed issuer; and

(i) how each director, by name, complied with MB code provision C.1.4 (GEM Code C.1.4).

MB Code Part 1C
GEM Code Part 1C
Mandatory disclosures

3. Chairman and chief executive

The identity of the chairman and chief executive.

MB Code Part 1D
GEM Code Part 1D
Mandatory disclosures

4. Chairman and chief executive

The term of appointment of non-executive directors.

MB Code Part 1E
GEM Code Part 1E
Mandatory disclosures

5. Board committees

The following information for each of the audit committee, remuneration committee, nomination committee, risk committee (if any), and corporate governance functions:

(a) the role and function of the committee;

(b) the composition of the committee and whether it comprises independent non-executive directors, non-executive directors and executive directors (including their names and identifying the chairman of the committee);

(c) the number of meetings held by the committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and

(d) a summary of the work during the year, including:
  i. For the **audit committee**, a report on how it met its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results, and unless expressly addressed by a separate risk committee, or the board itself, its review of the risk management and internal control systems, the effectiveness of the issuer's internal audit function, and its other duties under the Corporate Governance Code. Details of non-compliance with rule 3.21 (GEM rule 5.28) (if any) and an explanation of the remedial steps taken by the issuer to address non-compliance with establishment of an audit committee;

MB Code Part 2 D.3.5 / GEM Code Part 2 D.3.5 -- Code provision disclosures:

Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view;

ii. For the **remuneration committee**, determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee. Disclose which of the two models of remuneration committee described in MB Code E.1.2(c) (GEM Code E.1.2(c)) was adopted;

MB 17.07A / GEM 23.07A

The listed issuer must disclose in its remuneration report or corporate governance report a summary of material matters relating to share option or awards grants to the issuer's directors and senior management with a shorter vesting period, or without performance targets or a clawback mechanism, the issuer should disclose the remuneration committee's view on why it was appropriate to approve those matters, the factors that it took into account and how the grants align with the purpose of the scheme;

MB Code Part 2 E.1.6 / GEM Code Part 2 E.1.6 -- Recommended disclosures:

If the remuneration committee will make recommendations to the board on the remuneration packages of individual executive directors and senior management, where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report;

iii. For the **nomination committee**, disclosing the policy for the nomination of directors during the year. This includes the nomination procedures and the process and criteria adopted by the nomination committee to select and recommend candidates for directorship during the year;

iv. For the **risk committee (if any)**, a report on how it met its responsibilities in its review of the risk management and internal control systems and the effectiveness of the issuer's internal audit function;

v. For **corporate governance**, determining the policy for the corporate governance of the issuer, and duties performed by the board or the committee(s) under MB code provision A.2.1. (GEM Code A.2.1); and

MB8A.32 / MB8A.30

vi. For **listed companies with Weighted Voting Rights structures** - A summary of the work of the Corporate Governance Committee, with regards to its terms of reference (e.g. to confirm whether the beneficiaries have complied with the relevant listing rules), for the accounting period and any significant subsequent events for the period up to the date of publication of the annual report, to the extent possible

MB Code Part 1F

GEM Code Part 1F
Mandatory disclosures

6. Company secretary

(a) Where an issuer engages an external service provider as its company secretary, its primary corporate contact person at the issuer (including such person's name and position); and

(b) details of non-compliance with rule 3.29 (GEM rule 5.15).

MB Code Part 1G

GEM Code Part 1G
Mandatory disclosures

7. Directors' securities transactions

For the Model Code set out in Appendix C3 to the Exchange Listing Rules (GEM: paragraph 48-67 of Chapter 5):

(a) whether the issuer has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code/GEM;

(b) having made specific enquiry of all directors, whether the directors of the issuer have complied with, or whether there has been any non-compliance with, the required standard set out in the Model Code/GEM and its code of conduct regarding directors' securities transactions; and

(c) for any non-compliance with the required standard set out in the Model Code/GEM, if any, details of these and an explanation of the remedial steps taken by the issuer to address them.

8. Risk management and internal control

MB Code Part 1H
GEM Code Part 1H
Mandatory disclosures

(1) An issuer who reports in the Corporate Governance Report that it has conducted a review of the effectiveness of its risk management and internal control systems under code provision D.2.1 (GEM code provision D.2.1) must disclose the following:

(a) whether the issuer has an internal audit function;

(b) how often the risk management and internal control systems are reviewed and the period covered; and

(c) whether the issuer considers its risk management and internal control systems effective and adequate

MB Code Part 2 D.2.4
GEM Code Part 2 D.2.4
Code provision disclosures

(2) Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. In particular, they should disclose:

(a) the process used to identify, evaluate and manage significant risks;

(b) the main features of the risk management and internal control systems;

(c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;

(d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and

(e) the procedures and internal controls for the handling and dissemination of inside information.

MB Code Part 2 D.2.5
GEM Code Part 2 D.2.5
Code provision disclosures

(3) The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.

MB Code Part 2 D.2.8
GEM Code Part 2 D.2.8
Recommended disclosures

(4) The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the issuer's risk management and internal control systems.

MB Code Part 2 D.2.9
GEM Code Part 2 D.2.9
Recommended disclosures

(5) The board may disclose in the Corporate Governance Report details of any significant areas of concern.

MB Code Part 1I

GEM Code Part 1I
Mandatory disclosures

9. Auditor's remuneration and auditor related matters

An analysis of remuneration in respect of audit and non-audit services provided by the auditors (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the issuer. The analysis must include, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid.

Note:
An explanation or reconciliation should be provided if the details of auditors' remuneration in the Corporate Governance Report were different from information on audit fees disclosed in the financial statements.

MB Code Part 1J

GEM Code Part J
Mandatory disclosures

10. Diversity

(a) The issuer's policy on board diversity or a summary of the policy, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives;

(b) disclose and explain:
  i. how and when gender diversity will be achieved in respect of the board;
  ii. the numerical targets and timelines set for achieving gender diversity on its board; and
  iii. what measures the issuer has adopted to develop a pipeline of potential successors to the board to achieve gender diversity.

(c) disclose and explain the gender ratio in the workforce (including senior management), any plans or measurable objectives the issuer has set for achieving gender diversity and any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Note:
Board diversity differs according to the circumstances of each issuer. While diversity of board members can be achieved through consideration of a number of factors (including but not limited to gender, age, cultural and educational background, or professional experience), the Exchange will not consider diversity to be achieved for a single gender board.

CG Review 2019 para. 54- 55:
In the Exchange's "Analysis of 2019 Corporate Governance Practice Disclosure", the Exchange has identified some common pitfalls in issuers' disclosures in the Corporate Governance reports. The Exchange sets out that the issuers should consider to disclose:
- how potential candidates are identified;
- information on development of a diverse pipeline for succession (e.g. any programs implemented to prepare selected employees for senior management and board positions); and
- the selection process within the pool of selected employees, such as how the selected candidates' experience and expertise align with the issuer's diversity needs.

MB Code Part 1K

GEM Code Part 1K
Mandatory disclosures

11. Shareholders' rights

(a) How shareholders can convene an extraordinary general meeting;

(b) the procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed; and

(c) the procedures and sufficient contact details for putting forward proposals at shareholders' meetings.

MB Code Part 1L

GEM Code Part 1L
Mandatory disclosures

12. Investor relations

(a) Any significant changes in the issuer's constitutional documents during the year;

(b) the issuer's shareholders' communication policy (or its summary), which should include channels for shareholders to communicate their views on various matters affecting the issuer, as well as steps taken to solicit and understand the views of shareholders and stakeholders; and

(c) a statement of the issuer's review of the implementation and effectiveness of the shareholders' communication policy conducted during the year (including how it arrives at the conclusion).

MB Code Part 2 B.1.4

GEM Code Part 2 B.1.4
Code provision disclosures

13. Board composition, succession and evaluation

An issuer should establish mechanism(s) to ensure independent views and input are available to the board and disclose such mechanism(s) in its Corporate Governance Report. The board should review the implementation and effectiveness of such mechanism(s) on an annual basis.

14. Financial reporting

MB Code Part 2 D.1.3
GEM Code Part 2 D.1.3
Code provision disclosures

(1) The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information for investors to understand the severity and significance of matters. To a reasonable and appropriate extent, the issuer may refer to other parts of the annual report. These references should be clear and unambiguous, and the Corporate Governance Report should not contain only a cross-reference without any discussion of the matter.

MB Code Part 2 D.1.4
GEM Code Part 2 D.1.4
Code provision disclosures

(2) The board should present a balanced, clear and understandable assessment in annual and other financial disclosures required by the Exchange Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.

15. Remuneration

MB Code Part 2 E.1.5
GEM Code Part 2 E.1.5
Code provision disclosures

(1) Issuers should disclose the directors' remuneration policy, details of any remuneration payable to members of senior management by band and other remuneration related matters in their annual reports.

Note:
Senior management is defined as the same persons whose biographical details are disclosed as required by Appendix D2 (GEM Chapter 18).
The Code does not specify the banding in which the senior management remuneration should be disclosed. The issuers should customise the banding based on its own circumstances.

MB Code Part 2 E.1.8
GEM Code Part 2 E.1.8
Recommended disclosures

(2) Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports.

16. Shareholders engagement

MB Code Part 2 F.1.1
GEM Code Part 2 F.1.1
Code provision disclosures

(1) The issuer should have a policy on payment of dividends and should disclose it in the annual report.

> CG Review 2019 para. 89:
> In the Exchange's "Analysis of 2019 Corporate Governance Practice Disclosure", the Exchange has identified some common pitfalls in issuers' disclosures in the Corporate Governance reports. The Exchange sets out that issuers are recommended to include the following information in the corporate governance reports:
> (a) the issuer's expected dividend pay-out ratio, significant distributions and material matters that should be drawn to investors' attention; and
> (b) where future dividends are subject to discretion of the board, factors to be considered by the board.

MB Code Part 2 F.1.2

GEM Code Part 2 F.1.2

Recommended disclosures

(2) Issuers are encouraged to include the following information in their Corporate Governance Report:
(a) details of shareholders by type and aggregate shareholding;
(b) indication of important shareholders' dates in the coming financial year;
(c) the percentage of public float, based on information that is publicly available to the issuer and within the knowledge of its directors as at the latest practicable date prior to the issue of the annual report; and
(d) the number of shares held by each of the senior management.

HKEx Review 2017 para 68 and 74 & HKEx Review 2019 para. 68 and 78

17. Modified audit reports

In the Exchange’s report on the findings and recommendations from its review of issuers' annual reports, the Exchange made the following recommendations for issuers’ with modified audit reports: If the financial statements include the auditors’ modified opinions, issuers should disclose:

(a) details of the modifications and their actual and potential impact on the issuer’s financial position;
(b) management’s position and basis on major judgemental areas (such as going concern assumptions and basis for impairment or valuation of assets), and how the management’s view different from that of the auditors;
(c) audit committee’s view towards the modifications, and whether the audit committee reviewed and agreed with the management’s position concerning major judgemental areas;
(d) issuer’s proposed action plans (including an update of plans for repeated audit modifications) to address the audit modifications;
(e) timetable for implementation and the progress update on a timely basis; and
(f) how the board can, based on the audit committee’s recommendations, promptly resolve the issues that gave rise to the audit modifications.

Appendix B – Operating and financial review (for Listed companies only)

A32(1) - A32(12)
GEM18.41

Mandatory MD&A disclosures under the 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. It should emphasise trends and identify significant events or transactions during the financial year under review. As a minimum the directors of the listed issuer should comment on the followings:

- the group's liquidity and financial resources
- capital structure of the group in terms of maturity profile of debt and obligation, type of capital instruments used, currency and interest rate structure
- state of group's order book (where applicable) and prospects for new business
- significant investments held, their performance and future prospects
- a breakdown of its significant investments (including any investment in an investee company with a value of 5 per cent. or more of the issuer's total assets as at the year end date):
    - details of each investment, including the name and principal businesses of the underlying company, the number and percentage of shares held and the investment costs;
    - the fair value of each investment as at the year end date and its size relative to the issuer's total assets;
    - the performance of each investment during the year, including any realised and unrealised gain or loss and any dividends received; and
    - a discussion of the issuer's investment strategy for these significant investments;
- details of material acquisitions and disposals of subsidiaries and associated companies
- comment on segmental information
- where applicable, details of number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes
- details of charges on group assets
- details of future plans for material investments or capital assets and their expected sources of funding in the coming year
- gearing ratio (the basis on which the gearing ratio is computed should be disclosed)
- exposure to fluctuations in exchange rates and any related hedges; and
- details of contingent liabilities, if any.

A52
GEM18.83
Recommended disclosure

Recommended MD&A disclosures under the Listing Rules

The Hong Kong Listing Rules also encouraged the listed issuers to disclose the following additional commentary on management discussion and analysis in their annual reports:

- efficiency indicators (e.g. return on equity, working capital ratios) for the last five financial years indicating the bases of computation;
- industry specific ratios, if any, for the last five financial years indicating the bases of computation;
- a discussion of the listed issuer's purpose, corporate strategy and principal drivers of performance;
- an overview of trends in the listed issuer's industry and business;
- a discussion on the listed issuer's policies and performance on community, social, ethical and reputational issues;
- receipts from, and returns to shareholders.

MB3.09D
GEM5.02D

Legal advice obtained by director before his/her appointment

Every director of a listed issuer must obtain legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Exchange Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Exchange.

A listed issuer shall ensure that each of its proposed directors has obtained the legal advice before his appointment becomes effective, and must disclose in the next published annual report following the directors' appointment

(i) the date on which each of its proposed directors obtained the legal advice; and

that each proposed director has confirmed he understood his obligations as a director of a listed issuer.

Recommended disclosures by International Organisation of Securities Commissions (IOSCO)

Issuers can also refer to "International disclosure standards for cross-border offerings and initial listings by foreign issuers"which includes recommended disclosures for operating and financial review and discussion of future prospects. For details, see Link

HKEx guidance regarding disclosure of non-GAAP financial measures:

Issuers should observe the following in presenting non- GAAP financial measures:

- **Definitions** – Each non-GAAP financial measure presented should be defined and a clear explanation of the basis of calculation should be provided. Also, they should be clearly labelled in

HKEx Review 2019, para. 215

such a way that they are distinguished from GAAP measures. Labels should be meaningful and should reflect the composition of the measure.

- **Prominence** – Non-GAAP financial measures should not be presented with more prominence than the most directly comparable measure calculated and presented in accordance with GAAP.
- **Explanations for using non-GAAP financial measures** – Issuers should set out the reasons for presenting the non-GAAP financial measures including explanations of why the information is useful to investors, and for what additional purposes, if any, management uses the measures.
- **Reconciliation and nature of adjusting items** – Issuers should provide a clear and concise quantitative reconciliation from the non-GAAP financial measure to the most directly comparable GAAP measure presented in the financial statements. The adjustments should be explained.
- **Comparatives** – Issuers should present comparatives and disclose non-GAAP financial measures consistently over time.
- **Adjustments descriptions** - Issuers should avoid describing the adjusting items as non-recurring, infrequent or unusual without sufficient explanation, when such items are reasonably likely to recur in the foreseeable future, or are activities that affected the entity in the recent past.

Additional mandatory disclosure requirements for qualified aircraft leasing activities companies

MB14.33D(2)
GEM19.33D(2)

Where a Qualified Aircraft Leasing Activity is exempt from the announcement, circular and/or shareholders' approval requirements for notifiable transactions under rule 14.33C (Main Board)/19.33C (GEM), a "Qualified Aircraft Lessor" must disclose in the annual report:

- the aggregate number of aircraft owned by the lessor as at the end of the reporting period with a breakdown by aircraft model, and the aggregate net book value of the aircraft;
- the aggregate number of aircraft committed to purchase as at the end of the reporting period with a breakdown by aircraft model, and the commitment amounts for future commitments;
- the aggregate number of aircraft sold for the reporting period;
- the aggregate net book value and the aggregate net gain or loss on disposal of aircraft for the reporting period; and
- the average lease rental yield of each of the operating lease business and the finance lease business in relation to aircraft leasing for the reporting period.

Notes:

(1) *A "Qualified Aircraft Leasing Activity" means:*

(a) an acquisition of aircraft;

(b) a finance lease in respect of the leasing of aircraft to an aircraft operator (i.e. an entity which carries on a business of operating aircraft as an owner or charterer for providing services for the carriage by air of passengers, cargo or mail), including financing arrangements in a sale and leaseback transaction;

(c) an operating lease in respect of leasing of aircraft to an aircraft operator; or

(d) a disposal of aircraft.

For the purpose of this rule and Main Board rule 14.4(10E)/GEM rule 19.04(10E), "aircraft leasing with an aircraft operator" includes leases of aircraft to the aircraft operator directly or indirectly through an intermediate lessor related to the aircraft operator.
(MB14.04(10D), GEM19.04(10D))

(2) A "Qualified Aircraft Lessor" means a listed issuer actively engaged in aircraft leasing with aircraft operators as a principal business in its ordinary and usual course of business.
(MB14.04(10E), GEM19.04(10E))

Additional mandatory disclosure requirements for biotech companies under Ch.18A of Main Board Listing Rules

MB18A.08

A Biotech Company must include in its annual report details of its research and development activities during the period under review, including:

- details of the key stages for each of its core products under development to reach commercialisation, and a general indication of the likely timeframe, if the development is successful, for the core product to reach commercialisation;
- a summary of expenditure incurred on its research and development activities; and
- a prominently disclosed warning that a core product may not ultimately be successfully developed and marketed.

Note: Details to be disclosed should be in line with those disclosed in the listing document of the Biotech Company.

Additional mandatory disclosure requirements for Specialist Technology Companies under Ch.18C of Main Board Listing Rules

MB18C.18

A specialist technology company must disclose in its annual reports the total number of securities in the issuer held by each person that are subject to lock-up requirement in Rule 18C.13 or 18C.14 based on information that is publicly available to the issuer or otherwise within the knowledge of its directors as at the latest practicable date prior to the issue of the relevant report, for so long as the relevant person remains as a shareholder.

MB18C.19

(1) A Pre-Commercial Company (i.e. a Specialist Technology Company that has not met the revenue threshold) must include in its annual reports details of its research and development and commercialisation activities during the period under review, including:
(1) details of the development progress of its Specialist Technology Product(s) under development;
(2) the timeframe for, and any progress made towards, achieving the revenue threshold (i.e. at least HK$250 million for its most recent audited financial year), including updates on the information previously disclosed to demonstrate the path to achieving such revenue requirement in its listing document or any subsequent update as published by the Pre-Commercial Company;
(3) updates on any revenue, profit and other business and financial estimates as provided in the listing document and any subsequent update to those estimates as published by the Pre-Commercial Company;
(4) a summary of expenditure on its research and development activities; and
(5) a prominently disclosed warning that it may not achieve the revenue threshold.

Note: Details to be disclosed under this rule should be consistent with those disclosed in the listing document of the Pre-Commercial Company pursuant to the relevant guidance (GL115-23) referred to in rule 18C.12 to enable its shareholders and potential investors to assess how well the company is adhering to its intentons as previously disclosed.

Additional mandatory disclosure requirements for mining companies under Ch. 18 of Main Boar/ GEM Listing Rules

1. Details of its exploration, development and mining production activities

MB18.14
A6(6.3)(k)
GEM18A.14
GEM18.07(note4(g))

- A Mineral Company must include in its interim (half-yearly) and annual reports details of its exploration, development and mining production activities and a summary of expenditure incurred on these activities during the period under review. If there has been no exploration, development or production activity, that fact must be stated.
- Under Guidance GL47-13, for "details of exploration, development and mining production activities", a Mineral Company must disclose the following details in its interim and annual reports:
  - Details of exploration activities including number, average size, total length of holes drilled during the review period.
  - Details of development activities including progress on the mining structure or infrastructure.
  - Details of mining activities including quantity of mineral ore being mined during the period under review by project or at least a separate discussion on major projects.
  - Details of new contracts and commitments entered into during the period including those related to infrastructure projects (road and railway), subcontracting arrangements and purchases of equipment.

If a Mineral Company has several mineral assets/ projects on hand, it should consider presenting the above information on a project basis.

For the "summary of expenditure incurred", a Mineral Company must disclose both the operating expenses (i.e. costs that were directly charged to statement of profit or loss during the period they were incurred) and capital expenditures incurred. A Mineral Company, depending on its own situation, should consider providing a further breakdown of expenses incurred in order to provide more meaningful information to its shareholders and enhance the transparency of its activities (e.g. separately disclose labour costs incurred for mining activities and processing activities).

2. Statements on Resources and/or Reserves

MB18.15 – 18.19
A6(6.3)(k)
GEM18A.15 – 18.19
GEM18.07(note4(g))
GL 47-13

- A Mineral Company[1] that publicly discloses details of Resources[2] and/or Reserves[3] must give an update of those Resources and/or Reserves once a year in its annual report, in accordance with the reporting standard under which they were previously disclosed or a Reporting Standard[4] and must comply with the following:
  - any data presented on Resources and/or Reserves must be presented in tables in a manner readily understandable to a non-technical person.
  - the statements on Resources and/ or Reserves should include an estimate of volume, tonnage and grades. All assumptions must be clearly disclosed.
  - the reasons for any material change of assumptions as compared with previous disclosed estimates. Examples include changes in geological confidence level, additional drilling information becoming available, amount of mineral mined during the period etc.
  - all statements referring to Resources and/or Reserves must at least be substantiated by the issuer's internal experts. Annual updates are not required to be supported by a Competent Person's Report[5] and may take the form of no material change statement.

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[1] A Mineral Company is defined as a listed issuer whose principal activity, whether directly or through its subsidiaries, involves the exploration for and/or extraction of natural resources including minerals, oil and gas or solid fuels, or a listed issuer that has acquired or disposed of mineral or exploration assets by a transaction classified as major or above after 3 June 2010. Principal activity is determined by whether the activity represented 25 per cent or more of the company's assets, revenue or operating expenses.

[2] Resource is defined as:
- with regard to minerals, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for their eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured Resources, as defined in the JORC Code.
- with regard to Petroleum, Contingent Resources and/or Prospective Resources.

Please refer to MB Chapter 18/GEM Chapter 18A for definitions of the technical terms used for a Mineral Company.

[3] Reserve is defined as:
- with regard to minerals, the economically mineable part of a Measured, and/or Indicated Resource, taking into account diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments to a minimum of a Pre-feasibility Study must have been carried out. Mineral Reserves are subdivided in order of increasing confidence into Probable Reserves and Proved Reserves.
- with regard to Petroleum, those quantities of Petroleum anticipated to be commercially recoverable by the application of development projects to known accumulations from a given date forward under defined conditions.

Please refer to MB Chapter 18/GEM Chapter 18A for definitions of the technical terms used for a Mineral Company.

[4] Reporting Standard refers to a recognised standard acceptable to the Stock Exchange, including:
- the JORC Code, NI 43-101, and the SAMREC Code, with regard to mineral Resources and Reserves;
- PRMS with regard to Petroleum Resources and Reserves; and
- CIMVAL, the SAMVAL Code, and the VALMIN Code, with regard to valuations.

Please refer to MB Chapter 18/GEM Chapter 18A for definitions of the technical terms used for a Mineral Company.

[5] Competent Person's Report is a public report prepared by a Competent Person that satisfies the requirements as set out in MB18.21 and MB18.22 (GEM18A.21 and GEM18A.22) on Resources and/or Reserves, in compliance with MB Chapter 18/GEM Chapter 18A and the applicable Reporting Standard.

Management commentary

The HKICPA issued a non-mandatory practice statement on management commentary in December 2010 that provides principles for the presentation of a narrative report on an entity's financial performance, position and cash flows.

The HKICPA's practice statement provides a broad framework of principles, qualitative characteristics and elements that might be used to provide users of financial reports with decision-useful information. The practice statement recommends that the commentary is entity-specific and may include the following components:

- A description of the business including discussion of matters such as the industries, markets and competitive position; legal, regulatory and macro-economic environment; and the entity's structure and economic model.
- Management's objectives and strategies to help users understand the priorities for action and the resources that must be managed to deliver results.
- The critical financial and non-financial resources available to the entity and how those resources are used in meeting management's objectives for the entity.
- The principal risks, and management's plans and strategies for managing those risks, and the effectiveness of those strategies.
- The performance and development of the entity to provide insights into the trends and factors affecting the business and to help users understand the extent to which past performance may be indicative of future performance.
- The performance measures that management uses to evaluate the entity's performance against its objectives, which helps users to assess the degree to which goals and objectives are being achieved

In May 2021, the IASB published an exposure draft with proposals for a comprehensive new framework for preparing management commentary which would replace the current practice statement. At the time of writing, this publication, the IASB was considering the feedback received but had not yet decided on a path forward for this project. In December 2022, the International Sustainability Standards Board (ISSB) decided to seek feedback in the request for information on its agenda consultation regarding a potential joint project with the IASB on connectivity in reporting, building on the IASB’s Management Commentary project and the Integrated Reporting Framework.

ISSB exposure drafts and SEC proposals for climate-related disclosures

See Appendix G for a summary of the proposals from the International Sustainability Standards Board (ISSB) on disclosing sustainability-related financial information and for the SEC’s proposals to enhance and standardise climate-related disclosures.

Appendix C – Five year summary and schedule of principal of properties (for Listed Companies Only)

(i) Five year financial summary

A19
GEM18.33

	Year ended 31 December				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Results					
Profit/loss attributable to:					
- Owners of the company	X	X	x	(x)	x
- Non-controlling 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: Required disclosure 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%.]

Environmental, Social and Governance Report

MB Appendix C2
GEM Appendix C2

General

An issuer must:

- disclose the information required under the "Mandatory Disclosure Requirements" of the Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix C2 of the Main Board Listing Rules (Appendix C2 of GEM Listing Rules); and
- report on the "comply or explain" provisions of the ESG Reporting Guide. If the issuer does not report on one or more of these provisions, it must provide considered reasons in its ESG report.

ESG information must:

- cover the same period as the annual report;
- be presented as information in the issuer's annual report or in a separate report;
- be published on the Exchange's website and the issuer's website; and
- be published as close as possible to, and no later than five months after, the end of the financial year.

The issuer may seek independent asurance to strengthen the credibility of the ESG information disclosed. Where independent assurance is obtained, the issuer should describe the level, scope and processes adopted for the assurance given clearly in the ESG report.

A. Mandatory Disclosure Requirements

Governance Structure

A statement from the board containing the following elements:

1. A disclosure of the board's oversight of ESG issues;
2. The board's ESG management appoarch and strategy, including the process used to evaluate, prioritise and management material ESG- related issues (including risks to the issuer's business); and
3. How the board reviews progress made against ESG-relate goals and targets with an explanation of how they relate to the issuer's businesses.

Reporting Principles

A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:

- **Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholders idenified, and the process and results of the issuer's stakeholder engagement.

- **Quantitative:** Information on the standards, methologies, assumptions and/ or calculation tools used, and source of conversion factors used, for the reporting of emissions/ enerfy consumption (where applicable) should be disclosed.

- **Consistency:** The issuer should disclose in the ESG report any chances to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.

Reporting Boundary

A narrative explaining the reporting boundaries of the ESG report and describing the process used to indentify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.

B. “Comply or explain” Provisions

Disclose: (a) the policies; (b) compliance with relevant laws and regulations that have a significant impact on the issuer and (c) key performance indicators for each of the following:

Subject Area A: “Environmental”

- Aspect A1: Emissions
- Aspect A2: Use of Resources
- Aspect A3: The Environment and Natural Resources
- Aspect A4: Climate Change

Subject Area B: “Social”

Employment and Labour Practices

- Aspect B1: Employment
- Aspect B2: Health and Safety
- Aspect B3: Development and Training
- Aspect B4:Labour Standards

Operating Practices

- Aspect B5: Supply Chain Management
- Aspect B6: Product Responsibility
- Aspect B7: Anti-corruption

Community

- Aspect B8: Community Investment

Please refer to Main Board Listing Rules Appendix C2 (GEM Listing Rules Appendix C2) for details.

Appendix D - Alternative presentation of primary statements

HKAS1(10)(b),(10A)

Consolidated statement of profit or loss and other comprehensive income – single statement, showing expenses by nature

HKAS1(51)(c),(e)				2022
HKAS1(113)			**2023**	Restated *
		Notes	**HK$'000**	HK$'000
HKAS1(82)(a)	**Continuing operations**			
	Revenue	5	**197,659**	161,604
	Finance income	11	**1,616**	905
	Other income	7	**11,348**	12,033
	Other gains/(losses) – net	8	**4,593**	(125)
	Changes in inventory		**6,681**	(671)
	Expenses			
	Raw materials		**(62,218)**	(54,108)
	Employee benefit expenses		**(56,594)**	(52,075)
	Advertising		**(14,265)**	(6,662)
	Transportation		**(8,584)**	(6,236)
	Depreciation and amortisation	9	**(12,540)**	(10,080)
	Restructuring costs		**(1,215)**	(1,010)
	Impairment of goodwill	9	**(2,410)**	-
	Write off of assets damaged by fire		**(1,210)**	-
	Other		**(3,775)**	(2,363)
HKAS1 (82)(ba)	Net impairment losses on financial and contract assets		**(849)**	(595)
HKAS1(82)(b)	Finance costs	11	**(7,491)**	(6,735)
HKAS1(82)(c)	Share of net profit of associates and joint ventures accounted for using the equity method	12(b)	**340**	355
	Profit before income tax		**51,086**	39,617
HKAS1(82)(d)				
HKAS12(77)	Income tax expense	13	**(16,182)**	(11,575)
	Profit from continuing operations		**34,904**	28,042
HKFRS5(33)(a)	Profit from discontinued operation (attributable to equity holders of the			
HKAS1(82)(ea)	company)	26(c)	**727**	399
HKAS1(81A)(a)	**Profit for the period**		**35,631**	28,441
	Other comprehensive income			
HKAS1(82A)(a)(ii)	*Items that may be reclassified to profit or loss*			
HKAS1(82A),(7)(da)	Changes in the fair value of debt instruments at fair value through other comprehensive income	29	**126**	(228)
HKAS1(82A),(7)(d),HKAS39(55)(b)	Changes in the fair value of available-for-sale financial assets		**20**	15
HKAS1(82A),(7)(e)	Share of other comprehensive income of associates and joint ventures accounted for using the entity method	29	**(617)**	185
HKAS1(82A),(7)(c)				
HKAS21(32)	Exchange differences on translation of foreign operations	29	**170**	58
HKFRS5(38)	Exchange differences on transaction of discontinued operation	26(c)	**326**	1,423
HKAS1(82A),(7)(e)	Gains on cash flow hedges		**(88)**	73
HKAS1(82A), (7)(g)(h)	Costs of hedging		**(155)**	(195)
HKAS1(82A), (7)(e)	Hedging losses reclassified to profit or loss		**190**	-
HKAS1(82A),(7)(c)				
HKFRS9(6.5.13)	Gains on net investment hedge	29	**(68)**	(326)
HKAS1(91)	Income tax relating to these items	29	**(96)**	1,005
	Subtotal other comprehensive income		**(96)**	1,005
HKAS1(82A)(a)(i)	*Items that will not be reclassified to profit or loss*			
HKAS1(82A),(7)(a)	Gain on revaluation of land and buildings	29	**7,243**	5,840
HKAS1(82A), (7)(e)	Changes in the fair value of equity investments at fair value through other comprehensive income		**632**	(1,230)
	Share of other comprehensive income of associates and joint ventures accounted for using the equity method		**300**	100
HKAS1(82A)	Remeasurements of post-employment benefit obligations	29	**119**	(910)
HKAS1(82A),(7)(b)				
HKAS19(120)(c)	Income tax relating to these items	29	**(2,489)**	(1,140)
HKAS1(91)	**Other comprehensive income for the period, net of tax**	29	**5,709**	3,665
HKAS1(81A)(b)	**Total comprehensive income for the period**		**41,340**	32,106
HKAS1(81A)(c)				

HKAS1(10)(b),(10A)

Consolidated statement of profit or loss and other comprehensive income – single statement, showing expenses by nature

HKAS1(51)(c),(e)
HKAS1(113)

HKAS1(81B)(a)

HKAS1(81B)(b)

HKFRS5(33)(d)

HKAS33(66)

	Notes	**2023 HK$'000**	2022 Restated * HK$'000
Profit is attributable to:			
Owners of VALUE HKFRS Limited		**32,626**	26,123
Non-controlling interests		**3,005**	2,318
		35,631	28,441
Total comprehensive income for the period is attributable to:			
Owners of VALUE HKFRS Limited		**38,434**	29,530
Non-controlling interests		**2,906**	2,576
		41,340	32,106
Total comprehensive income for the period attributable to owners of VALUE HKFRS Limited arises from:			
Continuing operations		**37,549**	29,073
Discontinued operations		**885**	457
		38,434	29,530
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	14	**56.9**	47.3
Diluted earnings per share	14	**55.8**	47.1
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	14	**58.2**	48.0
Diluted earnings per share	14	**57.1**	47.8

HKAS33(66)

* See note 4.3 for details regarding the restatement as a result of an error.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

HKAS1(10)(d)
HKAS7(1),(10)

Consolidated statement of cash flows – direct method

		Notes	2023 HK$'000	2022 HK$'000
HKAS1(113)				
HKAS7(10),(18)(a)	**Cash flows from operating activities**			
HKAS7(14)(a)	Receipts from customers (inclusive of goods and services tax)		196,280	185,292
HKAS7(14)(c),(d)	Payments to suppliers and employees (inclusive of goods and services tax)		(136,825)	(142,760)
			59,455	42,532
HKAS7(14)(g)	Payments for financial assets at fair value through profit or loss		(135)	(1,235)
HKAS7(14)(g)	Proceeds from disposal of financial assets at fair value through profit or loss		600	-
HKAS7(14)(b)	Insurance recovery relating to fire	6	300	-
HKAS7(16)	Transaction costs relating to acquisition of subsidiary	43	(750)	-
HKAS7(14)(b)	Other revenue		7,490	7,484
HKAS7(31)-(33)	Interest received		1,262	905
HKAS7(31)-(33)	Interest paid		(8,127)	(6,799)
HKAS7(14)(f),(35),(36)	Income taxes paid		(16,458)	(12,163)
	Net cash inflow from operating activities		43,637	30,724
HKAS7(10),(21)	**Cash flows from investing activities**			
HKAS7(39)	Payment for acquisition of subsidiary, net of cash acquired	43	(2,600)	-
HKAS7(16)(a)	Payments for property, plant and equipment	15	(25,387)	(14,602)
HKAS7(16)a)	Payments for investment property	16	(1,900)	-
HKAS7(16)(c)	Payments for financial assets at fair through other comprehensive income		(259)	(2,029)
HKAS7(16)(c)	Payments for held-to-maturity investments		-	(1,175)
HKAS7(16)(a)	Payment of software development costs		(880)	(720)
HKAS7(16)(e)	Loans to related parties		(1,180)	(730)
HKAS7(39)	Proceeds from sale of engineering division	26	3,110	-
HKAS7(16)(b)	Proceeds from sale of property, plant and equipment		9,585	639
HKAS7(16)(d)	Proceeds from sale of fair through other comprehensive income		1,375	820
HKAS7(16)(f)	Repayment of loans by related parties		469	626
HKAS7(38)	Dividends from joint ventures and associates	12(b)	160	220
HKAS7(31),(33)	Other dividends		3,300	4,300
HKAS7(31),(33)	Interest received on financial assets held as investments		258	249
	Net cash (outflow) from investing activities		(13,949)	(12,402)
HKAS7(10),(21)	**Cash flows from financing activities**			
HKAS7(17)(a)	Proceeds from issues of shares and other equity securities	27	12,413	-
	Proceeds from calls on shares and calls in arrears	27	1,500	-
HKAS7(17)(c)	Proceeds from borrowings	38(c)	46,053	26,746
HKAS7(17)(c)	Proceeds received under a supplier finance arrangement	32	3,070	2,520
HKAS7(17)(b)	Payments for shares bought back	27	(1,350)	-
HKAS7(17)(b)	Acquisition of shares for employee share scheme		(1,217)	(299)
	Share issue and buy-back transaction costs	27	(245)	-
HKAS7(17)(d)	Repayment of borrowings	38(c)	(33,484)	(24,835)
HKAS7(17)(d)	Repayments to financial institution under a supplier finance arrangement	32	(2,980)	(2,550)
HKAS7(17)(e)	Principal elements of finance lease payments	38(c)	(1,942)	(1,338)
HKAS7(42A),(42B)	Transactions with non-controlling interests	40	(1,500)	-
HKAS7(31),(34)	Dividends paid to company's shareholders	37	(22,357)	(10,478)
HKAS7(31),(34)	Dividends paid to non-controlling interests in subsidiaries	12(b)	(3,017)	(1,828)
	Net cash (outflow) from financing activities		(5,056)	(12,062)
	Net increase in cash and cash equivalents		24,632	6,260
	Cash and cash equivalents at the beginning of the financial year		28,049	21,573
HKAS7(28)	Effects of exchange rate changes on cash and cash equivalents		(248)	216
	Cash and cash equivalents at end of year	25	52,433	28,049
HKAS7(43)	Non-cash financing and investing activities	38(b)		
HKFRS5(33)(c)	Cash flows of discontinued operation	26(c)		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Oil and gas exploration assets

Note – Accounting policies

HKFRS6(24)(a)
HKAS1(117)

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.

(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

No depreciation or amortisation is charged during the exploration and evaluation process.

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 of disposal and their value in use.

(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 of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

1 Oil and gas exploration assets (Continued)

Note – Property, plant and equipment

HKAS16(73) HKFRS6(24)(b),(25)	Non-current assets	Capitalised exploration and evaluation expenditure HK$'000	Capitalised development expenditure HK$'000	Assets under construction HK$'000	Production assets HK$'000	Other businesses and corporate assets HK$'000	Total HK$'000
	At 1 January 2023						
HKAS16(73)(d)	Cost	218	12,450	12,668	58,720	3,951	75,339
HKAS16(73)(d)	Accumulated depreciation 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 2023						
HKAS16(73)(e)	Opening net book amount	185	12,450	12,635	53,620	3,874	70,129
HKAS16(73)(e)(viii)	Currency translation differences	17	346	363	1,182	325	1,870
HKAS16(73)(e)(i),(74)(b)	Acquisitions	-	386	386	125	4	515
HKAS16(73)(e)(i),(74)(b)	Additions	45	1,526	1,571	5,530	95	7,196
HKAS16(73)(e)(ix)	Transfers	(9)	(958)	(967)	1,712	-	745
HKAS16(73)(e)(ii)	Disposals	(12)	(1,687)	(1,699)	-	-	(1,699)
HKAS16(73)(e)(vii)	Depreciation charge	-	-	-	(725)	(42)	(767)
HKAS16(73)(e)(v)	Impairment charge	(7)	(36)	(43)	(250)	(3)	(296)
HKAS1(73)(e)	**Closing net book amount**	219	12,027	12,246	61,194	4,253	77,693
	At 31 December 2023						
HKAS16(73)(d)	Cost	264	12,027	12,291	67,019	4,330	83,640
HKAS16(73)(d)	Accumulated depreciation and impairment	(45)	-	(45)	(5,825)	(77)	(5,947)
HKAS1(77), HKAS16(74)(b)	**Net book amount**	219	12,027	12,246	61,194	4,253	77,693

Commentary

For the purpose of this illustrative appendix, comparatives for the year ended 31 December 2022 are not disclosed, although they are required by HKAS 1.

1 Oil and gas exploration assets (Continued)

Note – Intangible assets

HKAS38(118) HKFRS6(24)(b),(25)	Non-current assets	Capitalised exploration and evaluation expenditure HK$'000	Capitalised development expenditure HK$'000	intangible assets in progress expenditure HK$'000	Production assets HK$'000	Goodwill[2] HK$'000	Other HK$'000	Total HK$'000
HKFRS3(B67)(d)(i) HKAS38(118)(c)	**At 1 January 2023**							
	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 2023							
	Opening net book amount	4,268	750	5,018	2,560	9,400	526	17,504
HKFRS3(B67)(d)(vi) HKAS38(118)(e)(vii)	Currency translation differences	152	8	160	195	423	28	806
HKAS38(118)(e)(i)	Acquisitions	26	32	58	5	-	5	68
HKAS38(118)(e)(i)	Additions	381	8	389	15	-	86	490
HKAS38(118)(e)(viii)	Transfers to production	(548)	(302)	(850)	105	-	-	(745)
HKAS38(118)(e)(ii)	Disposals	-	(28)	(28)	(15)	-	-	(43)
HKAS38(118)(e)(vi)	Amortisation charge	-	-	-	(98)	-	(42)	(140)
HKFRS3(B67)(d)(v) HKAS36(130)(b) HKAS38(118)(e)(iv)	Impairment charge	(45)	-	(45)	-	(175)	(5)	(225)
	Closing net book amount	**4,234**	**468**	**4,702**	**2,767**	**9,648**	**598**	**17,715**
HKFRS3(B67)(d)(viii) HKAS38(118)(c)	**At 31 December 2023**							
	Cost	5,203	468	5,671	3,717	9,898	659	19,945
	Accumulated amortisation and impairment	(969)	-	(969)	(950)	(250)	(61)	(2,230)
HKAS1(77)	**Net book amount**	**4,234**	**468**	**4,702**	**2,767**	**9,648**	**598**	**17,715**

Commentary

1. For the purpose of this illustrative appendix, comparatives for the year ended 31 December 2022 are not disclosed, although they are required by HKAS 1.
2. Disclosures required by HKAS 36 for impairment tests relating to indefinite life intangible assets have not been included in this appendix.

Assets and liabilities related to the exploration and evaluation of mineral resources other than those presented above are as follows:

	2023 HK$'000	2022 HK$'000
Receivables from joint venture partners	**35**	22
Payable to subcontractors and operators	**32**	34

Exploration and evaluation activities have led to total expenses of HK$59,000,000 (2022: HK$5757,000,000), of which HK$52,000,000 (2022: HK$43,000,000) are impairment charges.

In 2023, the disposal of a 16.67% interest in an offshore exploration stage "Field X" resulted in post-tax profits on sale of HK$93,000,000 (2022: nil).

Cash payments of HK$415,000,000 (2022: 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 (2022: nil).

2 Biological assets

HKAS1(10)(b), (10A)

Consolidated statement of profit or loss (extract)

		Notes	**2023** **HK$'000**	2022 HK$'000
	Revenue	3	**26,240**	27,548
HKAS41(40)	Change in fair value of biological assets	5	**22,500**	18,028
	Cost of sales of livestock and palm oil		**(23,180)**	(24,348)

HKAS1(10)(a)

Consolidated statement of financial position (extract)

		Notes	**31 December 2023** **HK$'000**	31 December 2022 HK$'000	1 January 2022 HK$'000
HKAS1(60)(66)	**Non-current assets**				
HKAS1(54)(a)	Property, plant and equipment	4	**X**	X	X
HKAS1(64)(f)	Biological assets	5	**4,300**	5,760	3,500
HKAS1(60)(66)	**Current assets**				
HKAS1(54)(f)	Biological assets	5	**19,188**	12,437	18,920

*See note 4.3 for details about restatements for changes in accounting policies

Note 1 – General information

HKAS1(138)(b), HKAS41(46)(a)

The group is engaged in the business of farming sheep and poultry, primarily for sale to meat processors. The group is also engaged in the business of growing and managing palm oil plantations for the sale of palm oil. The group earns ancillary income from various agricultural produce, such as wool.

Note 2 – Accounting policies

Basis of preparation

HKAS1(117)(a)

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets, financial assets and liabilities (including derivative instruments) certain classes of property, plant and equipment, and investment property – measured at fair value
- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell
- certain biological assets – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value.

HKAS(117)
HKAS16(73)(a)

Land and buildings and palm oil trees

Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity. All other property, plant and equipment, including oil palm trees is recognised at historical cost less depreciation.

HKAS16(50), (73) (b)

HKAS16(73)(c)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

• Buildings	25-40 years
• Oil palm trees	25 years
• Corporate assets	3-10 years

The group's oil palm trees qualify as bearer plants under the definition in HKAS 41 *Agriculture* and are therefore accounted for under the rules for plant and equipment. Oil palm trees are classified as immature until the produce can be commercially harvested. At that point they are reclassified and depreciation commences. Immature palm oil trees are measured at accumulated cost.

2 Biological assets (continued)

Biological assets

Biological assets are measured at fair value less costs to sell, see Note 5(iii) below for further information on determining the fair value.

HKAS1(117) Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but excludes finance costs and income taxes.

HKAS41(43) Sheep held for slaughter are classified as immature until they are ready for slaughter. Livestock are classified as current assets if they are to be sold within one year.

HKAS41(7)(13) HKAS16(6) The palm oil trees are bearer plants and are therefore presented and accounted for as property, plant and equipment, see note 4. However, the fresh fruit bunches ("FFB") growing on the trees is accounted for as biological assets until the point of harvest. Harvested FFB are transferred to inventory at fair value less costs to sell when harvested.

HKAS41(26) Changes in fair value of livestock and oil palm FFB on trees are recognised in the statement of profit or loss.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services and sheering are expensed as incurred. The cost of purchase of sheep plus transportation charges are capitalised as part of biological assets.

Note 3 – Segment information

(a) Description of segments and principal activities

HKAS1(138)(b) HKAS41(46)(a) The group is engaged in the business of farming sheep primarily for sale to meat processors. The group is also engaged in the business of growing and managing palm oil plantations for the sale of palm oil. The group earns ancillary income from various agricultural produce, such as wool.

HKFRS8(22) (a), (b) (aa) The group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, receives separate reports for each sheep farm and palm oil plantation. However, the farms and the plantations have been aggregated into two operating segments, being sheep and palm oil, as they have the same economic characteristics.

Revenue

HKFRS8(23)(a) The group derives the following types of revenue by operating segment:

HKFRS15(114)

	2023 **HK$'000**	2022 HK$'000
Sheep		
Sale of livestock (note 5)	**9,225**	12,096
Sale of wool	**2,500**	2,350
Sale of palm oil (note 5)	**14,515**	13,102
Total revenue	**26,240**	27,548

2 Biological assets (Continued)

Note 4 – Property, plant and equipment

		Mature oil palm trees HK$'000	Immature oil palm trees HK$'000	Freehold land HK$'000	Freehold buildings HK$'000	Other corporate assets HK$'000	Total HK$'000
	Non-current assets						
	At 1 January 2022						
HKAS16(73)(d)	Cost or fair value	8,200	2,000	X	X	X	X
HKAS16(73)(d)	Accumulated depreciation	-	-	X	X	X	X
	Net book amount	8,200	2,000	X	X	X	X
	Year ended 31 December 2022						
HKAS16(73)(e)	Opening net book amount	8,200	2,000	X	X	X	X
HKAS16(73)(e)(i), (74)(b)	Additions		2,503	X	X	X	X
HKAS16(73)(e)(ix)	Transfer	3,000	(3,000)	X	X	X	X
HKAS16(73)(e)(vii)	Depreciation charge	(2,000)	-	X	X	X	X
HKAS16(73)(e)	Closing net book amount	9,200	1,503	X	X	X	X
	At 31 December 2022						
HKAS16(73)(d)	Cost or fair value	11,200	1,503	X	X	X	X
HKAS16(73)(d)	Accumulated depreciation	(2,000)	-	X	X	X	X
HKAS1(77)	Net book amount	9,200	1,503	X	X	X	X
	Year ended 31 December 2023						
HKAS16(73)(e)	Opening net book amount	9,200	1,503	X	X	X	X
HKAS16(73)(e)(i), (74)(b)	Additions	-	4,309	X	X	X	X
HKAS16(73)(e)(ix)	Transfer	2,700	(2,700)	X	X	X	X
HKAS16(73)(e)(vi)	Depreciation charge	(2,400)	-	X	X	X	X
HKAS16(73)(e)(v) HKAS36(126)(a),(b)	Impairment loss	-	-	X	X	X	X
HKAS16(73)(e)	Closing net book amount	9,500	3,112	X	X	X	X
	At 31 December 2023						
HKAS16(73)(d)	Cost or fair value	13,900	3,112	X	X	X	X
HKAS16(73)(d)	Accumulated depreciation	(4,400)	-	X	X	X	X
HKAS1(77)	Net book amount	9,500	3,112	X	X	X	X

2 **Biological assets (Continued)**

Note 5 – Biological assets

(i) Analysis by group of biological assets

HKAS41(41) Biological assets comprise sheep and oil palm fresh fruit bunches (FFB) growing on palm trees.

			2023			2022	
HKFRS13(93)(e)			**Oil palm**			Oil palm	
		Sheep HK$'000	**FFB HK$'000**	**Total HK$'000**	Sheep HK$'000	FFB HK$'000	Total HK$'000
HKAS41(50)	Opening balance at 1 January	**11,450**	**6,747**	**18,197**	18,781	3,639	22,420
HKAS41(50)(b)	Increase due to purchase	**5,971**	**-**	**5,971**	2,097	-	2,097
HKAS41(50)(a)	Livestock losses	**(480)**	**-**	**(480)**	(350)	-	(350)
HKAS41(50)(a), (51)	Change in fair value due to biological transformation	**3,444**	**18,006**	**21,450**	1,430	15,500	16,930
HKAS41(50)(a), (51)	Change in fair value due to price changes	**1,180**	**350**	**1,530**	1,088	360	1,448
HKAS41(50)(d)	Transfer of harvested fresh fruit bunches (FFB) to inventory	**-**	**(14,115)**	**(14,115)**	-	(12,752)	(12,752)
HKAS41(50)(c)	Decrease due to sale of lambs for slaughter	**(9,065)**	**-**	**(9,065)**	(11,596)	-	(11,596)
HKAS41(50)	Closing balance at 31 December	**12,500**	**10,988**	**23,488**	11,450	6,747	18,197
	Current assets:						
	- Sheep held for slaughter	**8,200**	**-**	**8,200**	5,690	-	5,690
	- Oil palm FFB on trees	**-**	**10,988**	**10,988**	-	6,747	6,747
		8,200	**10,988**	**19,188**	5,690	6,747	12,437
	Non-current assets:						
	- breeding stock - mature	**3,950**	**-**	**3,950**	5,190	-	5,190
	- breeding stock - immature	**350**	**-**	**350**	570	-	570
	Total non-current	**4,300**	**-**	**4,300**	5,760	-	5,760

HKAS41(46)(b) As at 31 December 2023 the group had 6,500 sheep (2022 - 5,397 sheep) and 3,123 sheep were sold during the year (2022 - 4,098 sheep sold).

As at 31 December 2023 there were 2,600,000 hectares of palm oil plantations (2022 - 2,170,000 hectares). During the year the group sold 550,000 kgs of palm oil (2022 - 545,000 kgs).

HKAS1(117)

(ii) Measuring biological assets at fair value

HKFRS13(91)(a), (93)(d) Sheep are measured at fair value less costs to sell, based on market prices at auction of livestock of similar age, breed and genetic merit with adjustments, where necessary, to reflect the differences, Market prices are obtained from the weekly auctions at the local market, which is considered the principal market for the purpose of the valuation.

HKFRS13(91)(a), (93)(d) The fair value of growing oil palm FFB is determined using a discounted cash flow model based on the expected palm oil yield by plantation size, the market price for crude palm oil and palm kernel oil and after allowing for harvesting costs, contributory asset charges for the land and palm trees owned by the entity and other costs yet to be incurred in getting the fruit bunches to maturity.

Note 5 – Biological assets (Continued)

HKAS1(117)

(ii) Measuring biological assets at fair value (Continued)

Consider impact of climate change – see Appendix G

Significant estimates and judgements

HKAS1(122),(125)
HKFRS13(93)(d)

In measuring the fair value of sheep and oil palm FFB various management estimates and judgements are required:

Sheep
Estimates and judgements in determining the fair value of sheep relate to market prices, average weight and quality of animals and mortality rates.

The sheep grow at different rates and there can be a considerable spread in the quality and weight of animals that affects the price achieved. An average weight is assumed for the slaughter sheep livestock that are not yet at marketable weight.

Oil palm FFB on oil palm trees
Estimates and judgements in determining the fair value of the FFB growing on palm trees include the volume and stages of maturity of FFB at reporting date, palm oil yield, the long term crude palm oil price, palm kernel oil price and the discount rates. See below for key assumptions about unobservable inputs and their relationship to fair value.

Consider impact of climate change – see Appendix G

Fair value hierarchy
This note explains the judgements and estimates made in determining the fair values of the biological assets that are recognised and measured at fair value in the financial statements, To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards, An explanation of each level is provided in note 3.3.

HKFRS13(93)
(a), (b)

	Notes	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2023					
Sheep					
Mature - breeding stock		**-**	**3,950**	**-**	**3,950**
Immature - breeding stock		**-**	**350**	**-**	**350**
Held for slaughter		**-**	**8,200**	**-**	**8,200**
Oil palm FFB on trees		**-**	**-**	**10,988**	**10,988**
Total biological assets		**-**	**12,500**	**10,988**	**23,488**

HKFRS13(93)(a), (b)

	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2022					
Sheep					
Mature - breeding stock		-	5,190	-	5,190
Immature - breeding stock		-	570	-	570
Held for slaughter		-	5,690	-	5,690
Oil palm FFB on trees		-	-	6,747	6,747
Total biological assets		-	11,450	6,747	18,197

There were no transfers between any levels during the year.

2 Biological assets (Continued)

Note 5 – Biological assets (Continued)

HKAS1(117)

(ii) Measuring biological assets at fair value (Continued)

The quality of livestock sold at the local markets is considered to approximate the group's breeding and slaughter livestock. Sheep have therefore been classified as level 2 in the fair value hierarchy, since no significant adjustments need to be made to the prices obtained from the local markets.

HKFRS13(93)(e) The movements in the fair value of assets within level 3 of the hierarchy, being the FFB growing on trees, can be seen from the table in (i) above. The gains or (losses) recognised in relation to the palm fruit bunches are as follows:

		2023 **HK$'000**	2022 HK$'000
HKFRS13(93)(e)(i)	Total gains for the period recognised in profit or loss under 'Change in fair value of biological assets'	**18,356**	15,860
HKFRS13(93)(f)	Change in un realised gains or losses for the period recognised in profit or loss attributable to palm fruit bunches held at the end of the reporting period	**9,300**	5,900

Valuation inputs and relationships to fair value

HKFRS13(93)(d), (99) The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurements of the palm fruit bunches on trees. The fair values are determined based on discounted cash flows.

HKFRS13(91)(a), (93)(d), (h)(i)

	Fair value at			**Range of inputs (probability ~ weighted average)**		**Relationship of unobservable inputs**
Description	**31 Dec 2023 HK$'000**	**31 Dec 2022 HK$'000**	**Unobservable Input ***	**2023**	**2022**	**to fair value**
Oil palm FFB on trees	10,988	6,747	Palm oil yield - tonnes per hectare	20-30 (24) per year	20-30 (25) per year	The higher the palm oil yield, the higher the fair value
			Crude palm oil price	US$800-$1,100 ($900) per tonne	US$750-$1,070 ($900) per tonne	The higher the market price, the higher the fair value
			Palm Kernel Oil price	US$1,000 - $1,200 ($1,050) per tonne	US$900 - $1,150 ($1,030) per tonne	
			Discount rate	9%-11% (10.5%)	9%-11% (10.5%)	The higher the discount rate, the lower the fair value

HKFRS13(93)(h)(i) * There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Note 5 – Biological assets (Continued)

HKAS1(117) **(ii) Measuring biological assets at fair value (Continued)**

Valuation processes

HKFRS13(93) (g) The group's finance department includes a team that performs the valuations of the group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in fine with the group's half-yearly reporting requirements.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Palm oil yield is determined based on the age of the plantation, historical yields, climate-induced variations such as severe weather events, plant losses and new areas coming into production.
- Crude palm oil prices and palm kernel oil prices are quoted prices for the relevant region.
- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

The cash outflows include notional cash flows (contributory asset charges) for the land and palm trees owned by the entity. They are based on market rental payable for orchards of similar size and maturity.

Note 6 – Financial risk management

HKAS41(49) (c) **(a) Financial risk management strategies for biological assets**

The group is exposed to risks arising from environmental and climatic changes, commodity prices and financing risks.

The group's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as droughts and floods and disease outbreaks. The group has strong environmental policies and procedures in place to comply with environmental and other laws.

The group is exposed to risks arising from fluctuations in the price and sales volume of sheep. Where possible, the group enters into supply contracts for sheep to ensure sales volumes can be met by meat processing companies. The group has long-term contracts in place for supply of palm oil to its major customers.

The seasonal nature of the sheep farming business requires a high level of cash flow in the second half of the year. The group actively manages the working capital requirements and has secured sufficient credit facilities to meet the cash flow requirements.

Note 7 – Commitments

HKAS41(49) (b) The group has entered into a contract to acquire 250 breeding sheep at 31 December 2023 for HK$1,250,000 (2022 - nil).

Biological assets

IFRS IC September 2019

1. The IFRS Interpretations Committee confirmed that entities may either capitalise the costs relating to the biological transformation of biological assets (subsequent expenditure) or recognise them as expenses when incurred. This accounting policy choice is applied consistently to each group of biological assets and should be disclosed where relevant for an understanding of the financial statements.

Disclosures not illustrated: not applicable to VALUE HKFRS Agriculture Limited

2. The following disclosure requirements of HKAS 41 Agriculture are not illustrated above:

	Item	Nature of disclosure
HKAS41(49)(a)	Biological assets with restricted title and/or pledged as security	Disclose existence and carrying amount.
HKAS41(50)(e), (f)	Reconciliation of carrying amount of biological assets	Show separately increases due to business combinations and net exchange differences.
HKAS41(53), HKAS1(97)	Material items of income or expense as result of climatic, disease and other natural risks	Disclose amount and nature.
HKAS41(54)-(56)	The fair value of biological assets cannot be measured reliably	Provide additional information.
HKAS41(57)	Government grants received in relation to agricultural activity	Disclose the nature and extent of the grants, any unfulfilled conditions and other contingencies and if there are significant decreases expected in the level of government grants.

3 Properties under development and held for sale

Note - Accounting policies

Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Note – Properties under development

	2023 **HK$'000**	**2022** **HK$'000**
As at 1 January	46,100	47,600
Additions	1,500	1,000
Transferred to properties held for sale	(500)	(2,500)
As at 31 December	47,100	46,100

	2023 **HK$'000**	**2022** **HK$'000**
Properties under development comprise:		
Land use rights	36,000	35,500
Construction cost and capitalised expenditures	10,850	10,400
Finance cost capitalised	250	200
	47,100	46,100

HKAS1(66)(a)

Amounts are expected to be completed:		
Within the normal operating cycle included under current assets	37,000	36,100
Beyond normal operating cycle included under non-current assets	10,100	10,000
	47,100	46,100

HKAS1(61) The amount of properties under development and held for sale expected to be recovered after more than one year is HK$30,000 (2022: HK$31,000). The remaining balance is expected to be recovered within one year.

Note – Completed properties held for sale

	2023 **HK$'000**	**2022** **HK$'000**
As at 1 January	46,100	47,600
Additions	1,500	1,000
Properties sold	(500)	(2,500)
As at 31 December	47,100	46,100

	2023 HK$'000	2022 HK$'000
Completed properties held for sale comprise:		
Land use rights	36,000	35,500
Construction cost and capitalised expenditures	10,850	10,400
Finance cost capitalised	250	200
	47,100	46,100

Appendix F - New standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2023 (i.e. years ending 31 December 2023), (b) IFRS Interpretations Committee agenda decisions issued in the last 12 months, and (c) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

(a) New standards and amendments – applicable 1 January 2023

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

Title	Key requirements	Effective Date *
HKFRS 17 *Insurance Contracts*	HKFRS 17 was issued as replacement for HKFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under HKFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for eligible groups of insurance contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying HKFRS 17 to investors and others. The amendments also deferred the application date of HKFRS 17 to 1 January 2023. Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of HKFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of HKFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of HKFRS 9. The classification can be applied on an instrument-by-instrument basis.	1 January 2023 (deferred from 1 January 2021) For further information see our Viewpoint website and In brief INT2021-5
Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2	The HKICPA amended HKAS 1 *Presentation of Financial Statements* to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the HKICPA also amended HKFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023 For further information see In brief INT2021-02
Definition of Accounting Estimates – Amendments to HKAS 8	The amendment to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023 For further information see In brief INT2021-02

* Applicable to reporting periods commencing on or after the given date.

(a) New standards and amendments – applicable 1 January 2023

Title	Key requirements	Effective Date *
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12	The amendments to HKAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate. HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023 For further information, see In brief INT2021-10
OECD Pillar Two Rules	In December 2021, the Organisation for Economic Co-operation and Development (OECD) released the Pillar Two model rules (the Global Anti-Base Erosion Proposal, or 'GloBE') to reform international corporate taxation. Large multinational enterprises within the scope of the rules are required to calculate their GloBE effective tax rate for each jurisdiction where they operate. They will be liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. In July 2024, the HKICPA made narrow-scope amendments to HKAS 12 which provide a temporary relief from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments also require affected companies to disclose: • the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes • their current tax expense (if any) related to the Pillar Two income taxes, and • during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure. ** The amendments must be applied immediately, subject to any local endorsement process, and retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, the disclosures about the known or reasonably estimable exposure to Pillar Two income taxes are only required for annual reporting periods beginning on or after 1 January 2023 and do not need to be made in interim financial reports for interim periods ending on or before 31 December 2023.	Immediately, except for certain disclosures as noted on the left ** For further information, see our In brief INT2023-12 and our OECD Pillar Two tracker

* Applicable to reporting periods commencing on or after the given date.

(b) IFRS Interpretations Committee agenda decisions issued in the last 12 months

As at 31 October 2023, the following agenda decisions were issued that may be relevant for the preparation of annual reports in 2023. The date issued refers to the date of approval by the IASB as per the IASB's website**.** For more recent information refer to our website at www.viewpoint.pwc.com.

Date issued	Topic
July 2022	Negative Low Emission Vehicle Credits (IAS 37)
July 2022	Special Purpose Acquisition Companies: Classification of Public Shares as Financial Liabilities or Equity (IAS 32)
July 2022	Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17); for PwC guidance, see *In transition – the latest on IFRS 17 implementation – June 2022*
October 2022	Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition
October 2022	Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16); for PwC guidance, see *In brief INT2022-15*
October 2022	Multi-currency groups of insurance contracts (IFRS 17 and IAS 21); for PwC guidance, see *In transition – the latest on IFRS 17 implementation – June 2022*
April 2023	Definition of a Lease – Substitution Rights (IFRS 16)

(c) Forthcoming requirements

As at 31 October 2023, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023. For more recent information refer to our website at www.viewpoint.pwc.com.

Title	**Key requirements**	**Effective Date ***
Classification of Liabilities as current or non-current - Amendments to HKAS 1	Amendments made to HKAS 1 *Presentation of Financial Statements* in 2020 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarified what HKAS 1 means when it refers to the 'settlement' of a liability. The amendments were due to be applied from 1 January 2022. However, the effective date was subsequently deferred to 1 January 2023 and then further to 1 January 2024.	1 January 2024 In depth INT2020-04
Non-current liabilities with covenants – Amendments to HKAS 1	In October 2022, the HKICPA made further amendments to HKAS 1 in response to concerns raised about these changes to the classification of liabilities as current or non-current. The new amendments clarify that covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include: • the carrying amount of the liability • information about the covenants, and • facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants. The amendments also clarify what HKAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note. The amendments must be applied retrospectively in accordance with the normal requirements in HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.	1 January 2024 For further information, see In brief INT2022-16
Lease Liability in a Sale and Leaseback – Amendments to HKFRS 16	In September 2022, the HKICPA finalised narrow-scope amendments to the requirements for sale and leaseback transactions in HKFRS 16 *Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	1 January 2024 For further information, see In brief INT2022-12 In depth INT2023-01
Lack of Exchangeability - Amendments to HKAS 21	The HKICPA issued amendments to HKAS 21 – Lack of Exchangeability on 25 September 2023, which add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not.	1 January 2025 For further information, see In brief INT2023-19

* Applicable to reporting periods commencing on or after the given date.

Title	Key requirements	Effective Date *
Supplier finance arrangements – Amendments to HKAS 7 and HKFRS 7	The HKICPA has issued new disclosure requirements about supplier financing arrangements ('SFAs'). The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following: (a) The terms and conditions of SFAs. (b) The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented. (c) The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers. (d) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements. (e) Non-cash changes in the carrying amounts of financial liabilities in (b). (f) Access to SFA facilities and concentration of liquidity risk with finance providers. The HKICPA has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.	1 January 2024 For further information, see In brief INT2023-03
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to HKFRS 10 and HKAS 28	The HKICPA has made limited scope amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in HKFRS 3 *Business Combinations*). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015, the HKICPA decided to defer the application date of this amendment until such time as the HKICPA has finalised its research project on the equity method.	n/a **
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements –Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))-	In December 2022, the HKICPA issued amendments to HKAS 1 *Non-current Liabilities with Covenants* to deal with the classification of long-term loan arrangements with covenants as current or non-current.	HK Int 5 (Revised) has incorporated the references to Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 fNoncurrent Liabilities with Covenants. Both amendments are to be applied as a package and are effective for annual reporting periods beginning on or after 1 January 2024.

* Applicable to reporting periods commencing on or after the given date.

Appendix G: Impact of climate change on financial statements

1. The impact of climate change on the financial statements is a high-profile issue. Investors and regulators are increasingly looking for evidence of how the entity has incorporated environmental, social and governance (ESG matters) and in particular climate-related risk factors when making estimates and judgements in the preparation of the financial statements. Climate-related risk could include both transition impacts, for example additional costs incurred by the entity as a result of transitioning to a low-carbon economy, or physical impacts, such as damage to assets as a result of fires and flooding.

HKAS1(112)(c)

2. The accounting standards have an overarching requirement to disclose information that users need for them to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. Therefore, in light of the current focus on, and impact of, climate change, entities should ensure that they have assessed the impact of climate change and what disclosures are necessary in this context for the financial statements to comply with HKFRS.

3. This appendix discusses how climate change could affect certain measurements and therefore the related disclosures in the financial statements. It also outlines some of the relevant considerations when making estimates and judgements and drafting the relevant disclosures to satisfy the current HKFRS requirements.

4. For further information, see our In depth *Impact of ESG matters on HKFRS financial statements* and our webpage on Viewpoint *Environmental, Social and Governance (ESG) in HKFRS*.

IASB guidance and possible future developments

Effects of climate-related matters on financial statements

5. In 2020, the IFRS Foundation issued educational material which contains a non-exhaustive list of examples regarding how climate risk might affect the measurement and disclosure requirements of various standards and the various paragraphs of those standards that might be referenced in determining how to incorporate such risks. The material also discusses materiality and, while it does not add or change the requirements in the standards, it is useful guidance that users and preparers might benefit from when preparing and assessing HKFRS financial statements.

IASB Update March 2023

6. In March 2023, the IASB further added a project on climate-related risks in the financial statements to its maintenance project work plan. This was done following the IASB's Third Agenda Consultation where stakeholders raised concerns about deficiencies in the reporting of climate-related risks relating to:
   (a) the inconsistent application of requirements in accounting standards, and
   (b) insufficient information disclosed about climate-related risks.

7. The project aims to:
   (a) research the causes of the concerns raised by respondents about inconsistent application and insufficient information
   (b) research whether the IFRS Foundation's educational material and the application of the ISSB's standard on climate-related disclosures help to address these concerns, and
   (c) consider whether and what actions may be needed with respect to climate-related risks in the financial statements.

8. Until the project is completed, the IASB's educational material is the primary source of guidance under IFRS for considering climate-related risks. However, preparers should continue to monitor developments in this area.

United States SEC proposals

The Enhancement and Standardization of Climate-Related Disclosures for Investors

9. In March 2022, the Securities and Exchange Commission (SEC) proposed sweeping new rules which would significantly increase the required disclosures about climate-related risks that are reasonably likely to have a material impact on a company's business or consolidated financial statements.

10. The proposals include various non-financial reporting requirements including disclosure of greenhouse gas emissions. Large accelerated and accelerated filers would also be required to obtain assurance over their Scope 1 and Scope 2 disclosures, with the level of assurance phased in over time. The proposals would further specifically require disclosures in financial statements that would apply to registrants reporting under both US GAAP and IFRS.

11. In particular, registrants (including foreign private issuers applying HKFRS) would be required to include certain climate-related financial statement metrics and related disclosures in a note to the audited financial statements. The disclosures would include the financial impacts of severe weather events and other natural conditions as well as transition activities and identified climate-related risks on individual financial statement line items. Disclosure is required if the aggregated impact (calculated as the absolute value of positive and negative impacts) is greater than 1% of the total financial statement line item for the relevant fiscal year.

12. SEC registrants should carefully monitor developments in this area. Non-SEC registrants may also be interested in understanding the types of disclosures that would be required in financial statements under this regime, as some may decide to provide such additional disclosures voluntarily.

IFRS Sustainability Disclosure Standards

13. In June 2023, the International Sustainability Standards Board (ISSB) released its first two sustainability disclosure standards:
    - (a) IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (General Requirements standard), and — ISSB ED/2022/S1
    - (b) IFRS S2 *Climate-related Disclosures* (Climate standard). — ISSB ED/2022/S2

14. IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted. This is subject to the adoption of the standards by local jurisdictions.

15. Because the standards are subject to adoption by individual jurisdictional authorities, there may be differences in relation to when the standards are effective. The ISSB has proposed a number of transitional reliefs when adopting the new standards.
    - (a) The disclosure standards require that:
    - (b) the disclosures are prepared:
        - (i) at the same time as annual financial statements (subject to transition relief)
        - (ii) for the same reporting entity as financial statements, and

16. to the extent possible, assumptions used to prepare the reporting are on the same basis as the financial statements.

17. The IFRS Sustainability Disclosure Standards are structured using the Task Force on Climate- related Financial Disclosures (TCFD framework) four-pillar approach, which covers governance, strategy, risk management, and metrics and targets. For further details on the requirements of IFRS S1 and IFRS S2, refer to our In brief INT2023-15 *IFRS Sustainability Disclosure Standards have been released.*

ESRS exposure drafts

18. In June 2023, the European Commission published revised drafts of 12 European Sustainability Reporting Standards (ESRS) for public feedback. The revised drafts set the overall architecture for future sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD) and cover the full range of sustainability matters from the whole ESG landscape (environment, social and governance). Sector-specific proposals will be issued later.

19. The sustainability statements will be in a dedicated section of the management report. The assurance requirement is initially for limited assurance, with a planned transition to reasonable assurance over the coming years.

20. The CSRD was driven, in part, by the European Green Deal, a December 2019 European Commission package of policy initiatives designed to achieve climate neutrality by 2050 and protect Europe’s natural habitat. It was adopted by the European Parliament and the Council of the European Union in November 2022 and came into effect on 5 January 2023. EU Member States have until early July 2024 (18 months from the effective date) to incorporate its provisions into national law.

21. The CSRD requires comprehensive and granular disclosures covering the entire spectrum of sustainability topics (e.g. climate change, biodiversity and ecosystems, working conditions, human rights, business ethics). These disclosure requirements are detailed in the draft ESRSs that were published by the EC in June 2023.

22. The CSRD is intended to apply to many companies operating in the EU, estimated to be nearly 50,000 companies in total. Companies without direct reporting obligations under the CSRD may also be asked for information by customers, suppliers, investors, or lenders because of the requirements for entities within its scope to disclose information about their value chain, or because they are subsidiaries of EU companies with reporting obligations.

23. The CSRD is expected to apply to financial years starting on or after 1 January 2024 for undertakings that are already subject to reporting under the NFRD, but later for new joiners and listed SMEs, as this is dependent on the size and type of entity.

Impact of climate-related risk on the financial statements

Note 1 – Going concern

HKAS1(25)
ISA570(19)

24. HKAS 1 requires management to assess an entity's ability to continue as a going concern when preparing financial statements. In assessing whether the going concern basis of preparation is appropriate, management considers all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. If climate-related matters create material uncertainties related to events or conditions that may cast significant doubt on a company's ability to continue as a going concern, an entity should disclose these uncertainties even if the financial statements continue to be prepared on a going concern basis. See the commentary to note 1 for further guidance on going concern disclosures.

HKAS1(122)
HKFRS7(39)

25. Where management has concluded that there are no material uncertainties related to the going concern assumption that require disclosure, but reaching that conclusion involved significant judgement (for example, about the feasibility and effectiveness of any planned mitigation), HKAS 1 requires disclosure of that judgement. Entities should also consider the interrelationship with the liquidity risk disclosures discussed in note 3.1(c).

Note 22 – Trade receivables and other loans and receivables

HKFRS7(35B)

26. HKFRS 7 *Financial Instruments: Disclosures* requires information which enables the users to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows.

HKFRS9(5.5.17)(c)

27. Climate change might affect a lender's exposure to credit losses for its financial assets. The expected credit loss (ECL) model in HKFRS 9 Financial Instruments requires the use of reasonable and supportable information that is available without undue cost or effort. Climate change might affect the assumptions that are made by lenders to estimate ECL. It could also affect the risk ratings for individual borrowers or groups of borrowers or their probability of default. In some cases, it could result in moving loans between stages.

HKFRS7(35I)

28. HKFRS 7 requires that entities provide qualitative and quantitative information about the changes in the amount of expected credit losses and the reason for those changes. To the extent that any changes in ECL are the result of changes made to the assumptions about the impact of climate change or other climate-related risks, that fact should be disclosed.

Notes 3.3(a) and 3.3(b) - Fair value measurements

HKFRS13 (93)(d), (h)(i)-(ii)

29. HKFRS 13 *Fair Value Measurement* requires disclosure of the inputs used in fair value measurements and, for recurring fair value measurements with significant unobservable inputs, a description of the sensitivity of those measurements to changes in unobservable inputs.
30. Fair value is a market-based measurement which maximises the use of observable inputs and uses assumptions that market participants would use when pricing the asset or liability. These might include assumptions about climate-related risks.
31. Fair value measurements using observable (that is, level 1) inputs will already reflect market participant views of climate change impacts. For example, the quoted equity price of an entity in the extractives or agriculture industries will reflect market participant expectations about potential climate risk scenarios.
32. However, valuation models for items that are not traded in an active market should be reviewed to ensure that they adequately represent market participant assumptions for the particular item being valued.
33. Inputs and assumptions which might be impacted by climate-related risk include, but are not limited to:
    (a) discount rates
    (b) the timing and amount of forecasted cash flows (for example, the fair value measurement for an investment property might need to be adjusted to reflect climate impacts on rental income, occupancy rates as well as insurance cost assumptions)
    (c) the highest and best use for certain assets measured at fair value
    (d) inflation rates, and
    (e) other assumptions that a market participant would consider in the circumstances.

Notes 15 and 17 – Property, plant and equipment and intangible asset impairment

34. Climate-related risk can have a significant impact on impairment of non-financial assets. Climate change could be an indicator of impairment and trigger the need for an impairment test. For example, a decline in demand for products that emit greenhouse gases could indicate that a manufacturing plant might be impaired.
35. Further, the inputs and assumptions used in both a value in use or fair value less costs of disposal model could be significantly impacted by climate-related risks.

HKAS36(130)(f),(132),(134)
HKAS1(125)

36. For these reasons, impairment disclosures might need to explain climate-related impacts. Where climate-related risks could have a significant impact on an entity's operations, information about how this has been factored into the recoverable amount calculations would be relevant for the users of the financial statements. In some cases, the conclusion not to adjust an impairment model for climate-related risk might be based on significant judgements or assumptions that entities should also explain in their disclosures.

37. Many companies discuss climate scenarios as part of their narrative reporting. These scenarios might stem from the Paris Agreement, from net zero targets or from the TCFD reporting requirements. Such scenario analyses are likely to interact with the disclosures required by HKAS 1 or HKAS 36 Impairment of Assets. However, the premise of the narrative disclosures is not identical to what HKAS 36 requires.

HKAS36(134)(f)

38. For example, HKAS 36 requires a sensitivity analysis if a reasonably possible change in assumptions would lead to an impairment. This might include a reasonably possible unfavourable change in an assumption relating to climate change. The TCFD, on the other hand, might require a scenario disclosure that is based on a 1.5 or 2.0° limitation on temperature rise, even though these might not be assumptions that are aligned with a company's best estimate or with market participant assumptions. Entities might consider explaining how the assumptions used for the impairment test under HKAS 36 correspond to assumptions used in the narrative reporting on climate change scenarios to help financial statement users understand the linkage.

39. Management should consider whether other information, such as climate reporting included in the entity's annual report, is consistent with the audited financial statements. In addition to this, regulators in a number of territories have been clear that they expect entities to explain and reconcile any discrepancies in assumptions used.

Notes 15 and 17 – Property, plant and equipment and intangible asset – useful lives

40. In addition to impairment, entities may also need to reassess the useful lives and residual values of property, plant and equipment and intangible assets as a result of climate change. For example, climate impacts could result in earlier obsolescence of assets, or legal restrictions might be placed on the use of the assets or lead to inaccessibility of the assets. In the most extreme cases, if assets become inaccessible either as a result of natural climate events or government action, an entity could even lose control of assets permanently.

HKAS16(56)
HKAS38(90)
HKAS1(125)

41. Entities must consider many factors in determining the useful life of assets, including obsolescence from changes in market demand and other economic factors. This estimation of the useful life of assets is a matter of judgement. Entities should consider disclosing if there are any estimation uncertainties related to the impacts of climate-related risk on the useful lives of assets. An example might be where there are multiple potential outcomes and some of them could significantly shorten the asset's life compared to the scenario with the highest probability used in determining useful life.

42. Entities may also have new forms of intangibles such as carbon emissions rights and should consider the appropriate disclosure of policies for such schemes (see discussion in paragraph 69 below).

Note 34 – Deferred tax assets

HKAS12(24),(34)

43. Entities should assess the impact of climate-related matters on the estimation of future taxable profits and whether they are sufficient to recover the deferred tax assets. The assumptions used in these estimations should be consistent with those used elsewhere in the financial statements. To the extent that these assumptions are material in understanding the estimates and judgements which have been made in the recognition of the deferred tax assets, these assumptions should be disclosed.

HKAS1(122),(125)

Note 23 – Inventory

HKAS2(28)

44. Inventories could become impaired if their cost is not recoverable and entities must write down such inventories to their net realisable value. Some sectors might experience increased volatility in the market prices of assets as a result of changes in demand patterns for certain commodities, which could expose those inventories to greater risk of impairment.

HKAS1(122),(125)

45. In other cases, certain assets might be discontinued from use or production, which could result in an impairment of the parts for those assets. For example, a certain model of combustion engine might be discontinued because it no longer meets emission standards, making the parts used to produce or service that engine obsolete. If the entity has made any significant estimates or judgements in this context, it should disclose them.

46. Entities may also have new forms of inventory such as carbon emissions rights and should consider the appropriate disclosure of policies for such schemes (see discussion paragraph 69 below).

Note 36 – Provisions and contingent liabilities

HKAS37(14)

47. Climate-related risks can have an impact on the disclosure of provisions and contingent liabilities. Actions taken or statements made by the entity could give rise to constructive obligations for which provisions must be recognised, even in the absence of legislation requiring the entity to act.

48. For example, an entity operates a plant that is heavily dependent on fossil fuels and for which it has recognised a decommissioning provision. The entity's sustainability strategy promises carbon neutrality by 2030. This can realistically only be achieved by substituting the plant with a newer hybrid model plant in the medium term – sooner than originally anticipated. As a result of this plan, the entity must bring forward the timing of the expected cash flows for decommissioning the plant.

HKAS37(85)(b)

49. Entities must disclose an indication of the uncertainties relating to the amount or timing of any outflow as well as major assumptions made concerning future events. To the extent that climate-related risk impacts the assumptions or uncertainties, entities should explain this in their notes.

HKAS37(87)

50. In addition, climate-related risks may also affect the aggregation of provisions or contingent liabilities for disclosure purposes. In determining which provisions or contingent liabilities may be aggregated to form a class, it is necessary to consider the similarities and differences of these items. Climate-related risk may be incorporated differently into provisions which were previously aggregated. Entities should therefore consider whether further disaggregation of the classes is required as the impacts of climate-related risk evolve and become better understood.

IFRS IC agenda decision re Negative Low Emission Vehicle Credits (July 2022)

51. In July 2022, the IFRS Interpretations Committee issued an *agenda decision* on whether particular government measures to encourage reductions in vehicle carbon emissions give rise to a liability within the scope of IAS 37. The agenda decision did not change any of the current guidance in IAS 37; however, it, together with the related agenda discussion papers, provided some useful clarifications about how an entity should consider the existing requirements in IAS 37. Although the specific issue considered in the agenda decision related to a carbon emissions provision, the principles in the agenda decision might provide a helpful framework to determine whether a liability exists in general.

4.1 – Critical estimates and judgements

HKAS1(125)(a)-(b)

52. There is an overarching requirement to disclose sources of estimation uncertainty in HKAS 1. If assumptions that an entity makes about the future have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, the entity is required to disclose information about those assumptions and the nature and carrying amount of those assets and liabilities. The information should help users of the financial statements to understand the judgement applied by management and what might be disclosed will depend on the specific facts and circumstances. If the accounting estimate is highly sensitive to one estimated input, it might be useful to disclose the estimated input and the sensitivity of the accounting estimate to changes of this input.

53. The entity may further need to explain the impact of various potential climate scenarios on significant estimates made in preparing the financial report. In addition, entities would typically explain changes made to past assumptions.

54. HKAS 1 also has an overarching disclosure requirement to ensure that the financial statements capture all information that would be considered material and relevant to an understanding of them but is not presented elsewhere in the financial statements. This might be especially relevant for entities whose financial position or performance is particularly affected by climate-related matters.

Consistency is important

HKAS1(112)

55. As noted above, the ISSB's proposals specifically require consistency of the disclosures and assumptions used in preparing the financial statements and sustainability disclosures. However, even before these proposals become mandatory, entities should ensure their disclosures of critical estimates and other relevant information in the financial statements are consistent with the non-financial information disclosed elsewhere (for example, in the company's sustainability report) in relation to:
    (a) climate-related matters
    (b) the impact and consideration of climate-related risk, and
    (c) any material disclosure in relation to significant judgements and estimates of uncertainty arising as a result of climate-related risk.

56. Questions often arise about whether an entity's financial statements are 'Paris aligned'. This refers to whether they comply with the legally binding instrument that many nations have signed relating to limiting carbon emissions to a level designed to cap global temperature rises. Whether financial statements are 'Paris aligned' is not easy to determine because of the variety of measurement techniques required by HKFRS depending on the item being considered in the statement of financial position. Therefore, it might be easier for the recognition and measurement of some items to be more closely aligned to Paris assumptions than others.

57. In addition to ensuring consistency of the disclosures about climate-related matters and their impact in both financial and non-financial information, entities also need to ensure consistency of the assumptions used in developing estimates for the financial statements, where possible.

58. For example, where an entity publicly discusses a best estimate about the impact of the Paris Agreement on the entity in a sustainability report and an HKFRS standard requires a best estimate approach to be used in measurement (for example, for the purpose of impairment calculations), the entity would need to consider consistency between the estimates used for financial reporting and those disclosed in the sustainability reporting.

59. Where there are comments in the sustainability report about estimates that haven't been reflected in financial reporting (for example, because the entity is relying on a market participant's assumptions which differ) the entity should consider explaining why such items have been reflected on a different basis in financial reporting.

Note 3.1(a) – Financial risk management – market risk

HKFRS 7 Appendix A

60. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by:

(a) factors specific to the individual financial statement or its issuer, or

(b) factors affecting all similar financial instruments traded in a market.

HKFRS7(40)

Entities must disclose a sensitivity analysis which shows how profit or loss and equity would have been affected by changes in risk variables.

HKFRS7(40)-(41)

61. Climate risk could have a significant impact on market risk, for example, for investments in industries impacted both positively and negatively by climate-related risk. In some cases, it may be necessary to provide additional explanations and disclose a sensitivity analysis that reflects interdependencies between risk variables. For example, if an entity has an interest rate that is floating based on both meeting its climate initiatives and a market benchmark, the entity should consider disclosing how the impact of meeting the climate initiative was incorporated into the sensitivity analysis.

Note 3.1(b) – Financial risk management – credit risk and concentrations of risk

HKFRS 7(34)(c),(B8)

62. HKFRS 7 requires that entities disclose concentrations of risk including:

(a) how management determines such concentrations

(b) a description of the shared characteristic that identifies each concentration, and

(c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.

63. Entities might have to change the way in which they are approaching their risk concentration disclosures to take into account climate-related risk. For example, more precision in determining geographic concentration might be necessary to reflect heightened risk in particular areas (such as city versus provincial/state disclosures where a particular city is particularly impacted) or more precision in the industry sector (such as a more precise disaggregation of exposure to different industrial products sectors based on carbon intensity).

Note 3.1(c) – Financial risk management – liquidity risk

HKFRS 7 Appendix A

64. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

HKFRS 7(39)

65. Entities are required to disclose a maturity analysis for their financial instruments as well as a description of how they manage the liquidity risk inherent in the maturities.

HKFRS 7(B11D)

66. Where the impacts of climate change could accelerate the timing or alter the amount of contractual maturities of financial liabilities, for example as a result of clauses in a sustainability linked loan, entities should disclose that information.

67. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed will be based on the index's level at the end of the period. In this case, entities should disclose the risk that the amount payable will increase depending on the index.

HKAS1(135)(a)(ii)

68. As an entity's climate-related risk exposures become more significant, there could also be growing pressure on an entity's debt covenants. In this context, disclosures about key covenants might become increasingly material. Reduced access to funding from investors in carbon-intensive industries could also be a risk that entities need to address and disclose.

Note 2 – Other potentially material accounting policies

HKAS8(8)
HKAS1(117)-(121)

69. In an effort to lower emissions and achieve carbon neutrality, many entities are entering into more complex transactions and arrangements for which the accounting continues to evolve. Examples of these include emissions trading schemes and virtual power purchase arrangements. In some cases, these transactions and arrangements are clearly within the scope of an HKFRS and in other cases it is less clear.

HKAS8(10)

70. In the absence of an HKFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in relevant and reliable information.

HKAS1(117)-(117B)

71. Entities shall disclose accounting policy information if it is material. Information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence user's decisions made on the basis of the financial statements. HKAS 1 also notes that an accounting policy may be material because of the nature of the entity's operations even if amounts for current and prior periods are not material. Furthermore, accounting policies developed in accordance with HKAS 8 are an example of policies that are expected to be material following the amendments made to HKAS 1 effective 1 January 2023.

72. Entities should therefore not underestimate the importance of disclosing climate-related accounting policies in the notes to the financial statements.

Emissions trading schemes

73. There is no specific accounting standard that deals with accounting for emissions trading schemes. HK(IFRIC) 3 Emission Rights was intended to address the accounting in this area, but it was withdrawn in 2005.

HKAS1(117)-(117B)

74. The withdrawal of HK(IFRIC) 3 means that there are a number of accounting models that entities can use under HKAS 8 in accounting for the participation in these schemes. Entities should disclose the accounting policies adopted for:
    (a) recognition
    (b) initial measurement
    (c) subsequent measurement, and
    (d) presentation of the balances.

    See the discussion about disclosure of accounting policies in paragraph 69 to 72.

75. Emissions credits granted by a government entity are generally accounted for under HKAS 20 as the receipt of a non-monetary asset. However, HKAS 20 allows for different accounting policy choices with respect to measurement on initial recognition and the presentation in both the statement of financial position and the statement of profit or loss and other comprehensive income. Disclosure of the accounting policy for these programs is key to understanding the impact of these programs on the financial statements.

76. To the extent that entities determine that aspects of their emissions trading schemes meet the definition of financial assets and qualify for derivative or hedge accounting they should further consider the disclosure requirements of HKFRS 7 and HKFRS 13.

77. For a detailed discussion on accounting for emissions trading schemes refer to our publication *Emissions trading schemes: The opportunities ahead.*

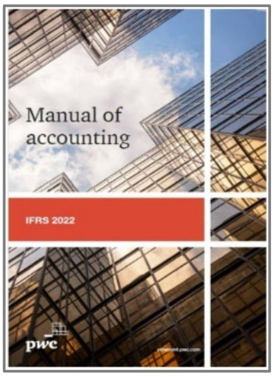
Accounting for carbon offsets in the voluntary carbon market

78. The voluntary carbon market (VCM) is growing. However, similarly to emission trading schemes there are also no accounting standards or IFRS interpretations that directly address the accounting for carbon offsets and related projects. Our In depth INT2023 *IFRS Financial reporting considerations for entities participating in the voluntary carbon market* discusses how the accounting for carbon offset arrangements by various counterparties can be addressed using current accounting standards and interpretations.

79. Entities participating in the voluntary carbon market will need to explain what accounting policies they have applied to carbon offsets and related projects.

80. Accounting for carbon offsets in the voluntary carbon market

PwC’s Accounting Technical Publications



Manual of Accounting – IFRS 2022
Global guide to IFRS providing comprehensive practical guidance on how to prepare financial statements in accordance with IFRS.

The manual includes hundreds of worked examples and guidance on financial instruments.

Language: English

In depth – New IFRSs for 2023
This publication outlines the new IFRS standards and amendments plus those standards, amendments and IFRICs that are effective from 1 January 2023.

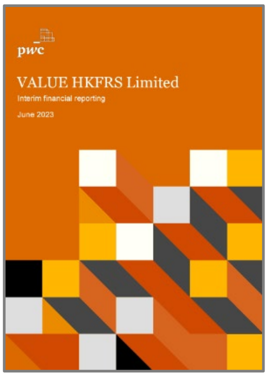
Language: English and Simplified Chinese

Illustrative HKFRS consolidated financial statements – for the year ended 31 Dec 2022

The 2022 version of the illustrative HKFRS consolidated financial statements is for a fictional listed manufacturing, wholesale and retail group. The illustrative example is prepared in accordance with the requirements as set out in:

- The Hong Kong Companies Ordinance (Cap.622);
- The Listing Rules issued by the Stock Exchange of Hong Kong Limited; and
- HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Language: English



Illustrative HKFRS consolidated interim financial statements

This publication presents the sample interim financial report of a fictional listed company, VALUE HKFRS Limited. It illustrates the financial reporting requirements (including disclosures) that would apply to such a company under Hong Kong Financial Reporting Standards as issued at 31 May 2023.

Language: English

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