Infinity Development Holdings Company Limited
星謙發展控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 640

Infinity Development

Annual Report 2016

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Ieong Un
(Chairman and Chief Executive Officer)
Mr. Ip Chin Wing
Mr. Ip Ka Lun
Mr. Stephen Graham Prince
Mr. Tong Yiu On

Independent Non-executive Directors

Mr. Chan Wing Yau George
Mr. Simon Luk
Mr. Tong Hing Wah

AUDIT COMMITTEE

Mr. Tong Hing Wah *(Chairman)*
Mr. Chan Wing Yau George
Mr. Simon Luk

REMUNERATION COMMITTEE

Mr. Chan Wing Yau George *(Chairman)*
Mr. Simon Luk
Mr. Tong Hing Wah
Mr. Ip Ka Lun

NOMINATION COMMITTEE

Mr. Simon Luk *(Chairman)*
Mr. Chan Wing Yau George
Mr. Tong Hing Wah
Mr. Ip Ka Lun

COMPANY SECRETARY

Mr. Tong Yiu On

AUTHORISED REPRESENTATIVES

Mr. Ip Chin Wing
Mr. Tong Yiu On

AUDITOR

RSM Hong Kong
Certified Public Accountants
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

REGISTERED OFFICE

P.O. Box 10008 Willow House
Cricket Square
Grand Cayman
KY1-1001
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2201–2202, 22/F
Alliance Building
133 Connaught Road Central
Hong Kong

HEAD OFFICE OF THE GROUP

Rua de Pequim No. 202A–246
Macau Finance Centre
16 Andar A–D, Macau

LEGAL ADVISOR

Michael Li & Co.
19/F, Prosperity Tower
No. 39 Queen's Road Central
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

Tricor Services (Cayman Islands) Limited
P.O. Box 10008 Willow House
Cricket Square
Grand Cayman
KY1-1001
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Banco Tai Fung, S.A.R.L., Macau
The Bank of East Asia, Ltd, Macau
The Hongkong and Shanghai Banking
Corporation Limited, Macau
Citibank, N.A., Hong Kong
DBS Bank (Hong Kong) Limited
First Commercial Bank, Macau Branch
Bank Sinopac Company Limited, Macau Branch

CORPORATE WEBSITE

www.infinitydevelopment.com.hk

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE: 00640

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to report that the turnover of Infinity Development Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 September 2016 was approximately HK$496,219,000, representing a decrease of approximately 8.72% over the corresponding period of last year. Profit attributable to the shareholders (the "Shareholders") amounted to approximately HK$37,159,000, representing a decrease of approximately 24.45% as compared to the corresponding period of last year. Earnings per share-basic amounted to HK5.87 cents.

DIVIDENDS

The Board of Directors recommends the payment of a final dividend of HK2.1 cents per share for the year ended 30 September 2016 subject to the approval of the Shareholders at the forthcoming annual general meeting. The Company will pay the final dividend on 23 March 2017 to the Shareholders whose names appear on the register of members on 1 March 2017.

BUSINESS REVIEW

Over the year, the global economy has been fluctuating to a certain extent. Factors like European debt crisis and global weak demand for consumables all dealt a blow to the market. In face of the market environment with uncertainties, the staff of the Group remained optimistic and kept improving. Thank for their great responsibility in their own duties, which saved the Group's sales performance from being affected much and the Group recorded a slight decline in sales.

PROSPECTS

I am relatively optimistic towards the growth of the Group's results for the coming year. In view of the current situations including continued growth in global demand for footwear, more stringent requirement from the manufacturers for the quality of adhesives, rapid increase in the demand for the use of environmental friendly water-based adhesive products by footwear brands and manufacturers, and ongoing diversion of the footwear manufacturing industry to countries or regions with lower costs, the effect of the previous regional deployments of the Group is becoming prominent under the swift changes in the market. I believe that the abovementioned market changes will positively enhance the sales performance of the Group, and anticipate stable growth in the sales of traditional shoe-making adhesive products for the coming year, with significant growth in the new footwear manufacturing bases in Asia in particular. The Group will continue to devote more resources to expedite/enhance marketing in order to increase its market share.

Leveraging on the Group's solid experience accumulated over the years, premium products recognized by the market and its competence in research and development/improvement of products, the Group will commit itself to a continuous healthy business growth in the industry, and gear up for any opportunity arising from economic recovery. In the meantime, the Group will implement the business strategy of diversified development, including devoting more resources and accelerating the development of its agent business and electronic adhesive related products. In addition, the Group will invest and develop its OEM business in a proactive manner. At present, it has entered into an OEM cooperation agreement with a world renowned enterprise for a term of 6 years and entered into a memorandum of understanding and a cooperation agreement with Chinese renowned enterprises to explore opportunities to participate in photovoltaic system projects. Details of the memorandum of understanding and cooperation agreement are disclosed in the announcement of the Company dated 12 October 2015. The Group will also explore and identify synergic investment opportunities in order to broaden its revenue sources, improve its competence in response to future changes and development in the market, and maximize the returns for its shareholders and employees.

APPRECIATION

On behalf of the Board, I would like to extend sincere gratitude to all patrons, suppliers, business partners and shareholders for their support and patience during the past year. May I also salute our managers at all levels and dedicated staff for their invaluable contributions and diligent efforts during the year.

Ieong Un
Chairman

Hong Kong, 30 December 2016

Management Discussion and Analysis

RESULTS

The Group's turnover for the year ended 30 September 2016 (the "Year") was approximately HK$496,219,000 (2015: HK$543,632,000), representing a decrease of 8.72% over last Year. Profit attributable to the owners of the Company amounted to approximately HK$37,159,000 (2015: HK$49,183,000), representing an decrease of approximately 24.45% as compared to last Year. During the Year, except in Vietnam and Indonesia, the sales of the Group recorded a drop in other regions and the selling prices of our products remained relatively stable.

During the Year, the Group recorded a gross profit and profit before taxation of approximately HK$175,808,000 (2015: HK$180,703,000) and approximately HK$40,744,000 (2015: HK$57,724,000 (reclassified)) respectively.

Benefiting from the effective implementation of production cost control, the gross profit margin was increased, and recorded a gain on disposal of assets classified as held for sale of HK$6,766,000. However, the Profit from operation was decreased by HK$18,874,000; mainly contributed by the drops in gross profit and fair value gain in investment properties and increased in selling and distribution and administration expenses of HK$4,895,000, HK$6,920,000 and HK$9,076,000 respectively.

During the Year, profit attributable to the owners of the Company amounted to approximately HK$37,159,000 (2015: HK$49,183,000). Basic and diluted earnings per Share were HK5.87 cents and HK5.86 cents (2015: HK7.96 cents and HK7.94 cents) respectively.

BUSINESS REVIEW AND PROSPECTS

Businesses

The Group is principally engaged in the manufacturing and sales of adhesives, primers, hardeners, vulcanised shoes adhesive related products used by the footwear manufacturers and acting as the sales agent for adhesives used in the production of electronic products. These products are key production materials used in different phases during the manufacturing process of footwear and electronic products. Adhesives are used for bonding all components of footwear including outsoles, insoles, and uppers, while vulcanised shoes adhesives are used for bonding all components of vulcanised shoes. Primers are used in the pretreatment of footwear components, including outsoles, insoles, and uppers, prior to the application of adhesives. Hardeners, being a curing agent, are used by mixing with adhesives to control or speed up the curing action of adhesives. The electronic adhesive related products are key materials used in bonding components of electronic products.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Segment Information

The principal activities set out above are the single operating segment of the Group. For management purposes, the management of the Group will review and analyze the revenues by products and by locations.

Products

1. *Vulcanised shoes adhesive related products and other shoe adhesives*

   During the Year, the sales revenue generated from this product category was approximately HK$340,726,000 (2015: HK$364,546,000), representing approximately 68.66% of the Group's total turnover.

2. *Primers*

   During the Year, the sales revenue generated from this product category was approximately HK$49,372,000 (2015: HK$55,435,000), representing approximately 9.95% of the Group's total turnover.

3. *Hardeners*

   During the Year, the sales revenue generated from this product category was approximately HK$53,890,000 (2015: HK$59,388,000), representing approximately 10.86% of the Group's total turnover.

4. *Electronic adhesives related products*

   During the Year, the sales revenue generated from this product category was approximately HK$23,924,000 (2015: HK$31,028,000), representing approximately 4.82% of the Group's total turnover.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Regional Information

1. *The PRC market*

   During the Year, by region, the turnover in the market of the People's Republic of China (the "PRC") decreased by 21.66% over last Year to approximately HK$177,958,000 (2015: HK$227,150,000), representing approximately 35.86% of the Group's total turnover.

   The Directors expected that the relevant market would continually drop in the coming year.

2. *The Vietnam market*

   During the Year, by region, the turnover in the Vietnam market increased by 0.92% over last Year to approximately HK$255,560,000 (2015: HK$253,241,000), representing approximately 51.50% of the Group's total turnover.

   The Directors expected that the relevant market would grow at a steady pace in the coming year.

3. *The Indonesia market*

   During the Year, by region, the turnover in the Indonesia market increased by 24.18% over last Year to approximately HK$34,734,000 (2015: HK$27,971,000), representing approximately 7.00% of the Group's total turnover.

   The Directors expected that the relevant market would maintain a steady growth in the coming year.

4. *The Bangladesh market*

   During the Year, by region, the turnover in the Bangladesh market decreased by 20.71% over last Year to approximately HK$27,967,000 (2015: HK$35,270,000), representing approximately 5.64% of the Group's total turnover.

   The Directors expected that the relevant market would grow at a steady pace in the coming year.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Production Facilities

1. *The Zhuhai Plant*

   In light of the Group's sales and the changes in the PRC market, the second phase expansion project in the existing Zhuhai Plant has been under execution. The management considered that by executing the second phase expansion project, the Group will be well-prepared to meet the production capacity requirement for the development of its OEM business in the future. During the year, the relevant construction work of the Zhuhai Plant, including the addition of production equipment, warehousing facilities and extension of plants, have been commenced.

2. *The Zhongshan Plant*

   The Zhongshan Plant is undergoing the process of reorganisation and reallocation of internal resources in order to respond to the changes in the market condition.

3. *The Vietnam Plant*

   Given the orderly shift the footwear manufacturing industry to the Southeast Asia as well as the necessity to satisfy the needs for market development in the future, the management had decided to expand the existing scale of the Vietnam Plant. In order to meet the current production capacity requirement, the new Vietnam Plant is now entering into final construction stage and it is expected that the completion and commencement of operation will take place in the first half year of 2017.

4. *The Indonesia Plant*

   The Indonesia Plant has operated normally to ensure the provision of stable services for local customers.

Cost Control

The Group will continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment. If necessary, the Group will also improve its internal management in a proactive manner for the purpose of controlling and reducing the operating costs effectively.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Research and Development

As always, the Group had and will continuously develop premium products on an environmental friendly basis to meet the market needs for quality products, and closely observe the development trend in the future to research and develop products pre-emptively in order to meet the future development needs in the industry. In addition to the technology cooperation between the Group and the No-Tape Japan as well as having its own research and development team, the Group also entered into technology cooperation agreements with several sophisticated technology experts in the industry (including those from countries and regions such as Japan, Taiwan and Hong Kong). Hopefully, such measures will enhance the research and development capability of the Group so as to maintain the leading position of its technologies in the industry.

Prospects

The Directors are relatively optimistic towards the growth of the Group's results for the coming year with the completion and commencement of operation of the new Vietnam Plant. In view of the current situations including continued growth in global demand for footwear, more stringent requirement from the manufacturers for the quality of adhesives which helps to eliminate industry players with less competitiveness, rapid increase in the demand for the use of environmental friendly water-based adhesive products by footwear brands and manufacturers, and ongoing diversion of the footwear manufacturing industry to countries or regions with lower costs, the effect of the previous regional deployments of the Group is becoming prominent under the swift changes in the market. The Directors believe that the abovementioned market changes will positively enhance the sales performance of the Group, and anticipate stable growth in the sales of traditional shoe-making adhesive products for the coming year, with significant growth in the new footwear manufacturing bases in Asia in particular. The Group will continue to devote more resources to expedite or enhance marketing in order to increase its market share.

Leveraging on the Group's solid experience accumulated over the years, premium products recognized by the market and its competence in research and development for improving the products, the Group will commit itself to a continuous healthy business growth in the industry, and gear up for any opportunity arising from economic recovery. In the meantime, the Group will implement the business strategy of diversified development, including devoting more resources and accelerating the development of its agent business and electronic adhesive related products. In addition, the Group will invest and develop its OEM business in a proactive manner. At present, it has entered into an OEM cooperation agreement with a world renowned enterprise and entered into a memorandum of understanding and a cooperation agreement with Chinese renowned enterprises to explore opportunities to participate in photovoltaic system projects. The Group will also explore and identify synergic investment opportunities in order to broaden its revenue sources, improve its competence in response to future changes and development in the market, and maximize the return for its shareholders and employees.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Liquidity and Financial Resources and Capital Structure

For the year ended 30 September 2016, the Group's working capital requirement was principally financed by its internal resources and banking facilities.

As at 30 September 2016, the Group had cash and bank balances and deposits, net current assets and total assets less current liabilities of approximately HK$127,069,000 (2015: HK$116,327,000), approximately HK$218,689,000 (2015: HK$266,860,000) and approximately HK$441,200,000 (2015: HK$441,035,000) respectively.

As at 30 September 2016, the Group had total bank borrowings except bills payable, on floating interest rates basis with the average interest rate of 3.61%, of approximately HK$44,913,000 (2015: HK$24,214,000). All these utilised bank borrowings, both long and short terms, were secured by pledged bank deposits, land and buildings and investment properties held under medium-term leases and corporate guarantee provided by the Company.

The total bank borrowings of the Group, mainly denominated in Hong Kong dollars, were mainly for business expansion, capital expenditure and working capital purposes.

Total equity attributable to owners of the Company as at 30 September 2016 increased by approximately HK$254,000 to approximately HK$428,444,000. The gearing ratio (calculated as the ratio of total borrowings: total assets) of the Group as at 30 September 2016 was approximately 0.08 (2015: 0.05).

As at 30 September 2016, among the net proceeds of approximately HK$77,000,000 from the top-up placing (the "Top-up Placing") under general mandate, details of which are disclosed in the announcement of the Company dated 24 April 2015, the remaining balance of the net proceeds of the Top-up Placing of approximately HK$35,000,000 was used for general working capital purposes of the Group for the purchase of raw materials during the Year.

On 7 June 2016, the Group granted 6,000,000 share options at HK$1.30 per share to an eligible person under the share option scheme of the Company adopted on 22 July 2010 (the "2010 Scheme") and these 6,000,000 share options are outstanding under the 2010 Scheme as at 30 September 2016.

During the Year, the Company repurchased a further 11,860,000 ordinary Shares and cancelled 12,860,000 Shares, of which 1,000,000 Shares were repurchased during the year ended 30 September 2015. Up to the date of this report, a total of 16,600,000 ordinary shares had been repurchased and cancelled.

During the Year, the Company has issued 1,948,000 ordinary Shares upon exercise of the share options at an exercise price of HK$0.90 per Share. The gross proceed was approximately HK$1,753,000, of which HK$19,000 was credited to the share capital, while HK$2,278,000 was credited to the share premium, the share-based payment reserve was decreased by HK$544,000.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Liquidity and Financial Resources and Capital Structure *(Continued)*

Saved as disclosed elsewhere under the section headed "Management Discussion and Analysis", there were no other changes in the Company's share capital.

Significant Investments

In 2014, the Group acquired 20% equity interests in Blue Sky Energy Efficiency Company Limited ("Blue Sky", which together with its subsidiaries, the "Blue Sky Group") which is principally engaged in the (i) provision of application and installment of energy-efficiency system and photovoltaic system for commercial and industrial buildings, hotels and residential premises; and (ii) research and development and sales of environmental chemical coating products.

For the best interest of the Company's shareholder as a whole, the Blue Sky Group, which was acquired by the Company in May 2014, contained a profit guarantee that the profits of the Blue Sky Group for the two years after completion of the acquisition would not be less than HK$30 million. In the event if the profit guarantee is not reached, the Group will receive a compensation of maximum of HK$21,000,000 which is equal to the consideration of the acquisition. As the profit guarantee has been reached during the year, the balance of other financial assets of approximately HK$7,380,000 has been recognised as changes in fair value of other financial assets in the profit or loss.

During the year, Blue Sky Group has successfully recorded sales of an energy-efficiency contract and recorded revenue of approximately HK$15,000,000 and has been progressively diversified to invest in photovoltaics system project.

On 22 September 2015, a subsidiary of the Group entered into an agreement with China Energy Conservation Investments Company Limited and Shiny Meadow Limited (the "Vendors") to acquire additional 20% of the entire issued share capital of Blue Sky at a consideration of HK$40,000,000. The equity interest in Blue Sky held by the Group was increased from 20% to 40% with effect from and upon the completion of acquisition on 5 October 2015 and was settled by cash and was funded by internal resources.

In view of the positive progress of the Blue Sky Group being progressively diversified from energy-efficiency contracts to invest in photovoltaics system project, the Group expects it can bring positive contribution in coming future.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Significant Investments *(Continued)*

On 12 October 2015, the Company entered into a non-legally binding memorandum of understanding with 株洲變流技術國家工程研究中心有限公司 (transliterated as Zhuzhou National Engineering Research Centre of Converters Co., Ltd.#) (the "ZNERCC") and entered into a non-legally binding cooperation agreement with ZNERCC and 湖南城石智能科技有限公司 (transliterated as Hunan Changsha Intelligent Technology Co. Ltd.#) in respect of the possible cooperation in photovoltaics system project(s). Details of the transaction were disclosed in the Company's announcement dated 12 October 2015. The project was concluded with a total investment cost of RMB13,900,000, of which 70% amounting to RMB9,730,000 was contributed by the Company and will be funded by internal resources. During the year, the construction of the grid-connected photovoltaic power system is completed and the application of connection to the utility grip is in progress. The investment has been classified as other receivable as the Group may consider to dispose the project.

On 21 April 2015, a wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding with an independent third party, intend to form joint venture to operate the business of energy management contracting for the provision of energy saving solutions for telecommunications infrastructure and systems in the PRC. The target customers are expected to be the provincial level subsidiaries of the telecommunication operators of the PRC. The parties are in the course of negotiating the terms of the joint venture arrangement. Details of the transaction were disclosed in the Company's announcement dated 21 April 2015. In the second half year of 2016, the negotiation of the terms of the joint venture arrangement had been ceased.

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group had no other significant investments during the Year.

Acquisition and Disposal of Subsidiaries and Associated Companies

On 30 September 2015, an indirect wholly-owned subsidiary of the Company and an independent purchaser entered into a share sale agreement, pursuant to which the Group has agreed to sell and the purchaser has agreed to purchase the entire issued share capital of You Cheng Developments Limited, which holds 100% interest in Zhong Bu Centresin (Guangzhou) Company Limited ("the disposed subsidiary group"), for a consideration of RMB20,800,000 and recorded a gain of HK$6,766,000. Upon completion of the disposal on 20 October 2015, the disposed subsidiary group ceased to be subsidiaries of the Company and the financial information of the disposed subsidiary group ceased to be consolidated into the accounts of the Company and this disposal did not constitute a notifiable transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group had no other material acquisition and disposal of subsidiaries and associated companies during the Year.

The English translation of Chinese names or words in this report, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Employee Information

As at 30 September 2016, the Group employed a total of 405 (2015: 414) employees. It is the policy of the Group to provide and regularly review its employees' salary levels, performance bonus system and other fringe benefits (including social insurance coverage and company sponsored training) to ensure that the remuneration policy is competitive within the relevant industry. During the Year, the staff costs (including Directors' emoluments) amounted to approximately HK$65,367,000 (2015: HK$54,956,000).

In order to provide incentive or reward to eligible persons for their contribution to the Group and to enable the Group to recruit and retain human resources that are valuable to the Group, the Company adopted the 2010 Scheme, under which it may grant options to eligible persons, including but not limited to employees, Directors and consultants, with the Group. Save as disclosed above, during the year, no options have been granted to employee. Save for 1,948,000 Share Options which were exercised by the holders thereof and 280,000 Share Options which were lapsed, no Share Options have been exercised pursuant to the 2010 Scheme during the year. For the year ended 30 September 2014, the Group had granted 5,480,000 share options to the Directors and staff under the 2010 Scheme. There are 2,468,000 outstanding share options which were granted to Directors and employees of the Group under the 2010 Scheme as at 30 September 2016.

Charges on Group Assets

As at 30 September 2016, certain interests in land use rights, land and buildings and investment properties held under medium-term leases of approximately HK$73,204,000 (2015: HK$85,826,000) and bank deposits of HK$21,556,000 (2015: HK$21,977,000) were pledged to banks for bank borrowings totaling approximately HK$44,913,000 (2015: HK$24,214,000) granted to the Group.

Future Plans for Material Investments and Expected Sources of Funding

Save as discussed elsewhere under the section headed "Management Discussion and Analysis", the Group had no future plans for material investments as at the date of this report.

The management, however, will continue to observe the development and operating condition of the industry. It will seek investments in companies or projects that could bring synergy effect to the Group from the targets' opportunities arise. In addition, the management may also invest in new business projects in situations they consider in favour of the future development and prospect of the Group. Given the current uncertain market conditions, the management may fund new projects not mentioned in the Company's prospectus dated 29 July 2010 through fund raising or loans while reserve the internal resources for its core businesses.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Exposure to Fluctuations in Exchange Rates

The Group has foreign currency sales and certain financial assets and liabilities are denominated in foreign currency, which expose the Group to risk principally in Renminbi, New Taiwan Dollars, Vietnam Dong, Indonesia Rupiah and United States dollars. The Group does not expect any appreciation or depreciation of the Hong Kong Dollars against foreign currencies which might materially affects the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

Capital Commitments

As at 30 September 2016, the Group had capital commitments of approximately HK$24,904,000 (2015: HK$20,972,000) in respect of the acquisition of property, plant and equipment.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2016.

Events after the Reporting Period

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", there is no material subsequent event undertaken by the Company or by the Group after 30 September 2016 and up to the date of this report.

Corporate Governance Report

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") during the Year contained in Appendix 14 to the Listing Rules, save for the deviation discussed below:

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Ieong Un has been performing both the roles of chairman and chief executive officer. Mr. Ieong is the founder of the Group and has over 22 years of experience in the adhesive related industry. The Directors consider that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group. The Directors will continue to review the effectiveness of the current structure and assess whether change in the separation of the roles of chairman and chief executive officer is necessary.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximize the interests of the shareholders of the Company.

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended 30 September 2016.

BOARD OF DIRECTORS

Board Composition

As at 30 September 2016 and the date of this annual report, the Board comprised five executive Directors and three independent non-executive Directors.

The following are the members of the Board:

Executive Directors

Mr. Ieong Un *(Chairman and Chief Executive Officer)*
Mr. Ip Chin Wing
Mr. Ip Ka Lun
Mr. Stephen Graham Prince
Mr. Tong Yiu On

Independent Non-executive Directors

Mr. Chan Wing Yau George
Mr. Simon Luk
Mr. Tong Hing Wah

The biographical details of the Directors are set out on pages 26 to 28 of this annual report.

Save as disclosed in the section headed "Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with one another.

Functions and Duties of the Board

The main functions and duties conferred on the Board include:

— overall management of the business and strategic development;

— deciding business plans and investment plans;

— convening general meetings and reporting to the shareholders of the Company; and

— exercising other powers, functions and duties conferred by shareholders in general meetings.

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensure that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

Board Meetings

During the Year, there were 10 board meetings held. Prior notice convening the board meeting was despatched to the Directors setting out the matters to be discussed. At the meeting, the Directors were provided with the relevant documents to be discussed and approved. The company secretary of the Company is responsible for keeping minutes for the board meetings. Details of individual attendance of Directors are set out in the table on page 22 of this annual report.

Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received the annual written confirmation from each of the independent non-executive Directors in respect of their independence. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

The term of the appointment for each of Mr. Chan Wing Yau George, Mr. Simon Luk and Mr. Tong Hing Wah is two years from 1 January 2016. The Company will pay HK$144,000 per annum to each of the independent non-executive Directors for their services rendered to the Group.

Directors' Training

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the Year, all Directors have participated in a 6-hour in-house workshop on the Listing Rules organized by the Company. The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code.

Chairman and Chief Executive Officer

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

During the Year, Mr. Ieong Un acted both as Chairman and Chief Executive Officer of the Company. Mr. Ieong is the founder of the Group and has over 22 years of experience in the adhesive related industry. The Directors consider that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group.

The Directors will continue to review the effectiveness of the current structure and assess whether change in the separation of the roles of Chairman and Chief Executive Officer is necessary.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 1 January 2016.

In accordance with the articles of association of the Company, one-third of the Directors or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third, will retire from office by rotation and every Directors shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment.

Board Committees

The Company has established three Board committees (the "Board Committees"), namely the Audit Committee, the Remuneration Committee and the Nomination Committee to assist the Board in discharging its duties and responsibilities. The Board Committees are provided with sufficient resources to discharge their duties and are able to obtain outside independent professional advice in connection with their duties at the Company's expenses.

Audit Committee

The Audit Committee was established on 26 March 2010 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, internal control and risk management system.

During the Year, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Chan Wing Yau George, Mr. Simon Luk and Mr. Tong Hing Wah. The chairman of the Audit Committee is Mr. Tong Hing Wah.

During the Year, the Audit Committee has held four meetings and the committee performed the following duties:

— meeting with the chief executive and management of the Company from time to time to review the interim and annual results, the interim report and annual report and other financial, internal control, corporate governance and risk management matters of the Group and making recommendations to the Board;

— considering and discussing the reports and presentations of senior management and the external auditor, with a view to ensure that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong;

— meeting with the external auditor to discuss its independent review of the interim financial report and its annual audit of the consolidated financial statements (as the case may be, without the Company's management being present);

— assisting the Board in meeting its responsibilities for maintaining an effective systems of internal control and risk management; and

— reviewing the change of external auditors and their remuneration.

The external auditors attended the meetings to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditors.

Remuneration Committee

The Remuneration Committee was established on 26 March 2010 with written terms of reference in compliance with the CG Code. The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the remuneration package of the Directors and senior management and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

During the Year, the Remuneration Committee comprised four members, namely Mr. Chan Wing Yau George, Mr. Simon Luk, Mr. Tong Hing Wah and Mr. Ip Ka Lun, a majority of whom are independent non-executive Directors. The chairman of the Remuneration Committee is Mr. Chan Wing Yau George.

During the Year, the Remuneration Committee has held two meetings and the committee performed the following duties:

— reviewing and fixing the remuneration of individual Directors and senior management; and

— making recommendations to the Board to establish a more formal and transparent procedure for determining the remuneration packages of individual senior management.

Nomination Committee

The Nomination Committee was established on 26 March 2010 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee is to make recommendations to the Board on the appointment of Directors and senior management.

During the Year, the Nomination Committee comprised four members, namely Mr. Chan Wing Yau George, Mr. Simon Luk, Mr. Tong Hing Wah and Mr. Ip Ka Lun, a majority of whom are independent non-executive Directors. The chairman of the Nomination Committee is Mr. Simon Luk.

During the Year, the Nomination Committee has held one meeting and the committee performed the following duties:

— reviewing the annual confirmation of independence submitted by the independent non-executive Directors and assessing their independence;

— reviewing the structure, size and composition including the skills knowledge and experience of the Board; and

— reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy.

Corporate Governance Functions

The Board is responsible for the corporate governance functions with the following duties:

— to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;

— to review and monitor the training and continuous professional development of Directors;

— to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

— to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

— to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

— such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

During the Year, the corporate governance duties performed by the Board were summarised as follows:

— reviewed the Company's corporate governance policies and practices;

— reviewed the Company's policies in compliance with legal and regulatory requirements;

— reviewed the compliance with the CG Code and disclosure in this Corporate Governance Report;

— reviewed the training and continuous professional development of the Directors; and

— reviewed the code of conduct applicable to employees and Directors.

Attendance of meetings

The attendance of each Director at Board meetings, Board committees meetings and general meetings during the year ended 30 September 2016 was as follows:

	Attendance out of number of meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Ieong Un *(Chairman and Chief Executive Officer)*	10/10	–	–	–	2/2
Mr. Ip Chin Wing	10/10	–	–	–	2/2
Mr. Ip Ka Lun	10/10	–	2/2	1/1	2/2
Mr. Stephen Graham Prince	10/10	–	–	–	2/2
Mr. Tong Yiu On	10/10	–	–	–	2/2
Independent Non-executive Directors					
Mr. Chan Wing Yau George	10/10	4/4	2/2	1/1	2/2
Mr. Simon Luk	10/10	4/4	2/2	1/1	2/2
Mr. Tong Hing Wah	10/10	4/4	2/2	1/1	2/2

Directors' and Auditor's responsibilities on the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statement of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner as required by the Listing Rules.

The external auditor's statement about reporting responsibility is set out on pages 43 and 44 of this report.

Company Secretary

As at 30 September 2016, the company secretary of the Company, Mr. Tong Yiu On, who is also an executive Director, fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the Year. His biography is set out in the "Directors and Senior Management" section of this annual report.

Internal Control and Risk Management

The internal control and risk management system has been designed to safeguard the assets of the Company, maintaining proper accounting records, execution with appropriate authority and compliance with the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control and risk management system. They have carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control and risk management system is implemented to minimize the risk to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

For the year ended 30 September 2016, the Board considered that the Company's internal control and risk management system is adequate and effective and the Company has complied with the code provisions on internal control and risk management of the CG Code.

Auditor's Remuneration

For the year ended 30 September 2016, the total fees paid or payable in respect of audit and non-audit services provided by the Group's external auditors, are set out below:

	For the year ended 30 September 2016 HK$
Annual audit services	1,100,000
Non-audit services	591,000

It is noted that the non-audit services provided by the external auditors during the Year mainly include the review of interim financial information of the Group.

Communication Channels with Shareholders and Investors

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. The chairman of the Board as well as the chairman of the Audit Committee and other members of the respective committees are available to answer questions at the general meeting of the Shareholders.

The Company maintains a website at http://www.infinitydevelopment.com.hk where extensive information and updates on the Company's financial information, corporate governance practices and other useful information are posted and available for access by the public investors.

A Shareholders' communication policy (the "Policy") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

Shareholders' Rights

Right to convene extraordinary general meeting

In accordance with the Company's Article 58, the Shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Right to put forward proposals at general meetings

The number of shareholders necessary for putting forward a proposal at a Shareholders' meeting shall be any number of shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request.

Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Other enquiries or comments raised by any Shareholder can be mailed to the Board at the Company's head office in Macau at Rua de Pequim No. 202A–246, Macau Finance Centre, 16 Andar A–D, Macau or sent through email to ir@infinitydevelopment.com.hk.

Investor Relations

There was no significant change in the Company's constitutional documents during the year ended 30 September 2016.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ieong Un, aged 62, being a founder of the Group, is the chairman of the Board and the Chief Executive Officer of the Group. Mr. Ieong is primarily responsible for (i) the Group's strategic planning including geographical and network expansion of the Group's business such as expansion of customers' base and penetration of business in the domestic adhesive industry in the PRC; (ii) product research and development; (iii) enhancement of the Group's capability in marketing and promotion as well as technical assistance to customers; and (iv) positioning the Group in the adhesive industry. Mr. Ieong, being one of the founders of the Group in 1990, has been leading the Group from engaging in adhesive distribution business to adhesive development, sale and production business. Mr. Ieong has approximately 22 years experience in the adhesive related industry. Prior to the establishment of the Group in 1990, Mr. Ieong held a senior management position of Luen Ying Hong Company Limited, a distributor of petroleum related products for more than 6 years in Macau. During such employment, Mr. Ieong was responsible for the management of the business operation, and the marketing and technical services team. Mr. Ieong is the sole shareholder and sole director of All Reach Investments Limited, the controlling Shareholder.

Mr. Ip Chin Wing, aged 62, is a deputy general manager of the Group. He is responsible for the management and daily operation of the Group and also assists the chairman of the Board in formulating business strategies and implementing corporate and operational decisions. Prior to joining the Group in 2001, Mr. Ip served as a general manager of Dongguan Advanced Coatings Company Limited, a sino-foreign joint venture company registered in the PRC. In 2009, Mr. Ip was awarded by 中國生產力學會 (China Society of Productivity) and 中國企業報社 (China Enterprise Newspapers Office) as China enterprise innovative and outstanding person of 2009 (2009 年度中國企業創新優秀人物). Mr. Ip obtained a certificate in industrial trade instruction from The Hong Kong Technical Teachers' College in 1982.

Mr. Ip Ka Lun, aged 62, is a deputy general manager of the Group. He is responsible for overseeing the treasury and administrative functions of the Group and also assists the chairman of the Board in formulating business strategies and implementing corporate and operational decisions. Mr. Ip has 20 years' experience of overseeing the operation of accounting and finance departments. Prior to joining the Group in 2000, he was the manager of finance and accounts department of Yaohan Department Store (H.K.) Limited in Hong Kong from 1984 to 1997. He joined Noble City Holdings Limited, a holding company carrying out construction materials related business in the PRC, as a finance manager from 1998 to 2000. Mr. Ip obtained a bachelor degree in business from Tamkang University in 1977.

Mr. Stephen Graham Prince, aged 54, is an executive Director and also the director of business and marketing of the Group. He is responsible for overseeing all sales and marketing functions of the Group. Prior to joining the Group in 2005, Mr. Prince worked as a general manager of Interliance LLC. and was the chief representative of this company in Shanghai, responsible for project management, business intelligence and operational strategy. Mr. Prince graduated from Audrey Cohen College in the U.S. with a bachelor of business administration degree in 1992 and obtained a master degree of business administration from Fordham University in 2001.

Mr. Tong Yiu On, aged 50, is the chief financial officer and company secretary of the Company. He is responsible for the financial management and regulatory compliance of the Company and also assists the chairman of the Board in formulating business strategies and implementing corporate and operational decisions. Mr. Tong is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Group as chief financial officer in July 2011, he had been the executive director, chief financial officer and company secretary of a company listed on the main board of the Stock Exchange during 2000 to 2008. Prior to that, he had gained 10 years of financial management and accounting and auditing experience from various companies listed in Hong Kong and overseas and an international accounting firm. Mr. Tong is currently the independent non-executive director of Sinoref Holdings Limited (Stock code: 1020) since October 2014, a company listed on the main board of the Stock Exchange.

Independent Non-executive Directors

Mr. Chan Wing Yau, George, aged 61, is an independent non-executive Director. He joined the Group in March 2010. He is the Chairman and Chief Executive Officer of Capital Focus Asset Management Limited and an independent non-executive director of Weiqiao Textile Company Limited (Stock code: 2698), a company listed on the main board of the Stock Exchange. He had been a director of Jardine Fleming Investment Services Limited. After leaving Jardine Fleming Investment Services Limited, he joined HSBC Asset Management Hong Kong Limited as an executive director. He has extensive experience in fund management. Mr. Chan had held several positions of public services, such as a member of the Financial Services Advisory Committee of the Hong Kong Trade Development Council, the chairman of Investment Sub-Committee of and board member of Ocean Park Corporation, and the chairman of the Hong Kong Investment Funds Association China Sub-Committee. Mr. Chan obtained a bachelor of mathematics degree from the University of Waterloo in 1978.

Mr. Simon Luk, aged 51, is an independent non-executive Director. He joined the Group on 21 November 2013. Mr. Luk has been a responsible officer for the regulated activities of asset management (Type 9) under the SFO since 2003. He has over 10 years' experience in asset management and investment advising. Mr. Luk worked in various investment advising companies. Since November 2016, Mr. Luk has been the responsible officer of Qianhai Capital Asia Limited. During the period from July 2014 to November 2016, he was the responsible officer of W. Falcon Asset Management (Asia) Limited; and during the period from 2011 to November 2013, Mr. Luk was a responsible officer of Capital Focus Asset Management Limited. Before that, Mr. Luk was a founder and responsible officer of Money Concepts (Asia) Ltd. During the period of 2000 to 2009, Mr. Luk managed various funds and private equity portfolios. Mr. Luk has been appointed as an independent non-executive director of China Investment and Finance Group Limited (Stock code: 1226) since 2 July 2014. He was a non-executive director of Shaanxi Northwest New Technology Industry Company Limited (Stock code: 8258) during September 2012 to 12 August 2014.

Mr. Tong Hing Wah, aged 46, is an independent non-executive Director. He joined the Group on 21 November 2013. Mr. Tong graduated from the Hong Kong Polytechnic University in 1993 with a bachelor degree in accountancy. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. He has over 23 years of experience in regulatory compliance, financial reporting, auditing and financial management, including over 15 years of experience as the chief financial officer and/or company secretary in Hong Kong listed companies from 1999 to 2015. Mr. Tong is currently the director of a business consultancy firm. Mr. Tong was an independent non-executive director of Future World Financial Holdings Limited (formerly known as China Packaging Group Company Limited) (Stock code: 572) during the period from June 2003 to July 2009; and an independent non-executive director of Beauty China Holdings Limited (liquidated), a company listed on the main board of the Singapore Exchange Securities Trading Limited, during the period from September 2003 to September 2009.

SENIOR MANAGEMENT

Mr. Zheng Guo Liang, aged 53, is the regional sales director of the Group in the PRC. Mr. Zheng joined the Group as a sales representative in 1990. Prior to joining the Group, he worked for a mechanical engineering company in Zhuhai and responsible for the mechanical maintenance for more than five years. Mr. Zheng finished his secondary education in 1987. He is currently a regional sales director in the PRC. Mr. Zheng is responsible for planning sales and marketing strategies, achieving sales target and development of the Group. He is also responsible for customer relationship management.

Mr. Liu Feng, aged 42, is the regional sales director of the Group in Southeast Asia region. Mr. Liu joined the Group in 2000 as an assistant sales manager in Vietnam and has been promoted to regional sales director of the Group in Southeast Asia region since 2006. He finished a vocational education with majoring in physics in 1992. Mr. Liu is responsible for the management and development of the Group's business in Southeast Asia region. Prior to joining the Group, he had seven years of experience in the industry of the shoes manufacturing. He was a supervisor of a footwear manufacturing plant, being responsible for management in Punyu for about a year. Mr. Liu is responsible for devising sales and management strategies, achieving sales target and development of the Group. He is also responsible for customer relationship management.

Mr. Zhong Xuan Feng, aged 46, is the director of human resources and information technology departments of the Group responsible for diverse range of human resources activities of the Group including recruitment, compensation and benefits, staff training and employee relationship management. Apart from human resources, he is also responsible for the development of information technology platform to support the operation of the Group in accordance with development needs. Mr. Zhong joined the Group in 1998. He had 6 years' experiences of accounting. He was a head of accounting department of an investment company. In 2006, Mr. Zhong was sponsored by the Group to study in Hong Kong, and obtained a master degree in business administration from Hong Kong Baptist University in 2008.

Mr. Wu Xiang Ming, aged 47, is the director of research and development department of the Group responsible for the establishment and implementation of the research and development plan in accordance with the requirements of the customers of the Group and the market. He is also responsible for the general management of the research and development team of the Group, such as resources allocation, staff promotion and the appraisal of the overall team. Prior to joining the Group in 2007, Mr. Wu had more than 12 years' research and development working experience. He was a research and development manager of a Hong Kong based chemical science company for seven years. Mr. Wu graduated from 華東理工大學 (East China University of Science and Technology) (formerly known as 華東化工學院 (East China Institute of Science and Technology)) in 1990 with a bachelor degree in engineering and obtained a master degree of engineering from Zhejiang University in 1996.

Mr. Ke Jia Min, aged 53, is the regional director of commerce of the Group in Southeast Asia. Prior to joining the Group in 2003, Mr. Ke served as a senior management position responsible for the operation of a hotel in Zhuhai. Mr. Ke also served as a representative of Zhuhai's Fourth People's Congress from 1994 to 1999. As a regional director of commerce of the Group in Southeast Asia, he is responsible for promoting the Group's products to footwear suppliers with a view to gaining the recognition of the Group by footwear suppliers as their approved raw material suppliers. He is also responsible for the relationship management with both footwear suppliers and footwear manufacturers. To provide the support to the sales and marketing functions, Mr. Ke organises the regional commercial team to provide all aspects support to the marketing and technical services team of the Group.

DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in details of the Directors' information subsequent to the date of the interim report of the Company for the six months ended 31 March 2016 are set out below:

Name	Details of Changes
Mr. Ieong Un	the annual remuneration revised from HK$2,808,000 to HK$3,369,600 with effect from 1 January 2017
Mr. Ip Chin Wing	the annual remuneration revised from HK$1,440,000 to HK$1,728,000 with effect from 1 January 2017
Mr. Ip Ka Lun	the annual remuneration revised from HK$1,440,000 to HK$1,728,000 with effect from 1 January 2017
Mr. Stephen Graham Prince	the annual remuneration revised from HK$1,440,000 to HK$1,728,000 with effect from 1 January 2017
Mr. Tong Yiu On	the annual remuneration revised from HK$1,440,000 to HK$1,728,000 with effect from 1 January 2017

The Directors hereby present their annual report and the audited consolidated financial statements of the Group for the year ended 30 September 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company of the Group which is principally engaged in the manufacture and sales of adhesives and related products for customers in footwear manufacturing mainly in the PRC and Vietnam and the trading of adhesive used in the production of electronic products.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2016 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 45 to 46 of this annual report.

DIVIDEND

The Directors recommend the payment of a final dividend of HK2.1 cents per share for the year ended 30 September 2016 to the shareholders whose names appear on the register of members of the Company on 1 March 2017. The final dividend is expected to be paid on 23 March 2017.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years are set out on page 124 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS, EMPLOYEES AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its business partners, suppliers, customers, employees and other stakeholders to meet the Group's immediate and long-term goals. Accordingly, the Group's senior management have kept good communication, promptly exchanged ideas and shared business update with the stakeholders when appropriate. The Group also creates a framework for motivating staff and a formal communication channel in order to maintain healthy relationships with its employees and other stakeholders. During the Year, there were no material and significant dispute between the Group and its business partners, suppliers and/or customers.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group pays attention to legal and regulatory requirements in designing its policies and practices. Legal and compliance advisers will be engaged when necessary to ensure the Group operates in accordance with applicable laws and regulations.

SHARE CAPITAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 December 2009 under the Companies Law of the Cayman Islands. In preparation for the listing of the Shares on the main board of the Stock Exchange, the Group underwent a series of corporate reorganisation procedures and the Company became the holding company of the Group since 26 March 2010.

Details of the reorganisation were set out in the paragraph headed "Reorganisation" on pages 4 to 5 of Appendix V (Statutory and General Information) in the prospectus of the Company dated 29 July 2010 (the "Prospectus").

Details of the movements during the Year in the issued share capital of the Company are set out in note 33 to the consolidated financial statements of this annual report.

RESERVES

Details of the movements during the Year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 49 of this annual report.

BORROWINGS

Details of bank borrowings of the Group as at 30 September 2016 are set out in note 31 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 September 2016, sales to the Group's five largest customers accounted for 51.58% of the Group's total turnover for the year. The largest customer was Pou Chen Group which accounted for 34.11% of the total turnover of the Group for the year ended 30 September 2016.

For the year ended 30 September 2016, the Group's purchases attributable to the five largest suppliers and the largest supplier accounted for 32.79% and 11.65% respectively of the Group's total purchases for the Year.

For the year ended 30 September 2016, none of the Directors or any of their associates or any shareholders who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in the five largest suppliers or customers.

DIRECTORS

The Directors during the Year and up to the date of this annual report are as follows:

Executive Directors

Mr. Ieong Un *(Chairman and Chief Executive Officer)*
Mr. Ip Chin Wing
Mr. Ip Ka Lun
Mr. Stephen Graham Prince
Mr. Tong Yiu On

Independent Non-executive Directors

Mr. Chan Wing Yau George
Mr. Simon Luk
Mr. Tong Hing Wah

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 1 January 2016 subject to termination by not less than three months' notice in writing served by either party to the other.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of two years commencing from 1 January 2016 subject to termination by not less than one month's notice in writing served by either party to the other. The appointments are subject to the provisions of retirement by rotation of Directors under the Articles.

Save for the above, none of the Directors proposed for re-election of the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of the subsidiaries within one year without payment of compensation, other than normal statuary compensation.

Remuneration of the Directors

The remuneration of each Director is approved at general meetings. Other emoluments will be determined by the members of the remuneration committee with reference to the duties, responsibilities, performance of the Directors and the results of the Group.

Details of the remuneration of the Directors are set out in note 15 to the consolidated financial statements of this annual report.

Remuneration Policy

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees of the Group including social insurance coverage, provident funds, bonus, share option schemes and company sponsored training. The Group mainly determines staff remuneration in accordance with the performance of individual employee and the salary trends in Hong Kong and PRC and will be reviewed regularly.

Retirement Benefits Scheme

The employees employed by the operations in Macau are members of the government-managed retirement benefits schemes operated by the Macau government. The Macau operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the Macau government is to make the required contributions under the schemes.

The employees of the Group's PRC and Vietnam subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC and Vietnam government respectively. The PRC and Vietnam subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

Permitted Indemnity Provision

Pursuant to the Company's articles of association, Directors shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty. Provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to the Directors. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

Share Option Scheme

The Company has conditionally adopted a Share Option Scheme on 22 July 2010. Details of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" on pages 22 to 33 of Appendix V (Statutory and General Information) in the Prospectus.

Share options

On 7 June 2016, an independent third party, which acted as the Group's service provider providing strategic and financial consulting service, was granted 6,000,000 share options of an exercise price of HK$1.30 per share.

On 16 June 2015, an independent third party, which acted as the Group's subscription and placing agent, was granted 5,000,000 share options of an exercise price of HK$1.788 per share.

On 30 May 2014, the directors, employees of the Group and other individuals were granted 5,480,000 share options at an exercise price of HK$0.9 per share.

Summary details of the movement of the share options of the Company during the Year are set out as follows:

				Number of share options				
Name of Grantee/Category	Date of Grant	Exercise Date/ Period	Exercise Price per Share	Outstanding as at 1.10.2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30.9.2016
Executive Directors								
Mr. Ieong Un	30.5.2014	(Note 2)	HK$0.90	28,000	–	(28,000)	–	–
	30.5.2014	(Note 3)	HK$0.90	28,000	–	–	–	28,000
	30.5.2014	(Note 4)	HK$0.90	36,000	–	–	–	36,000
Mr. Ip Ka Lun	30.5.2014	(Note 2)	HK$0.90	28,000	–	(28,000)	–	–
	30.5.2014	(Note 3)	HK$0.90	28,000	–	–	–	28,000
	30.5.2014	(Note 4)	HK$0.90	36,000	–	–	–	36,000
Mr. Ip Chin Wing	30.5.2014	(Note 2)	HK$0.90	28,000	–	(28,000)	–	–
	30.5.2014	(Note 3)	HK$0.90	28,000	–	–	–	28,000
	30.5.2014	(Note 4)	HK$0.90	36,000	–	–	–	36,000
Mr. Stephen Graham Prince	30.5.2014	(Note 2)	HK$0.90	28,000	–	(28,000)	–	–
	30.5.2014	(Note 3)	HK$0.90	28,000	–	–	–	28,000
	30.5.2014	(Note 4)	HK$0.90	36,000	–	–	–	36,000
Mr. Tong Yiu On	30.5.2014	(Note 2)	HK$0.90	28,000	–	(28,000)	–	–
	30.5.2014	(Note 3)	HK$0.90	28,000	–	–	–	28,000
	30.5.2014	(Note 4)	HK$0.90	36,000	–	–	–	36,000

Name of Grantee/Category	Date of Grant	Exercise Date/ Period	Exercise Price per Share	Number of share options: Outstanding as at 1.10.2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30.9.2016
Independent non-Executive Director								
Mr. Chan Wing Yau, George	30.5.2014	(Note 2)	HK$0.90	28,000	–	(28,000)	–	–
	30.5.2014	(Note 3)	HK$0.90	28,000	–	–	–	28,000
	30.5.2014	(Note 4)	HK$0.90	36,000	–	–	–	36,000
Employees and other individuals	30.5.2014	(Note 1)	HK$0.90	1,204,000	–	(1,172,000)	(24,000)	8,000
	30.5.2014	(Note 2)	HK$0.90	1,744,000	–	(608,000)	(124,000)	1,012,000
	30.5.2014	(Note 3)	HK$0.90	1,064,000	–	–	(120,000)	944,000
	30.5.2014	(Note 4)	HK$0.90	132,000	–	–	(12,000)	120,000
Others	16.6.2015	16.6.2015 to 15.6.2017	HK$1.788	5,000,000	–	–	–	5,000,000
	7.6.2016	7.6.2016 to 6.12.2017	HK$1.30	–	6,000,000	–	–	6,000,000
Total				9,696,000	6,000,000	(1,948,000)	(280,000)	13,468,000

Notes:

1. Subject to fulfillment of the pre-determined vesting conditions, the options shall be exercisable from 1 January 2015 to 31 December 2018.

2. Subject to fulfillment of the pre-determined vesting conditions, the options shall be exercisable from 1 January 2016 to 31 December 2018.

3. Subject to fulfillment of the pre-determined vesting conditions, the options shall be exercisable from 1 January 2017 to 31 December 2018.

4. Subject to fulfillment of the pre-determined vesting conditions, the options shall be exercisable from 1 January 2018 to 31 December 2018.

Independence of Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 30 September 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

(i) Interests in the Company

Name of Director	Capacity	Number of Shares	Position	Percentage of shareholding
Mr. Ieong Un (Note)	Interest in controlled corporation	342,500,000	Long	54.22%
	Beneficial owner	78,938,769	Long	12.50%
Mr. Ip Ka Lun	Beneficial owner	120,000	Long	0.02%
Mr. Ip Chin Wing	Beneficial owner	120,000	Long	0.02%
Mr. Stephen Graham Prince	Beneficial owner	120,000	Long	0.02%
Mr. Tong Yiu On	Beneficial owner	120,000	Long	0.02%
Mr. Chan Wing Yau, George	Beneficial owner	120,000	Long	0.02%

Note: The 342,500,000 Shares are held by All Reach Investments Limited ("All Reach"), the entire issued share capital of which is wholly and beneficially owned by Mr. Ieong. By virtue of the SFO, Mr. Ieong is deemed to be interested in 342,500,000 Shares held by All Reach. According to the disclosure of interest form filed by Mr. Ieong Un on 20 January 2016, Mr. Ieong has personal interest of 78,966,769 Shares. Due to the miscalculation of total number of Shares for exercise of options on that date, there is a discrepancy between the figures shown on the said form and herein. The correct number of Shares personally held by Mr. Ieong should be 78,938,769.

(ii) Interests in associated corporation

Name of Associated corporation	Name of Director	Capacity	Position	Number of shares in the associated corporation	Percentage of shareholding in the associated corporation
All Reach	Mr. Ieong Un	Beneficial owner	Long	100	100%

Save as disclosed above, as at 30 September 2016, none of the Directors and Chief Executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 September 2016, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than any Director or the Chief Executive of the Company, were the substantial shareholders (within the meaning of the Listing Rules) of the Company and had the following interests in the shares and underlying shares of the Company:

Name of shareholder	Capacity	Number of Shares	Position	Percentage of shareholding
All Reach Investments Limited (Note 1)	Beneficial owner	342,500,000	Long	54.22%
Chan Sut Kuan ("Mrs. Ieong") (Notes 1 and 2)	Interest of spouse	421,438,769	Long	66.71%

Notes:

1. All Reach Investments Limited is directly, wholly and beneficially owned by Mr. Ieong. By virtue of the SFO, Mr. Ieong, an executive Director, is deemed to be interested in the entire 342,500,000 Shares held by All Reach Investments Limited.

2. Mr. Ieong is in person beneficially owns 78,938,769 Shares. Mrs. Ieong is the spouse of Mr. Ieong and is therefore deemed to be interested in the 421,438,769 Shares held by Mr. Ieong. According to the laws of Macau, the regime of matrimonial property of Mr. Ieong and Mrs. Ieong is community (共同財產制). In accordance with the disclosure of interest form filed by Mr. Ieong Un on 20 January 2016, Mr. Ieong has personal interest of 78,966,769 Shares. Due to the miscalculation of total number of Shares for exercise of options on that date, there is a discrepancy between the figures shown on the said form and herein. The correct number of Shares personally held by Mr. Ieong should be 78,938,769.

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

MANAGEMENT CONTRACT

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the Year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Directors' Service Contracts" in this annual report, no contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, save as disclosed in the section headed "Continuing Connected Transaction" and the related party transactions as disclosed in note 40 to the consolidated financial statements of this annual report, none of the Directors has interests in any business which directly or indirectly competes, or is likely to compete with the business of the Group.

AUDIT COMMITTEE

The Company established the audit committee which comprises three independent non-executive Directors, namely, Mr. Tong Hing Wah (chairman of the audit committee), Mr. Chan Wing Yau George and Mr. Simon Luk.

The audit committee is primarily responsible for the review and supervision of the Group's financial reporting process, risk management and internal control system. It has met with the external auditors of the Group to review the accounting principles and practices adopted by the Company and the audited annual financial statements of the Group for the year ended 30 September 2016.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands where the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 30 September 2016.

CHANGE OF COMPANY NAME

On 25 November 2015, the Company proposed to change the English name of the Company from "Infinity Chemical Holdings Company Limited" to "Infinity Development Holdings Company Limited" and the Chinese name "星謙發展控股有限公司" be adopted as the dual foreign name of the Company in place of its existing Chinese name "星謙化工控股有限公司".

Approvals have been obtained from the Shareholders at the extraordinary general meeting held on 23 December 2015 and the new name has been used after the approval from the Registrar of Companies in the Cayman Islands and the Companies Registry in Hong Kong.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 30 September 2016, the Company repurchased a further 11,860,000 ordinary Shares and cancelled 12,860,000 Shares, of which 1,000,000 Shares were repurchased during the year ended 30 September 2015. Up to the date of this report, a total of 16,600,000 ordinary shares had been repurchased and cancelled. Particulars of the Shares repurchased during the year ended 30 September 2016 are as follows:

	No. of ordinary Shares	Price per Share		Aggregate consideration and other costs paid
		Highest	Lowest	
	'000	HK$	HK$	HK$'000
October 2015	4,208	1.45	1.38	5,962
November 2015	7,652	1.40	1.30	10,269

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. It implements green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's business to move towards adhering the 3Rs – "Reduce", "Recycle" and "Reuse" and enhance environmental sustainability.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. Details of the principal risks and uncertainties are set out in notes 6 and 7 to the consolidated financial statements of this annual report.

CONTINUING CONNECTED TRANSACTION

On 27 February 2013, the Board approved the entering into of a lease agreement between Mr. Ieong Un ("Mr. Ieong") and Guangzhou Branch, Centresin Chemical Products Ltd., Zhuhai ("Zhuhai Centresin"), a wholly owned subsidiary of the Company, pursuant to which Mr. Ieong has agreed to grant the leasing of the office premises of gross floor area of approximately 2,000 square metres and located at House nos. 201 to 210 on Level 2, Nos. 79 to 111, Yiju Street, Nanzhou Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC to Zhuhai Centresin for a term of three years commencing from 1 March 2013 to 29 February 2016 at a monthly rent of RMB97,000 for the first twelve months and annual increment of 5% for the subsequent two years, i.e. the annual consideration for the year ending 28 February 2014 will be RMB1,164,000, for the year ending 28 February 2015 will be RMB1,222,200 and for the year ending 29 February 2016 will be RMB1,283,310. The Directors consider that it is in the commercial interest of the Company if Zhuhai Centresin continues to use the office premises as it is not easy to identify other appropriate premises and Zhuhai Centresin will bear unnecessary relocation costs and expenses if it has to move to other premises. Mr. Ieong, an executive Director and chairman of the Board and the controlling Shareholder, is a connected person to the Company as defined under the Listing Rules and the transaction contemplated under the lease agreement constitutes a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The detail of the above continuing connected transaction is set out in the Company's announcements dated 27 February 2013 and 6 March 2013. Subsequently, on 24 February 2016, Mr. Ieong and Zhuhai Centresin has entered into a renewed lease agreement in respect of the premises. Since all the applicable ratios are below 5% and the annual consideration for each of the three years ending 28 February 2019 is below HK$3,000,000, the renewed lease agreement is fully exempted from all the requirements with regard to continuing connected transaction under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

Save as disclosed above and in note 40 to the consolidated financial statements of this annual report, there was no significant connected party transaction entered into by the Group for the year ended 30 September 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules up to the date of this report.

AUDITORS

At the extraordinary general meeting of the Company held on 2 December 2013, Deloitte Touche Tohmatsu was removed as auditors of the Company and Lau & Au Yeung C.P.A. Limited was appointed to act as the auditors of the Company.

In March 2016, Lau & Au Yeung C.P.A. Limited resigned as auditors of the Company and RSM Hong Kong were appointed by the Board to fill in such casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company. Save as disclosed, there have been no other changes of auditors in the past three years.

The consolidated financial statements for the Year ended 30 September 2016 have been audited by RSM Hong Kong.

A resolution will be proposed for approval by shareholders at the forthcoming annual general meeting of the Company to re-appoint RSM Hong Kong as auditors of the Company.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 September 2016 and up to the date of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting held on 23 February 2017 (the "AGM"), the register of members will be closed from Monday, 20 February 2017 to Thursday, 23 February 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited (the "Share Registrar") at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 February 2017.

For determining the entitlement of the final dividend, the register of members will be closed from Thursday, 2 March 2017 to Friday, 3 March 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Share Registrar for registration not later than 4:30 p.m. on Wednesday, 1 March 2017. The Final Dividend is expected to be distributed to those entitled on Thursday, 23 March 2017.

On behalf of the Board
TONG YIU ON
EXECUTIVE DIRECTOR

Hong Kong, 30 December 2016

Independent Auditor's Report

TO THE SHAREHOLDERS OF
INFINITY DEVELOPMENT HOLDINGS COMPANY LIMITED
(FORMERLY KNOWN AS INFINITY CHEMICAL HOLDINGS COMPANY LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Infinity Development Holdings Company Limited (formerly known as Infinity Chemical Holdings Company Limited) (the "Company") and its subsidiaries set out on pages 45 to 123, which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 30 September 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Hong Kong
Certified Public Accountants
Hong Kong

30 December 2016

Consolidated Statement of Profit or Loss

For the year ended 30 September 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	9	**496,219**	543,632
Cost of goods sold		**(320,411)**	(362,929)
Gross profit		**175,808**	180,703
Other income	10	**4,012**	3,731
Changes in fair value of investment properties		**1,260**	8,180
Changes in fair value of other financial asset	24	**(7,380)**	(5,330)
Gain on disposal of assets classified as held for sale		**6,766**	–
Other (losses)/gains	11	**(1,065)**	1,915
Selling and distribution costs		**(49,167)**	(56,378)
Administrative expenses		**(93,637)**	(77,350)
Profit from operation		**36,597**	55,471
Interest on bank borrowings wholly repayable within five years		**(1,036)**	(1,590)
Share of profit of an associate		**5,183**	3,843
Profit before tax		**40,744**	57,724
Income tax expense	12	**(3,585)**	(8,541)
Profit for the year	13	**37,159**	49,183
Earnings per share	17		
— Basic		**HK5.87 cents**	HK7.96 cents
— Diluted		**HK5.86 cents**	HK7.94 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 September 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**37,159**	49,183
Other comprehensive income:		
Items that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(5,860)**	(10,687)
Share of other comprehensive income of an associate	**(13)**	–
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**(2,157)**	–
Other comprehensive income for the year, net of tax	**(8,030)**	(10,687)
Total comprehensive income for the year	**29,129**	38,496

Consolidated Statement of Financial Position

At 30 September 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	18	**73,920**	72,660
Property, plant and equipment	19	**56,549**	42,944
Land use rights	20	**13,100**	13,744
Intangible assets	21	**12,157**	30,488
Investment in an associate	23	**56,069**	10,899
Club debentures		**1,080**	1,080
Deposits for acquisition of property, plant and equipment		**9,636**	2,360
Total non-current assets		**222,511**	174,175
Current assets			
Inventories	25	**54,633**	70,855
Trade, bills and other receivables	26	**148,745**	147,230
Other financial asset	24	**–**	7,380
Restricted bank deposits	27	**21,556**	21,977
Bank and cash balances	27	**105,513**	94,350
		330,447	341,792
Assets classified as held for sale	28	**–**	20,732
Total current assets		**330,447**	362,524
Current liabilities			
Trade, bills and other payables	29	**52,440**	60,327
Amount due to a related company	30	**4,723**	761
Bank loans	31	**44,913**	24,214
Current tax liabilities		**9,682**	10,362
Total current liabilities		**111,758**	95,664
Net current assets		**218,689**	266,860

	Note	2016 HK$'000	2015 HK$'000
Total assets less current liabilities		**441,200**	441,035
Non-current liabilities			
Deferred tax liabilities	32	**12,756**	12,845
Net assets		**428,444**	428,190
Capital and reserves			
Share capital	33	**6,317**	6,426
Reserves		**422,127**	421,764
Total equity		**428,444**	428,190

Approved by the Board of Directors on 30 December 2016 and are signed on its behalf by:

TONG YIU ON	**IP KA LUN**
EXECUTIVE DIRECTOR	*EXECUTIVE DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 30 September 2016

	Share capital HK$'000	Share premium HK$'000	Treasury shares HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000 (Note 35(b)(i))	Share-based payment reserve HK$'000 (Note 35(b)(ii))	Foreign currency translation reserve HK$'000 (Note 35(b)(iii))	Legal reserve HK$'000 (Note 35(b)(iv))	Statutory surplus reserve fund HK$'000 (Note 35(b)(v))	Retained profits HK$'000	Total HK$'000
At 1 October 2014	5,959	120,884	–	–	1,097	541	11,947	459	2,123	180,260	323,270
Total comprehensive income for the year	–	–	–	–	–	–	(10,687)	–	–	49,183	38,496
Dividends paid	–	–	–	–	–	–	–	–	–	(10,131)	(10,131)
Issue of shares by subscription	500	76,613	–	–	–	–	–	–	–	–	77,113
Repurchase of shares	–	–	(3,699)	–	–	–	–	–	–	–	(3,699)
Cancellation of shares	(37)	(2,926)	2,926	37	–	–	–	–	–	–	–
Transfer	–	–	–	–	–	–	–	49	546	(595)	–
Issue of shares upon exercise of share options	4	530	–	–	–	(149)	–	–	–	–	385
Share-based payments	–	–	–	–	–	2,756	–	–	–	–	2,756
Change in equity for the year	467	74,217	(773)	37	–	2,607	(10,687)	49	546	38,457	104,920
At 30 September 2015	6,426	195,101	(773)	37	1,097	3,148	1,260	508	2,669	218,717	428,190
At 1 October 2015	6,426	195,101	(773)	37	1,097	3,148	1,260	508	2,669	218,717	428,190
Total comprehensive income for the year	–	–	–	–	–	–	(8,030)	–	–	37,159	29,129
Dividends paid	–	–	–	–	–	–	–	–	–	(15,161)	(15,161)
Repurchase of shares	–	–	(16,231)	–	–	–	–	–	–	–	(16,231)
Cancellation of shares	(128)	(17,004)	17,004	128	–	–	–	–	–	–	–
Transfer	–	–	–	–	–	–	–	92	211	(303)	–
Issue of shares upon exercise of share options	19	2,278	–	–	–	(544)	–	–	–	–	1,753
Share based payments	–	–	–	–	–	764	–	–	–	–	764
Changes in equity for the year	(109)	(14,726)	773	128	–	220	(8,030)	92	211	21,695	254
At 30 September 2016	6,317	180,375	–	165	1,097	3,368	(6,770)	600	2,880	240,412	428,444

Consolidated Statement of Cash Flows

For the year ended 30 September 2016

	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**40,744**	57,724
Adjustments for:		
Interest income	**(649)**	(336)
Finance costs	**1,036**	1,590
Amortisation of intangible assets	**10,737**	4,338
Amortisation of prepaid land lease payments on land use rights	**444**	646
Depreciation	**5,981**	7,434
Impairment of intangible asset	**7,600**	–
Gain on disposal of assets classified as held for sale	**(6,766)**	–
Written off of inventories	**676**	1,138
Written off/(written back) of trade receivables	**297**	(29)
Share of profit of an associate	**(5,183)**	(3,843)
Loss on disposal of property, plant and equipment	**2**	2
Equity-settled share-based payments	**764**	2,756
Changes in fair value of investment properties	**(1,260)**	(8,180)
Changes in fair value of other financial asset	**7,380**	5,330
Operating profit before working capital changes	**61,803**	68,570
Decrease/(increase) in inventories	**15,546**	(5,401)
Increase in trade, bills and other receivables	**(1,673)**	(10,854)
(Decrease)/increase in trade, bills and other payables	**(7,887)**	15,196
Cash generated from operations	**67,789**	67,511
Income taxes paid	**(4,189)**	(4,473)
Net cash generated from operating activities	**63,600**	63,038
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**649**	336
Purchases of property, plant and equipment	**(20,589)**	(12,316)
Purchases of land use rights	**–**	(12,790)
Deposits paid on acquisition of property, plant and equipment	**(7,276)**	880
Net proceeds from disposal of asset classified as held for sale	**25,341**	–
Acquisition of interest in an associate	**(40,000)**	–
Withdrawal of pledged bank deposits	**421**	90
Net cash used in investing activities	**(41,454)**	(23,800)

	Note	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of shares by subscription		–	77,113
Net proceeds from exercise of share options		1,753	385
Repurchase of shares		(16,231)	(3,699)
Finance costs paid		(1,036)	(1,590)
Dividends paid		(15,161)	(10,131)
Changes in amount due to a related company		3,962	(2,898)
Inception of bank loans		42,000	28,012
Repayment of bank loans		(21,301)	(53,827)
Net cash (used in)/generated from financing activities		(6,014)	33,365
NET INCREASE IN CASH AND CASH EQUIVALENTS		16,132	72,603
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(4,969)	(2,812)
CASH AND CASH EQUIVALENTS AT 1 OCTOBER		94,350	24,945
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		105,513	94,736
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		105,513	94,350
Bank and cash balances included in assets classified as held for sale	28	–	386
		105,513	94,736

1. GENERAL INFORMATION

Infinity Development Holdings Company Limited (formerly known as Infinity Chemical Holdings Company Limited) (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The addresses of its principal places of business in Hong Kong and Macau Special Administrative Regions, the People's Republic of China are Units 2201-2202, 22/F, Alliance Building, 133 Connaught Road Central, Hong Kong and 16 Andar A-D, Macau Finance Centre, No. 202A-246 Rua de Pequim, Macau, respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 22 to the consolidated financial statements.

In the opinion of the directors of the Company, All Reach Investments Limited, a company incorporated in the British Virgin Islands, is the immediate and the ultimate parent and Mr. Ieong Un is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Company and its subsidiaries (the "Group") has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 October 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior years.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 October 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of New and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(Continued)*

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. MERGER ACCOUNTING

Through a group reorganisation by setting up certain newly incorporated companies in the second half of 2012, Rank Best Investments Limited, a limited liability company incorporated in the British Virgin Islands, became the holding company of the target group including 廣州市雅威貿易有限公司 (Guangzhou Shi Yawei Trading Company Limited). The Group acquired Rank Best Group from Mr. Ieong Un, the ultimate controlling shareholder of the Company, on 22 March 2013, which is considered as business combination involving entities under common control and has been accounted for using the merger accounting method, based on the guidance set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

5. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 September. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation

(i) Functional and presentation currency

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 dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— 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 are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

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

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Over the term of the lease
Buildings	
— office units	Over the term of the lease
— factory premises	20 years
Furniture and fixtures and equipment	20 – 25%
Leasehold improvements	20%
Motor vehicles	$16\frac{2}{3}$% – 20%
Plant and equipment	10% – 20%

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

(f) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

The Group as lessee *(Continued)*

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

The Group as lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(g) Intangible assets

An intangible asset with a finite useful life is carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset is recognised on a straight-line basis over their estimated useful lives. Intangible asset with indefinite useful life is not amortised.

Management reviews the expected useful life at the end of each reporting period based on the estimated period over which future economic benefits will be received by the Group and takes into account the level of future competition, the risk of technological or functional obsolescence of its products, and the expected changes in the market and social environment.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets *(Continued)*

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

(i) Customer relationship

Intangible asset of customer relationship is subject to impairment review regularly, based on the fair value of customer relationship. The fair value of customer relationship is determined by professional valuers annually, using a combination of income approach and the multi-period excess earnings method, under which the asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

Customer relationship recognized as an asset is amortised over its estimated useful life of 5 years. The useful life of the asset and its amortisation method are reviewed annually.

(ii) Club memberships

Club memberships with both definite or indefinite useful lives are stated at cost less impairment losses, if any. For club membership with an indefinite useful life, no amortisation is charged because the Company has the contractual right to control over the asset and legal rights with no definite period. For club membership with a definite useful life, amortisation is calculated using the straight-line method to allocate the cost of club membership over their estimated useful lives of 44 years.

(iii) Formula and know-how

Formula and know-how acquired is recognised at fair value at the date of acquisition. Formula and know-how has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of formula and know-how over their estimated useful lives of 5 years.

(h) Club debentures

Club debentures with indefinite useful life is stated at cost less impairment losses. Impairment is reviewed annually or when there is any indication that the club debentures have suffered an impairment loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(k) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

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

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Non-current assets held for sale and discontinued operations

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. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the asset's or disposal group's previous carrying amount and fair value less costs to sell.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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.

(q) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of manufactured goods and trading of raw materials is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(v) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

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

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Taxation *(Continued)*

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(y) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated pro rata amongst the assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 30 September 2016 was HK$56,549,000 (2015: HK$42,944,000).

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$3,585,000 (2015: HK$8,541,000) of income tax was charged to profit or loss based on the estimated profit.

(c) Fair value of investment properties

The Group appointed an independent professional valuer to assess the fair value of the investment properties. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 30 September 2016 was HK$73,920,000 (2015: HK$72,660,000).

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

For the year ended 30 September 2016, impairment loss for bad and doubtful debts amounted to HK$297,000 (2015: nil).

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(e) Allowance for slow-moving inventories and net realisable value of inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 30 September 2016 (2015: nil).

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

(f) Impairment of customer relationship

The Group tests for the impairment of customer relationship based on the fair value assessed by independent professional valuer regularly, using a combination of income approach and the multi-period excess earnings method, under which the asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are appropriate.

For the year ended 30 September 2016, impairment loss for customer relationship amounted to HK$7,600,000 (2015: nil).

(g) Impairment of investment in an associate

Determining whether investment in an associate is impaired requires an estimation of the value in use of the investment in an associate. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the investment in an associate and a suitable discount rate in order to calculate the present value. The carrying amount of investment in an associate at the end of the reporting period was HK$56,069,000 (2015: HK$10,899,000).

7. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB"), Vietnam Dong ("VND"), Indonesian Rupiah ("IDR"), Euro, New Taiwan dollar ("TWD"), Macau Palaca ("MOP") and United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 30 September 2016, if the HK$ had weakened 5 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$198,000 (2015: HK$288,000) lower, arising mainly as a result of the foreign exchange loss on trade and bills receivable denominated in HK$. If the HK$ had strengthened 5 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$198,000 (2015: HK$288,000) higher, arising mainly as a result of the foreign exchange gain on trade and bills receivable denominated in HK$.

At 30 September 2016, if the RMB had weakened 5 per cent against the USD with all other variables held constant, consolidated profit after tax for the year would have been HK$388,000 (2015: HK$637,000) higher, arising mainly as a result of the net foreign exchange gain on trade and bills receivable and trade and bills payable denominated in USD. If the RMB had strengthened 5 per cent against the USD with all other variables held constant, consolidated profit after tax for the year would have been HK$388,000 (2015: HK$637,000) lower, arising mainly as a result of the net foreign exchange loss on trade and bills receivable and trade and bills payable denominated in USD.

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

At 30 September 2016, if the VND had weakened 5 per cent against USD with all other variables held constant, consolidated profit after tax for the year would have been HK$2,249,000 (2015: HK$2,399,000) higher, arising mainly as a result of the foreign exchange gain on trade and bills receivable denominated in USD. If the VND had strengthened 5 per cent against USD with all other variables held constant, consolidated profit after tax for the year would have been HK$2,249,000 (2015: HK$2,399,000) lower, arising mainly as a result of the foreign exchange loss on trade and bills receivable denominated in USD.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade, bills and other receivables. In order to minimise credit risk, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Credit risk is concentrated in two (2015: one) customers, which accounted for HK$30,235,000 or 26% (2015: HK$29,643,000 or 25%) of the Group's total trade receivables. However, management considers, based on the good credit history and the long-term business relationship with that customer, there are no significant credit risks.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with acceptable credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities					
At 30 September 2016					
Trade, bills and other payables	–	52,440	–	–	52,440
Amount due to a related company	4,723	–	–	–	4,723
Bank loans (note)	44,913	–	–	–	44,913
	49,636	52,440	–	–	102,076
Financial liabilities					
At 30 September 2015					
Trade, bills and other payables	–	60,327	–	–	60,327
Amount due to a related company	761	–	–	–	761
Bank loans (note)	24,214	–	–	–	24,214
	24,975	60,327	–	–	85,302

Note:

Bank loans with a repayment on demand clause are included in the 'on demand' time band in the above maturity analysis. As at 30 September 2016 and 30 September 2015, the aggregate undiscounted principal amounts of these bank loans amounted to HK$44,913,000 and HK$24,214,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid one to three years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$46,265,000 (2015: HK$24,994,000).

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank deposits and bank loans. It is the Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's HK$ denominated borrowing.

The Group's restricted bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and bank loans at the end of the reporting period and assumed that the amount of assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points (2015: 50 basis points) were used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The management does not anticipate a decrease in interest rate in the next financial year having regard to the trends in market interest rates and global economic environment. Accordingly, sensitivity analysis on a decrease in interest rates is not presented.

If interest rates on bank balances and bank loans had been 50 basis points (2015: 50 basis points) higher and all other variables were held constant, the potential effect on profit for the year is as follows:

	2016	2015
	HK$'000	HK$'000
Increase in profit for the year	**179**	268

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**269,402**	259,363
Other financial assets	**–**	7,380
	269,402	266,743
Financial liabilities		
Financial liabilities at amortised cost	**100,935**	85,302

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

8. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

8. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 30 September 2016:

	Fair value measurements using Level 3 HK$'000	**Total 2016 HK$'000**
Description		
Recurring fair value measurements:		
Investment properties		
Office units – Macau	**69,310**	**69,310**
Office units – PRC	**4,610**	**4,610**
	73,920	**73,920**
Total	**73,920**	**73,920**

	Fair value measurements using Level 3 HK$'000	Total 2015 HK$'000
Description		
Recurring fair value measurements:		
Financial assets		
Other financial assets	7,380	7,380
Investment properties		
Office units – Macau	68,370	68,370
Office units – PRC	4,290	4,290
	72,660	72,660
Total	80,040	80,040

8. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

Description	**Other financial assets HK$'000**	**Investment properties HK$'000**	**2016 Total HK$'000**
At 1 October	**7,380**	**72,660**	**80,040**
Total gains or (losses) recognised in profit or loss(#)	**(7,380)**	**1,260**	**(6,120)**
At 30 September	**–**	**73,920**	**73,920**
(#) Include gains or (losses) for assets held at end of reporting period	**–**	**1,260**	**1,260**

Description	Other financial assets HK$'000	Investment properties HK$'000	2015 Total HK$'000
At 1 October	12,710	64,480	77,190
Total gains or (losses) recognised in profit or loss(#)	(5,330)	8,180	2,850
At 30 September	7,380	72,660	80,040
(#) Include gains or (losses) for assets held at end of reporting period	(5,330)	8,180	2,850

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in changes in fair value of other financial assets and investment properties in the consolidated statement of profit or loss.

8. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 2016:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly:

— Volatilities of the market comparable

— Risk free interest rate

— Floor level difference (estimated based on valuation experts' in-house database)

— Size difference (estimated based on actual data)

— View difference (estimated based on valuation experts' in-house database)

— Market quote adjustment factor (estimated based on valuation experts' in-house database)

— Market yield (based on public information on valuation experts' in-house database)

8. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 2016: *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2016 HK$'000	Fair value 2015 HK$'000
Other financial assets	Black-Scholes model	Volatilities of the market comparable	N/A (2015: 70%)	Increase	–	7,380
		Risk free interest rate	N/A (2015: 0.06%)	Decrease		
Office units located in Macau	Income approach	Floor level difference	0% to 6% (2015: 0% to 6%)	Increase	69,310	68,370
		Size difference	-0.1% to 4% (2015: -0.04% to 3.93%)	Increase		
		View difference	-5% to 0% (2015: -10% to 0%)	Increase		
		Market yield	1.7% to 2.7% (2015: 1.89% to 3.11%)	Decrease		
Office units located in PRC	Income approach	Size difference	-7.3% to -6.4% (2015: -10.6% to -9.6%)	Increase	4,610	4,290
		Market quote adjustment factor	-10% to -5% (2015: -10%)	Increase		
		Market yield	5.5% to 6% (2015: 4.9% to 5.4%)	Decrease		

During the two years, there were no changes in the valuation techniques used.

9. REVENUE AND SEGMENT INFORMATION

The executive Directors of the Company regularly review revenue analysis by products, including vulcanized shoes adhesive related products, electronic adhesive related products, other shoe adhesives, primers, hardeners and others, and by locations. The executive Directors of Company considered that the operating activities of manufacture, sales and trading of adhesives as a single operation segment. The operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to Hong Kong Financial Reporting Standards, that are regularly reviewed by the executive Directors of the Company. The executive Directors of the Company review the overall result of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Entity-wide information

An analysis of the Group's revenue by products is as follows:

	2016 **HK$'000**	2015 HK$'000
Sales of		
— vulcanized shoes adhesive related products and other shoe adhesives	**340,726**	364,546
— primers	**49,372**	55,435
— hardeners	**53,890**	59,388
— electronic adhesive related products	**23,924**	31,028
— others	**28,307**	33,235
	496,219	543,632

9. REVENUE AND SEGMENT INFORMATION *(Continued)*

Entity-wide information *(Continued)*

Revenue from external customers, based on geographical locations of customers, attributed to the Group is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
— PRC	**177,958**	227,150
— Vietnam	**255,560**	253,241
— Indonesia	**34,734**	27,971
— Bangladesh	**27,967**	35,270
	496,219	543,632

During the year, there was a customer contributing revenue of HK$169,284,000 (2015: HK$178,700,000) which accounted for more than 34% (2015: 33%) of the Group's total revenue.

An analysis of the Group's non-current assets by their geographical location is as follows:

	2016 HK$'000	2015 HK$'000
Hong Kong	**509**	728
PRC	**91,698**	45,827
Macau	**87,551**	105,290
Vietnam	**40,745**	20,047
Indonesia	**1,901**	2,269
Others	**107**	14
	222,511	174,175

10. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Interest income on bank deposits	649	336
Income from sale of scrap materials	381	384
Government grants (note)	598	1,072
Gross rental income from investment properties	1,932	1,444
Other	452	495
	4,012	3,731

Note: Government grants mainly related to the subsidies received from the local government authority for the achievements of the Group.

11. OTHER (LOSSES)/GAINS

	2016 HK$'000	2015 HK$'000
Exchange (loss)/gain, net	(938)	1,969
Loss on disposal of property, plant and equipment	(2)	(2)
Others	(125)	(52)
	(1,065)	1,915

12. INCOME TAX EXPENSES

	2016 HK$'000	2015 HK$'000
Current tax:		
Provision for the year		
PRC Enterprise Income Tax ("PRC EIT")	**1,695**	3,378
Macau complementary tax	**1,543**	2,182
Vietnam Enterprise Income Tax ("Vietnam EIT")	**194**	211
Indonesian Corporate Income Tax ("Indonesian CIT')	**334**	1,126
Over-provision in prior years	**(257)**	–
	3,509	6,897
Deferred taxation (note 32)	**76**	1,644
	3,585	8,541

The PRC EIT, Macau complementary tax, Vietnam EIT and Indonesian CIT are calculated at the applicable rates in accordance with the relevant laws and regulations in the respective jurisdictions.

Pursuant to the relevant laws and regulations in Macau, the Macau subsidiaries are subject to Macau complementary tax at a maximum rate of 12%.

Pursuant to the relevant laws and regulations in the PRC, 珠海市澤濤黏合製品有限公司 (Centresin Chemical Products Ltd., Zhuhai) ("Zhuhai Centresin") was entitled to exemption from PRC income tax for the two years commencing from its first profit-making year in 2008, followed by a 50% reduction from 2010 to 2012. The applicable income tax rate after the tax reduction period is 25%.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui (2008) No. 1, only the profits earned by Zhuhai Centresin and 中山信諾黏合製品有限公司 (Zhongshan Macson Adhesive Products Co., Ltd.) ("Zhongshan Macson") prior to 1 January 2008, when distributed to foreign investors, can be grandfathered with the exemption from withholding tax. Whereas, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entities aforementioned, where appropriate, pursuant to Articles 3 and 27 of the Law of the People's Republic of China on Enterprise Income Tax and Article 91 of its Detailed Implementation Rules, Deferred tax liability on the undistributed profits earned since 1 January 2008 have been accrued at the tax rate of 10%.

12. INCOME TAX EXPENSES *(Continued)*

Pursuant to the relevant laws and regulations in Vietnam, Zhong Bu Adhesive (Vietnam) Co., Ltd. ("Vietnam Centresin") was entitled to exemption from Vietnam income tax for three years commencing from its first profit-making year in 2006, followed by a 50% reduction from 2009 to 2015.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Tax charge for the year is reconciled to profit before taxation as follows:

	2016 **HK$'000**	2015 HK$'000
Profit before taxation	**40,744**	57,724
Tax at the applicable income tax rate*	**10,186**	14,431
Tax effect of expenses not deductible for tax purposes	**4,441**	3,491
Tax effect of income not taxable for tax purposes	**(1,916)**	(967)
Tax effect of tax exemption and tax concession granted to certain subsidiaries	**(10,784)**	(13,183)
Tax effect of tax losses not recognised	**5,248**	3,145
Withholding tax on undistributed earnings	**(37)**	693
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,008)**	931
Over-provision in prior years	**(257)**	–
Temporary difference not recognised	**712**	–
Tax charge and effective tax rate for the year	**3,585**	8,541

* The rate applied is the applicable tax rate in the PRC of 25% (2015: 25%) where the operation of the Group is substantially based.

13. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging the following:

	2016 HK$'000	2015 HK$'000
Auditor's remuneration		
— audit service	**1,100**	1,000
— non-audit services	**591**	500
Amortisation of		
— intangible assets	**10,737**	4,338
— prepaid lease payments on land use rights	**444**	646
Depreciation	**5,981**	7,434
Impairment of intangible assets	**7,600**	–
Operating lease rentals in respect of		
— motor vehicles	**3,069**	3,252
— rented premises and leasehold land	**4,883**	4,813
Royalty fees included in cost of goods sold	**3,193**	3,280
Research and development expenses	**1,678**	1,890
Written off of inventories	**676**	1,138
Written off/(written back) of trade receivables	**297**	(29)
Equity-settled share-based payments to consultants	**452**	1,890
And after crediting:		
Gross property rental income before deduction of outgoings	**1,932**	1,444
Less: Outgoings	**(380)**	(355)
	1,552	1,089

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$13,861,000 (2015: HK$14,961,000) which are included in the amounts disclosed separately.

14. EMPLOYEE BENEFITS EXPENSE

	2016 HK$'000	2015 HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	48,972	38,832
Equity-settled share-based payments	270	766
Retirement benefit scheme contributions	4,284	4,022
Less: Staff cost included in research and development	(1,678)	(1,890)
	51,848	41,730

Five highest paid individuals

The five highest paid individuals in the Group during the year included five (2015: five) directors whose emoluments are reflected in the analysis presented in note 15(a).

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	(Note i) Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Name of director						
Mr. Ieong Un	–	2,808	1,553	7	218	4,586
Mr. Ip Chin Wing	–	1,440	168	7	112	1,727
Mr. Ip Ka Lun	–	1,440	184	7	112	1,743
Mr. Stephen Graham Prince	–	1,440	218	7	112	1,777
Mr. Tong Yiu On	–	1,440	242	7	112	1,801
Mr. Chan Wing Yau, George	138	–	–	7	–	145
Mr. Simon Luk	138	–	–	–	–	138
Mr. Tong Hing Wah	138	–	–	–	–	138
Total for 2016	414	8,568	2,365	42	666	12,055

15. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

Certain comparative information of directors' emoluments for the year ended 30 September 2015 disclosed in accordance with the predecessor Hong Kong Companies Ordinance (Cap. 322) have been restated in order to comply with the scope and requirements of the new Hong Kong Companies Ordinance (Cap.622).

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	(Note i) Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Name of director						
Mr. Ieong Un	–	2,808	886	17	225	3,936
Mr. Ip Chin Wing	–	1,440	164	17	115	1,736
Mr. Ip Ka Lun	–	1,440	164	17	115	1,736
Mr. Stephen Graham Prince	–	1,440	203	16	115	1,774
Mr. Tong Yiu On	–	1,440	206	17	115	1,778
Mr. Chan Wing Yau, George	120	–	–	16	–	136
Mr. Simon Luk	120	–	–	–	–	120
Mr. Tong Hing Wah	120	–	–	–	–	120
Total for 2015	360	8,568	1,623	100	685	11,336

Notes:

(i) Estimated money values of other benefits comprise share options.

Neither the chief executive nor any of the directors waived any emoluments during the year (2015: nil).

15. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in this consolidated financial statements, and contracts amongst group companies, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company and other 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.

16. DIVIDENDS

During the year, the final dividend for 2015 of HK2.4 cents (2015: final dividend for 2014 of HK1.7 cents) per ordinary share, totalling approximately HK$15,161,000 (2015: HK$10,131,000) was declared and paid to the shareholders.

The final dividend for 2016 of HK2.1 cents per share has been proposed by the Directors and is subject to approval by the shareholders at the annual general meeting. The proposed final dividend of approximately HK$13,266,000 is calculated on the basis of 631,719,076 shares in issue at the date of this report.

17. EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share for the year is based on the consolidated profit attributable to the owners of the Company and on the weighted average number of approximately 633,670,967 (2015: 617,909,509) shares in issue during the year.

	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**37,159**	49,183
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**633,671**	617,909
Basic earnings per share	**HK5.87 cents**	HK7.96 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company (collectively forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**37,159**	49,183
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**633,671**	617,909
Effect of dilutive potential ordinary shares upon the exercise of share options (thousand shares)	**770**	1,249
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**634,441**	619,158
Diluted earnings per share	**HK5.86 cents**	HK7.94 cents

18. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1 October 2014	64,480
Net increase in fair value recognised in profit or loss during the year	8,180
At 30 September 2015	72,660
Net increase in fair value recognised in profit or loss during the year	1,260
At 30 September 2016	73,920

Investment properties were revalued at 30 September 2016 and 2015 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of chartered surveyors.

Valuation for Macau and PRC office units was derived using the Income Approach (or sometimes referred to as a method of the Market Approach for the reversionary interests and the rate of return are market-derived) by taking into account the current rent receivables from the existing tenancy agreements and the reversionary potential of the property interests.

At 30 September 2016, the carrying amount of investment properties pledged as security for the Group's bank loans amounted to HK$69,310,000 (2015: HK$72,660,000).

19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 October 2014	29,645	9,223	8,181	4,404	30,668	5,801	87,922
Currency realignment	(817)	(241)	(107)	(61)	(1,747)	(407)	(3,380)
Additions	–	170	–	506	3,034	8,606	12,316
Disposals	–	(29)	–	–	–	–	(29)
Transfer to assets classified as held for sale (note 28)	–	(1,489)	(2,424)	–	–	(5,051)	(8,964)
At 30 September 2015 and 1 October 2015	28,828	7,634	5,650	4,849	31,955	8,949	87,865
Currency realignment	(1,005)	(1,108)	(118)	(231)	(520)	(291)	(3,273)
Additions	–	491	275	300	315	19,208	20,589
Disposals	–	–	–	–	(28)	–	(28)
At 30 September 2016	27,823	7,017	5,807	4,918	31,722	27,866	105,153
ACCUMULATED DEPRECIATION							
At 1 October 2014	10,642	4,442	7,197	3,485	17,356	–	43,122
Currency realignment	(364)	(215)	(172)	(44)	(900)	–	(1,695)
Charges for the year	1,463	1,271	454	333	3,913	–	7,434
Disposals	–	(27)	–	–	–	–	(27)
Transfer to assets classified as held for sale (note 28)	–	(1,489)	(2,424)	–	–	–	(3,913)
At 30 September 2015 and 1 October 2015	11,741	3,982	5,055	3,774	20,369	–	44,921
Currency realignment	(761)	(443)	(112)	(204)	(752)	–	(2,272)
Charges for the year	1,174	811	187	319	3,490	–	5,981
Disposals	–	–	–	–	(26)	–	(26)
At 30 September 2016	12,154	4,350	5,130	3,889	23,081	–	48,604
CARRYING VALUES							
At 30 September 2016	15,669	2,667	677	1,029	8,641	27,866	56,549
At 30 September 2015	17,087	3,652	595	1,075	11,586	8,949	42,944

At 30 September 2016 the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to HK$3,894,000 (2015: HK$12,860,000).

20. LAND USE RIGHTS

	2016 HK$'000	2015 HK$'000
Carrying amount		
At 1 October	**14,048**	18,093
Additions	**–**	12,790
Currency realignment	**(60)**	(1,017)
Amortisation for the year	**(444)**	(646)
Transferred to assets classified as held for sale (note 28)	**–**	(15,172)
At 30 September	**13,544**	14,048
Analysed for reporting purposes as:		
Current asset (included in trade, bills and other receivables)	**444**	304
Non-current asset	**13,100**	13,744
	13,544	14,048

At 30 September 2015, the Group pledged certain of its PRC land use rights amounting to HK$306,000 to a bank to secure the credit facilities granted to the Group. Such pledge was released in current year.

21. INTANGIBLE ASSETS

	Club membership HK$'000	Formula rights HK$'000	Customer relationship HK$'000	Total HK$'000
Cost				
At 1 October 2014	1,596	1,600	40,000	43,196
Exchange alignment	(46)	–	–	(46)
At 30 September 2015	1,550	1,600	40,000	43,150
Exchange alignment	6	–	–	6
At 30 September 2016	1,556	1,600	40,000	43,156
Accumulated amortisation and impairment losses				
At 1 October 2014	5	320	8,000	8,325
Amortisation	18	320	4,000	4,338
Exchange alignment	(1)	–	–	(1)
At 30 September 2015	22	640	12,000	12,662
Amortisation	17	320	10,400	10,737
Impairment loss	–	–	7,600	7,600
At 30 September 2016	39	960	30,000	30,999
Net book value at 30 September 2016	1,517	640	10,000	12,157
Net book value at 30 September 2015	1,528	960	28,000	30,488

21. INTANGIBLE ASSETS *(Continued)*

Intangible assets represent (i) the established customer relationship acquired and was estimated to have an useful life of 10 years. During the year, the Group changed the estimated useful life of the customer relationship from 10 years to approximately 5 years. As a result of this change in accounting estimate, the amortisation charge increased by HK$6,400,000 for the year. Under this new estimate the amortisation charge will be increased by HK$6,000,000 for the year ending 30 September 2017, and the customer relationship will be fully amortised then; (ii) club memberships acquired with both finite and indefinite useful lives, and (iii) Formula and know-how acquired for an estimated useful life of 5 years. The carrying amount as at 30 September 2016 represents the cost less accumulated amortization and impairment, if any.

Customer relationship is reviewed for impairment by management annually by considering the fair value of the intangible asset and changes in market conditions. The fair value of customer relationship at the end of the reporting period has been arrived at on the basis of a valuation carried out on that date by International Valuation Limited ("IVL"), a professional member of the National Association of Certified Valuators and Analysts and independent professional valuer not connected with the Group. The valuation was determined by adopting a combination of income approach and the multi-period excess earnings method, under which the asset was valued after deducting a fair return on all other assets that are part of creating the related cash flows.

In the opinion of the directors, after taking into consideration of the above, other than the provision for impairment of the intangible asset of customer relationship of HK$7,600,000, no provision for impairment of other intangible assets as at 30 September 2016 is considered necessary (2015: Nil).

The average remaining amortisation period of the club membership with finite useful lives, the formula rights and customer relationship are 42 years (2015: 43 years), 2 years (2015: 3 years) and 1 year respectively (2015: 7 years).

22. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries, all of which are wholly-owned by the Company, as at 30 September 2016 are as follows:

Name of subsidiary	Place of incorporation/ establishment/operations	Nominal value of issued and fully paid share capital/ registered capital/ charter capital/quota capital	Principal activities
Keen Castle Limited*	British Virgin Islands	Shares – US$2,000	Investment holding
PT. Zhong Bu Adhesive Indonesia	Republic of Indonesia	Paid up capital – US$300,000	Processing and packaging of adhesive products
Zhong Bu Adhesive (Vietnam) Co., Ltd.	Socialist Republic of Vietnam	Chartered capital – US$9,200,000	Processing and packaging of adhesive products
珠海市澤濤黏合製品有限公司 (Zhuhai Centresin Chemical Product Company Ltd)	PRC	Registered capital – HK$31,000,000	Manufacture of adhesive products
中山信諾黏合製品有限公司 (Zhongshan Macson Chemical Product Company Ltd)	PRC	Registered capital – HK$7,000,000	Manufacture of adhesive products
廣州市雅威貿易有限公司 (Guangzhou Shi Yawei Trading Company Limited)	PRC	Registered capital – RMB1,500,000	Trading of electronic adhesive products
Iao Son Hong Paint Company Limited	Macau	Quota capital – MOP900,000	Provision of agency services for the Group's raw material procurement and distribution of adhesive products

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's subsidiaries, all of which are wholly-owned by the Company, as at 30 September 2016 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/operations	Nominal value of issued and fully paid share capital/ registered capital/ charter capital/quota capital	Principal activities
Infinity Development Macao Commercial Offshore Limited	Macau	Quota capital – MOP100,000	Provision of promotion, marketing, R&D, technical assistance and administrative support services
Huu Tin Hang Company Limited	Socialist Republic of Vietnam	Chartered capital – VND600,000,000	Processing and packing of adhesive products
Grace Power Polymer Commercial Development Co. Ltd.	Macau	Quota capital – MOP100,000	Trading of electronic adhesive products
Great Oasis International Limited	British Virgin Islands	Shares – US$100	Trading of raw materials and adhesive products
Zhong Bu (Centresin) Adhesive & Chemical Co., Ltd.	Macau	Quota capital – MOP100,000	Administrative support for the operation in Cambodia and Bangladesh
Macson Company Limited	Macau	Quota capital – MOP100,000	Investment holding
Long Fortune Holding Company Limited	Macau	Quota capital – MOP100,000	Investment holding
Rank Best Investments Limited	British Virgin Islands	Shares – US$1	Investment holding
Ally Link Investments Limited	British Virgin Islands	Shares – US$100	Investment holding

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's subsidiaries, all of which are wholly-owned by the Company, as at 30 September 2016 are as follows: *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/operations	Nominal value of issued and fully paid share capital/ registered capital/ charter capital/quota capital	Principal activities
Rich Castle Holdings Limited	Macau	Quota capital – MOP100,000	Investment holding
Starry Skyline Limited	British Virgin Islands	Shares – US$1	Investment holding
Sonic Expand Limited	British Virgin Islands	Shares – US$1	Investment holding
Aerial Bright Limited	British Virgin Islands	Shares – US$1	Investment holding
Righton Company Limited	Macau	Quota capital – MOP100,000	Investment holding
Big Capital Development Limited	Hong Kong	1 ordinary share of HK$1 each	Investment holding
Greenfield Company Limited	Macau	Quota capital – MOP100,000	Inactive
Bracorp Consulting Inc.	British Virgin Islands	Shares – US$100	Inactive
Star Grand International Limited	Hong Kong	1 ordinary share of HK$1 each	Inactive
Deluxe Jet Limited	Hong Kong	1 ordinary share of HK$1 each	Inactive
廣州星謙新能源有限責任公司	PRC	Registered capital – US$10,000,000	Inactive
Benino Corporation	British Virgin Islands	Shares – US$35.11	Inactive

* Directly held by the Company.

23. INTEREST IN AN ASSOCIATE

	2016 HK$'000	2015 HK$'000
Share of net assets	**12,856**	3,843
Goodwill	**43,213**	7,056
	56,069	10,899

Details of the Group's associate at 30 September 2016 are as follows:

Name	Place of incorporation	Particular of issued share capital	Percentage of ownership interest
Blue Sky Energy Efficiency Company Limited	British Virgin Islands	50,000 ordinary shares of US$1 each	40% (2015: 20%)

23. INTEREST IN AN ASSOCIATE *(Continued)*

The following table shows information on the associate of the Group. The associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the unaudited financial statements of the associate for the year ended 30 September 2016 prepared under HKFRSs.

	2016	2015
	HK$'000	HK$'000
At 30 September		
Non-current assets	**4**	8
Current assets	**37,571**	20,798
Current liabilities	**(5,435)**	(1,593)
Net assets	**32,140**	19,213
Group's share of net assets	**12,856**	3,843
Goodwill	**43,213**	7,056
Group's share of carrying amount of interests	**56,069**	10,899
Year ended 30 September		
Revenue	**15,000**	20,608
Profit for the year	**12,958**	19,227
Other comprehensive income	**(31)**	–
Total comprehensive income	**12,927**	19,227

24. OTHER FINANCIAL ASSET

	2016 HK$'000	2015 HK$'000
At 1 October	**7,380**	12,710
Fair value changes	**(7,380)**	(5,330)
Profit guarantee, at fair value	**–**	7,380

The fair value of other financial assets represented profit guarantee arising from acquisition of an associate, Blue Sky Energy Efficiency Company Limited and its subsidiaries (the "Blue Sky Group").

On 2 May 2014, the Group acquired 20% equity interest of the Blue Sky Group. The total consideration was satisfied by cash of HK$4,200,000 and convertible bonds with an aggregate nominal value of HK$16,800,000. Pursuant to the sale and purchase agreement, the profit guarantee for the Blue Sky Group's total net profit after tax for the period of 24 months commencing from the date of completion, should not be less than HK$30,000,000. In the event of guaranteed profit could not be met, the shortfall amount would be compensated by the vendor.

The fair value of profit guarantee of Blue Sky Group as at date of acquisition was approximately HK$13,880,000, which was based on valuation performed by an independent professional qualified valuer, IVL, using a Black-Scholes model.

As the profit guarantee period of 24 months expired in current year and the profit guarantee has been reached, the carrying amount of other financial asset was transferred to the profit or loss at the end of the profit guarantee period.

25. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**23,942**	33,045
Finished goods	**30,691**	37,810
	54,633	70,855

26. TRADE, BILLS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**116,521**	118,857
Bills receivables	**11,597**	16,272
	128,118	135,129
Value-added tax recoverable	**3,638**	1,869
Other receivables	**14,215**	7,907
Prepayments	**2,330**	2,021
Land use rights	**444**	304
	148,745	147,230

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 15 to 120 days.

The aging analysis of trade and bills receivables, based on the invoice date is as follows:

Age

	2016 HK$'000	2015 HK$'000
0 to 30 days	**62,940**	66,649
31 to 60 days	**34,657**	35,773
61 to 90 days	**17,539**	22,112
91 to 180 days	**9,376**	9,383
181 to 365 days	**3,461**	955
Over 1 year	**145**	257
	128,118	135,129

26. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

As of 30 September 2016, trade receivable of HK$21,811,000 (2015: HK$3,469,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The aging analysis of these trade receivables is as follows:

Age

	2016 HK$'000	2015 HK$'000
0 to 30 days	**14,690**	1,163
31 to 60 days	**1,062**	438
61 to 90 days	**2,005**	1,214
91 to 180 days	**3,753**	384
181 to 365 days	**156**	270
Over 1 year	**145**	–
	21,811	3,469

The carrying amounts of the Groups trade and bills receivables are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
USD	**60,036**	61,047
RMB	**40,436**	51,789
TWD	**1,252**	2,658
IDR	**15,633**	7,789
VND	**653**	234
HK$	**10,108**	11,612
Total	**128,118**	135,129

27. RESTRICTED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's restricted bank deposits represented deposits pledged to banks to secure certain bills payables, bank overdrafts and bank loans.

The carrying amounts of the Group's pledged bank deposits and bank and cash balances are denominated in the following currencies:

	2016	2015
	HK$'000	HK$'000
HK$	**62,449**	76,502
USD	**54,463**	24,759
RMB	**5,418**	9,194
VND	**2,332**	947
Macau Palaca	**1,302**	1,575
IDR	**663**	3,332
Bangladeshi Taka	**393**	18
TWD	**49**	–
	127,069	116,327

As at 30 September 2016, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to HK$5,418,000 (2015: HK$9,194,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to an agreement dated 30 September 2015 entered into between a subsidiary of the Company, Zhong Bu (Centresin) Adhesive & Chemical Co., Ltd. ("Zhong Bu (Centresin)") and an independent third party (the "Purchaser"), Zhong Bu (Centresin) disposed of 100% interest in two wholly-owned subsidiaries, You Cheng Development Limited ("You Cheng") and 中部樹脂(廣州)有限公司 (Zhong Bu Centresin (Guangzhou) Company Limited) ("Zhong Bu Centresin (Guangzhou)") for a total cash consideration of RMB20,800,000 resulting in a gain on disposal of subsidiaries of HK$6,766,000.

You Cheng was an investment holding company and Zhong Bu Centresin (Guangzhou) was a factory construction in progress. The disposal was completed on 20 October 2015. As at 30 September 2015, the relevant assets and liabilities of You Cheng and Zhong Bu Centresin (Guangzhou) are classified to assets classified as held for sale and liabilities associated with assets classified as held for sale respectively in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations". Details of the relevant assets and liabilities of You Cheng and Zhong Bu Centresin (Guangzhou) as at 30 September 2015 are as follow:

	HK$'000
Property, plant and equipment (note 19)	5,051
Land use right (note 20)	15,172
Other receivables	123
Bank and cash balances	386
Total assets classified as held for sale	20,732

29. TRADE, BILLS AND OTHER PAYABLES

	2016 **HK$'000**	2015 HK$'000
Trade payables	**25,284**	32,559
Bills payables – secured	**1,653**	294
	26,937	32,853
Customers' deposits received	**1,141**	1,246
Accruals	**23,888**	23,265
Others	**474**	2,963
	52,440	60,327

29. TRADE, BILLS AND OTHER PAYABLES *(Continued)*

The Group normally receives credit terms of 30 to 60 days from its suppliers. The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

Age

	2016	2015
	HK$'000	HK$'000
0 to 30 days	**24,901**	26,185
31 to 60 days	**1,830**	6,138
61 to 90 days	**66**	184
91 to 180 days	**101**	339
181 to 365 days	**23**	7
Over 1 year	**16**	–
	26,937	32,853

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2016	2015
	HK$'000	HK$'000
Euro	**17**	–
RMB	**17,194**	17,658
USD	**7,127**	11,407
IDR	**1,137**	1,511
VND	**832**	1,384
Japanese Yen	**195**	278
HK$	**435**	615
	26,937	32,853

30. AMOUNT DUE TO A RELATED COMPANY

The amount due to Easy Ray Holdings Limited, a company controlled by Mr. Ieong Un, a director of the Company, is unsecured, interest-free and repayable on demand.

31. BANK LOANS

The bank loans are repayable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**23,202**	14,812
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**21,711**	9,402
	44,913	24,214
Less: Amounts shown under current liabilities	**(44,913)**	(24,214)
	–	–

All bank loans are denominated in HK$.

The bank loans are arranged at variable interest rates at the best lending rate in Macau or the Hong Kong Interbank Borrowing Rate ("HIBOR"). At 30 September 2016, the average interest rate of the bank loans was 3.61% (2015: 3.59%) per annum.

Bank loans of the Group are secured by a charge over the Group's investment properties (note 18), certain land and buildings (note 19) and pledged bank deposits (note 27), and corporate guarantee provided by the Company.

32. DEFERRED TAX

The following is the deferred tax liabilities recognised by the Group:

	Withholding tax on undistributed earnings HK$'000	Revaluation surplus of investment properties HK$'000	Total HK$'000
At 1 October 2015	3,764	9,081	12,845
Currency realignment	(165)	–	(165)
Charge to profit or loss for the year (note 12)	(37)	113	76
At 30 September 2016	3,562	9,194	12,756

	Withholding tax on undistributed earnings HK$'000	Revaluation surplus of investment properties HK$'000	Total HK$'000
At 1 October 2014	3,197	8,130	11,327
Currency realignment	(126)	–	(126)
Charge to profit or loss for the year (note 12)	693	951	1,644
At 30 September 2015	3,764	9,081	12,845

At the end of the reporting period the Group has unused tax losses of HK$6,833,000 (2015: HK$5,433,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$1,400,000 (2015: Nil) that will expire in 2021. Other tax losses may be carried forward indefinitely.

33. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 October 2014, 30 September 2015, 1 October 2015 and 30 September 2016		5,000,000,000	50,000
Issued and fully paid:			
At 1 October 2014		595,923,076	5,959
Issue of shares by subscription	(a)	50,000,000	500
Issue of shares upon exercise of share options	36	448,000	4
Repurchase of shares and cancelled	(b)	(3,740,000)	(37)
At 30 September 2015 and 1 October 2015		642,631,076	6,426
Issue of shares upon exercise of share options	36	1,948,000	19
Repurchase of shares and cancelled	(c)	(12,860,000)	(128)
At 30 September 2016		631,719,076	6,317

Notes:

(a) On 7 May 2015, 50,000,000 ordinary shares of HK$1.6 each were issued and allotted to a subscriber upon the completion of subscription of new shares. All these shares rank pari passu with the existing shares in all respects.

(b) During the year ended 30 September 2015, the Company repurchased a total of 4,740,000 ordinary shares of the Company on the Stock Exchange of which 3,740,000 shares were cancelled during the year ended 30 September 2015.

(c) During the year ended 30 September 2016, the Company repurchased a total of 11,860,000 ordinary shares of the Company on the Stock Exchange and cancelled 12,860,000 ordinary shares, of which 1,000,000 ordinary shares were related to the repurchase of ordinary shares during the year ended 30 September 2015.

33. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

Particulars of the shares repurchased during the year are as follows:

2016	No. of ordinary shares (thousand shares)	Price per share Highest HK$	Lowest HK$	Aggregate consideration and other costs paid HK$'000
October 2015	**4,208**	**1.45**	**1.38**	**5,962**
November 2015	**7,652**	**1.40**	**1.30**	**10,269**
2015				
August 2015	4,740	1.10	0.57	3,699

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises borrowings (except for bank overdrafts). Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves).

33. SHARE CAPITAL *(Continued)*

During 2015, the Group's strategy, which was unchanged from 2015, was to maintain the debt-to-adjusted capital ratio as low as feasible in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratios at 30 September 2016 and at 30 September 2015 were as follows:

	2016 HK$'000	2015 HK$'000
Total debt	**44,913**	24,214
Less: cash and cash equivalents	**(127,069)**	(116,327)
Net debt	**(82,156)**	(92,113)
Total equity	**(428,444)**	(428,190)
Debt-to-adjusted capital ratio	**19%**	22%

The decrease in the debt-to-adjusted capital ratio during 2016 resulted primarily from decrease of net debt and increase of total equity.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 30 September 2016 and 2015.

34. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	As at 30 September 2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**119,019**	119,019
Current assets			
Due from subsidiaries		**141,738**	115,313
Trade and other receivables		**178**	633
Bank and cash balances		**1,029**	41,390
Total current assets		**142,945**	157,336
Current liabilities			
Trade and other payables		**(2,199)**	(3,230)
Current portion of secured long-term bank loans		**(23,516)**	–
Total current liabilities		**(25,715)**	(3,230)
Net current assets		**117,230**	154,106
Net assets		**236,249**	273,125
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**6,317**	6,426
Other reserves	34(b)	**229,932**	266,699
Total equity		**236,249**	273,125

Approved by the Board of Directors on 30 December 2016 and are signed on its behalf by:

TONG YIU ON	**IP KA LUN**
EXECUTIVE DIRECTOR	*EXECUTIVE DIRECTOR*

34. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share capital HK$'000	Share premium HK$'000	Treasury shares HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000 (Note 35(b)(ii))	Retained profits HK$'000	Total HK$'000
At 1 October 2014	5,959	120,884	–	–	89,478	541	942	217,804
Total comprehensive income for the year	–	–	–	–	–	–	(11,103)	(11,103)
Transfer	–	–	–	–	(21,234)	–	21,234	–
Dividends paid	–	–	–	–	–	–	(10,131)	(10,131)
Issue of shares by subscription	500	76,613	–	–	–	–	–	77,113
Repurchase of shares	–	–	(3,699)	–	–	–	–	(3,699)
Cancellation of shares	(37)	(2,926)	2,926	37	–	–	–	–
Issue of shares upon exercise of share options	4	530	–	–	–	(149)	–	385
Share-based payments	–	–	–	–	–	2,756	–	2,756
Change in equity for the year	467	74,217	(773)	37	(21,234)	2,607	–	55,321
At 30 September 2015	6,426	195,101	(773)	37	68,244	3,148	942	273,125
At 1 October 2015	6,426	195,101	(773)	37	68,244	3,148	942	273,125
Total comprehensive income for the year	–	–	–	–	–	–	(8,001)	(8,001)
Transfer	–	–	–	–	(23,162)	–	23,162	–
Dividends paid	–	–	–	–	–	–	(15,161)	(15,161)
Repurchase of shares	–	–	(16,231)	–	–	–	–	(16,231)
Cancellation of shares	(128)	(17,004)	17,004	128	–	–	–	–
Issue of shares upon exercise of share options	19	2,278	–	–	–	(544)	–	1,753
Share based payments	–	–	–	–	–	764	–	764
Changes in equity for the year	(109)	(14,726)	773	128	(23,162)	220	–	(36,876)
At 30 September 2016	6,317	180,375	–	165	45,082	3,368	942	236,249

35. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Special reserve

The special reserve represents the aggregate of:

— the differences between the nominal amount of the shares issued by the Company and the Group's former holding company and the aggregate amount of paid-in capital of the subsidiaries acquired pursuant to the group reorganisation in June 2009 and March 2010 in preparation for the listing of the Company's shares in 2010; and

— the difference between the consideration paid by Keen Castle Limited, a wholly-owned subsidiary of the Company, for the acquisition of the entire equity interest in Rank Best Investment Limited and its subsidiaries ("the Rank Best Group") under common control and the aggregate carrying amount of assets and liabilities acquired in the Rank Best Group in March 2013.

(ii) Share-based payments reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 5(u) to the consolidated financial statements.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 5(c) to the consolidated financial statements.

35. RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(iv) Legal reserve

In accordance with the provisions of the Macau Commercial Code issued by the government of Macau Special Administrative Region, the People's Republic of China ("Macau"), the Macau subsidiaries of the Company are required to transfer from their annual net profit at a minimum rate of 25% to a legal reserve before the appropriation of profits to dividend until the legal reserve reaches 50% of the respective subsidiaries' registered capital. The legal reserve is not distributable to shareholders.

(v) Statutory surplus reserve fund

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the Company's subsidiaries in the PRC are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries in accordance with relevant laws and regulations applicable to PRC enterprises. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

36. SHARE-BASED PAYMENTS

Equity-settled share option scheme

Pursuant to a resolution passed on 22 July 2010, the Company adopted a share option scheme (the "Option Scheme"), which will expire on 21 July 2020, for the purpose of providing incentives or reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest. Under the Option Scheme, the directors of the Company may grant options to any employees (including any executive directors), non-executive directors, suppliers of goods or services and customers of the Group; and consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group.

Options granted must be accepted by an eligible person within 21 business days from the date of grant, provided that such date shall not be more than 10 years after the date of adoption of the Option Scheme. A consideration of HK$1 is payable on acceptance. An option may be exercised in whole or in part by the grantee (or his legal personal representatives) at any time before the expiry of the period to be determined and notified by the Board of Directors to the grantee which in any event shall not be longer than 10 years commencing on the date of the offer letter and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Option Scheme. The exercise price is determined by the directors of the Company, and will be at least the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant. The maximum number of shares in respect of which options may be granted under the Option Scheme may not exceed in nominal amount of 10% of issued share capital of the Company at any point of time without prior approval from the Company's shareholders. Besides, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point of time.

36. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK$
2014				
— Tranche 1	30 May 2014	30 May 2014 to 31 December 2014	1 January 2015 to 31 December 2018	0.900
— Tranche 2	30 May 2014	30 May 2014 to 31 December 2015	1 January 2016 to 31 December 2018	0.900
— Tranche 3	30 May 2014	30 May 2014 to 31 December 2016	1 January 2017 to 31 December 2018	0.900
— Tranche 4	30 May 2014	30 May 2014 to 31 December 2017	1 January 2018 to 31 December 2018	0.900
2015	16 June 2015	Nil	16 June 2015 to 15 June 2017	1.788
2016	7 June 2016	Nil	7 June 2016 to 6 December 2017	1.300

36. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the movement of share options during the year are as follows:

	2016		2015	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	9,696,000	1.36	5,480,000	0.90
Granted during the year	6,000,000	1.30	5,000,000	1.788
Lapsed during the year	(280,000)	0.90	(336,000)	0.90
Exercised during the year	(1,948,000)	0.90	(448,000)	0.90
Outstanding at the end of the year	13,468,000	1.41	9,696,000	1.36
Exercisable at the end of the year	11,788,000	1.48	5,936,000	1.65

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.14. The options outstanding at the end of the year have a weighted average remaining contractual life of 1.2 years (2015: 2.5 years) and the exercise prices range from HK$0.9 to HK$1.788 (2015: HK$0.9 to HK$1.788). In 2016, options were granted on 7 June 2016. The estimated fair value of the options on this date is HK$2,144,000. In 2015, options were granted on 16 June 2015. The estimated fair values of the options granted on that date is HK$1,890,000.

36. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

These fair values were calculated using the Monte Carlo method. The inputs into the model are as follows:

	2016	2015
Spot price	**HK$1.140**	HK$1.690
Exercise price	**HK$1.300**	HK$1.788
Risk-free rate	**0.6061%**	0.45%
Expected option life	**1.4986 years**	2 years
Expected dividend yield	**1.7778%**	2.5%
Expected volatility	**81.347%**	49%

Expected volatility was determined by calculating the historical volatility of the Company's share price at the grant date. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

The total expenses recognized for the year ended 30 September 2016 arising from the share options granted was HK$764,000 (2015: HK$2,756,000).

37. CONTINGENT LIABILITIES

As at 30 September 2016, the Group and the Company did not have any significant contingent liabilities (2015: Nil).

38. LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**3,219**	2,142
In the second to fifth year inclusive	**3,020**	325
After five years	**53**	–
	6,292	2,467

Commitment for operating lease rentals for rented premises in the above included commitment with Mr. Ieong Un, a director of the Company as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**1,440**	649
In the second to fifth year inclusive	**1,254**	–
	2,694	649

Operating lease payments represent rental payable by the Group for certain of its offices and factories. Leases are negotiated for terms ranging from 1 to 6 years (2015: 1 to 6 years) and rentals are fixed over the lease terms and do not include contingent rentals.

38. LEASE COMMITMENTS *(Continued)*

The Group as lessor

At 30 September 2016 the total further minimum lease payments under non-cancellable operating leases are receivable as follows:

	Rented premises and leasehold land	
	2016	2015
	HK$'000	HK$'000
Within one year	**1,760**	619
In the second to fifth year inclusive	**924**	34
	2,684	653

39. CAPITAL COMMITMENTS

	2016	2015
	HK$'000	HK$'000
Capital commitments contracted for at the end of the reporting period but not yet incurred in respect of the acquisition of property, plant and equipment	**24,904**	20,972

40. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following significant transactions with its related parties during the year:

	2016	2015
	HK$'000	HK$'000
Property rental expenses paid to a director	**1,451**	1,556
Property rental income received from a related company	**35**	46

A director, Mr. Ieong Un, has significant influence over the related company.

The details of remuneration of key management personnel of the Group include the directors whose emoluments during the year are set out in note 15(a).

Financial Summary

	Year ended 30 September				
	2012	2013	2014	2015	**2016**
	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	402,925	452,395	499,148	543,632	**496,219**
Profit before taxation	26,890	39,975	52,806	53,881	**35,561**
Share of (loss)/profit of an associate	–	–	(64)	3,843	**5,183**
Taxation	(2,409)	(5,867)	(13,209)	(8,541)	**(3,585)**
Profit for the year	24,481	34,108	39,533	49,183	**37,159**

	Year ended 30 September				
	2012	2013	2014	2015	**2016**
	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	316,845	381,307	446,994	536,699	**552,958**
Total liabilities	(109,361)	(110,053)	(123,724)	(108,509)	**(124,514)**
Net assets	207,484	271,254	323,270	428,190	**428,444**

The results and summary of assets and liabilities for 30 September 2012 have been restated as a result of the adoption of HKAS 12 (Amendment) in 2013.

The results and summary of assets and liabilities for the year ended 30 September 2012 have been further restated as result of the adoption of Merger Accounting to reflect the acquisition of subsidiaries under common control which took place in 2013. There is no impact on the financial results of prior years.