

Summary of main changes in the SME-FRF & SME-FRS (Revised) as compared to the Old SME-FRF & SME-FRS

- A summary of the criteria for "qualifying entities" with cross-references to the new Companies Ordinance (CO) has been included;
- The accounting requirements are expanded to cover consolidated financial statements, business combinations and investments in other entities accounted for by application of the equity method;
- Guidance on presenting a cash flow statement has been included – the preparation of a cash flow statement is optional. However, if a cash flow statement is presented then this guidance should be followed;
- Additional guidance material has been added on the non-exempted disclosure requirements in the new CO and certain other provisions of the new CO which are relevant to the SME-FRF & SME-FRS;
- Guidance has been added on the concept of "realized profits and losses" and the relationship between these and "recognised profits and losses" reported under the SME-FRS (section 79B of the predecessor CO, together with related sections, has been brought forward into the new CO substantially unaltered);
- Specific disclosure requirements have been added to the SME-FRF to cover the first year that a company transitions from a different GAAP (for example full HKFRS) to SME-FRS;
- Additional disclosure requirements have been added to the Income Taxes section to require the disclosure of applicable tax rates and unused tax losses;
- New guidance has been added on determining the "reporting currency" of an entity (which is based on the concept of functional currency in full HKFRS);
- The definition of "related party" has been updated to align with the current definition in full HKFRS;
- The definitions of "active market" and "fair value" have been updated to be consistent with HKFRS 13 *Fair Value Measurement*; and
- Guidance on determining whether an entity is acting as an agent or principal has been added to the appendix;