United Pacific Industries

聯 太 工 業

Stock Code: 176

Annual Report 2015

CONTENTS

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of United Pacific Industries Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the fifteen months ended 31 December 2015 (the "Reporting Period").

The Reporting Period was one of many challenges and opportunities. For the electronics sector, consumers have become increasingly used to expecting more from consumer electronic products, from functionality to user experience. Demand shifts quickly, and much shortened product life cycles and fierce competition all have a profound impact on the course of the electronics industry. As production costs continue to surge, industry participants are facing further operational pressure from squeezed profit margins.

We remain undeterred in facing these challenges, as we seek to excel over our competition through strategic planning and efficient execution.

The Group will stay committed to building further on its existing businesses. For the consumer electronics segment, we do not expect to see high growth in market demand, and keen competition and a weak macroeconomic environment will remain a reality. Our goal is to seek penetration into strategic markets and the development of new product lines.

The Group recorded a significant decline in turnover mainly attributable to a sharp sales drop for our core baby monitor product category, incurring a loss for the Reporting Period. In response, the Group is actively seeking to diversify its product portfolio. We will work hard to bring on board a wider range of higher value-added products on the foundation of a continually enhanced competitive edge. We will also continue to leverage our solid manufacturing expertise to better serve the increasingly demanding requirements of our customers.

Acknowledging the challenges ahead for the consumer electronics sector, the Group is looking at various investment opportunities in a bid to further diversify its business scope and risks. Guided by the philosophy of value investing, we will continue to identify suitable investment targets based on an evaluation of their fundamentals, market positioning and future growth potential. We will at the same time maintain strict compliance with our risk management principles to safeguard shareholders' interests.

Cost control, operational efficiency and quality assurance are of prime importance to the Group as it moves ahead with its business development plans. With strengthened management of its operations, the Group is proceeding steadily towards its long-term business goals.

The year ahead will pose continuing challenges arising from global economic uncertainties, but we are committed to taking the steps necessary to deliver value for shareholders.

I am grateful for the concerted efforts of the management and staff to help the Group navigate through a formidable business environment in 2015. I am optimistic about the Group's future development and performance. May I take the opportunity to thank the Board and all the Group's employees for their hard work throughout the Reporting Period and for their continuing support and dedication.

Dato' Choo Chuo Siong
Chairman
Hong Kong, 23 March 2016

THE BOARD ROOM

As at the date of this Annual Report, the biographical details of directors of the Company are as follows:-

EXECUTIVE DIRECTOR

Kelly Lee

Ms. Lee, aged 30, was appointed as a Non-executive Director in May 2013, re-designated as an Executive Director in June 2013, appointed as Chief Executive Officer of the Company in October 2014, and appointed as Deputy Chairman in December 2014. She has experience in finance, accounting and private equity investments, including valuation and financial analysis, and financial due diligence of target companies as well as advising multinational clients on tax related matters including transfer pricing and inter-company pricing policies. Ms. Lee graduated from the Columbia Business School, USA, with an MBA degree in 2012, and obtained a Bachelor degree in Economics from the Franklin & Marshall College, USA, in 2007.

NON-EXECUTIVE DIRECTORS

Dato' Choo Chuo Siong

Dato' Choo, aged 51, was appointed as a Non-executive Director and Chairman of the Board of the Company in September 2014. He is currently the managing director of Xiao En Group where he supervises, moderates and is the chief decision maker in the daily operations including corporate master planning. Xiao En Group is involved in memorial parks, memorial centre and bereavement care services in Malaysia. He is an advisor at the Centre of History & Contemporary Research on China-ASEAN. He has also completed several housing developments in the east coast of Peninsula Malaysia including office buildings, housing development and apartment projects in the Klang Valley and the Nilai Memorial Park in Negeri Sembilan under the Xiao En Group. He has been an independent non-executive director of Pavilion REIT Management Sdn Bhd, the manager of Pavilion Real Estate Investment Fund, a company listed on the Main Board of Bursa Malaysia Securities Berhad (stock code: 5212) since June 2012. He also holds directorships in Nilai Memorial Park (NS) Bhd and Memorial Venture Berhad. Dato' Choo graduated with a Bachelor of Science in Economics (Honours) from London School of Economics, United Kingdom.

Sun Jih-Hui

Mr. Sun, aged 44, was appointed as a Non-executive Director of the Company in August 2014. Mr. Sun has experience in the funeral service industry in Taiwan for 20 years. He served as the director and executive director of Cheng Ta Business Administration, Republic of China between 2008 and 2013 and has been the deputy managing director of such association since January 2014. He has also been the consultant of Junior Chamber International Taiwan since January 2014. He obtained an associate's degree in Administration from National Taipei College of Business (currently known as National Taipei University of Business). Mr. Sun is the beneficial owner of the entire issued share capital of Kingage International Limited and is deemed to be interested in 163,336,303 shares for the purpose of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Ho Ching

Dr. Wong, aged 68, has been an Independent Non-executive Director of the Company since March 1994. Dr. Wong serves as Chairman of the Nominating and Corporate Governance Committee, a member of the Audit Committee and since June 2010, a member of the Remuneration Committee. He specialises in industrial engineering, technology transfer and corporate management. Dr. Wong was appointed as an independent non-executive director of Modern Dental Group Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 3600) on 24 November 2015. His previous roles include council member of the City University of Hong Kong and the Chinese Mechanical Engineering Society in China. Additionally, Dr. Wong has been a consultant to the United Nations Educational, Scientific and Cultural Organisation and received a Fellow Award from the US Institute of Industrial Engineers for his professional leadership and outstanding contribution to industrial engineering. He had also been a member of the first Hong Kong Special Administrative Region Selection Committee and a member of the first and second Hong Kong Special Administrative Region Election Committee. Dr. Wong holds a PhD in Management Engineering from Xian Jiao Tung University.

Lan Yen-Po

Mr. Lan, aged 32, was appointed as an Independent Non-executive Director of the Company in May 2013. Mr. Lan was appointed as a member of the Nominating and Corporate Governance Committee in May 2014, and a member of Audit Committee and the Remuneration Committee of the Company in September 2014. Mr. Lan has experience in private equity investments in biotechnology and medical equipment businesses. Mr. Lan is qualified to practise medicine in Taiwan in 2009 and is currently an obstetric and gynecology doctor at the Taipei Medical University Hospital. Mr. Lan is also qualified to practise law in Taiwan and is an attorney in Taiwan. In addition, he is a counsel to a private equity investment company in Taiwan. He obtained his Medical Doctorate degree from the National Taiwan University School of Medicine in 2009.

Hu Gin Ing

Ms. Hu, aged 57, was appointed as an Independent Non-executive Director, Chairman of the Audit Committee and a member of the Nominating and Corporate Governance Committee of the Company since November 2013. Ms. Hu was appointed as a member of the Remuneration Committee in May 2014 and re-designated as Chairman in September 2014. Ms. Hu has experience in media, television network and private equity investments. Ms. Hu has been a director/partner of NHL CPA Limited, Hong Kong, since January 2005. She currently holds the position as Global CFO of Acer Inc., a company listed on the Taiwan Stock Exchange Corporation (stock code: 2353). Ms. Hu has been an independent non-executive director of Carnival Group International Holdings Limited (stock code: 996), LVGEM (China) Real Estate Investment Company Limited (stock code: 95) and Enterprise Development Holdings Limited (stock code: 1808), all of which are listed on The Stock Exchange of Hong Kong Limited. Ms. Hu has ceased to be an independent director of Arich Enterprise Co., Ltd., a company listed on the Taiwan Stock Exchange Corporation (stock code: 4173) upon the expiration of her term of appointment on 18 June 2015.

Ms. Hu obtained an MBA degree from Florida International University, the USA, a Master of Science degree from Barry University, the USA, and a Bachelor degree in Foreign Language from the National Taiwan University. Ms. Hu is a Certified Public Accountant, a member of the Hong Kong Institute of Certified Public Accountants as well as a member of the American Institute of Certified Public Accountants and has over 21 years of experience in accounting and finance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Key Performance Indicators

	Fifteen months ended 31 December 2015	Year ended 30 September 2014
Revenue (HK$'000)	**167,625**	286,249
Gross profit (HK$'000)	**12,158**	41,463
Gross profit margin (%)	**7.3%**	14.5%
Selling and distribution costs (HK$'000)	**4,694**	12,106
Administrative costs (HK$'000)	**40,099**	37,754
(Loss)/profit after tax from continuing operations (HK$'000)	**(8,926)**	49,911

The Board announced on 5 November 2015 that the financial year end date of the Group had been changed from 30 September to 31 December.

The above change was to align with the financial year end date of the Company's principal operating subsidiary which is incorporated in the People's Republic of China (the "PRC") and whose accounts are statutorily required to be closed at the financial year end date of 31 December. The Board considers that this change will facilitate the Company to prepare and update its financial statements for the preparation of its consolidated financial statements.

On account of this change of its financial year end date, the Company hereby announces its annual results for the fifteen months ended 31 December 2015 (the "Reporting Period"). The Group recorded a 41.4% decline in revenue from continuing operations to HK$167.6 million (year ended 30 September 2014: HK$286.2 million) during the Reporting Period. The significant decline in turnover and the loss incurred were mainly attributable to reduced sales to a key customer. For the Reporting Period, the Group posted a loss of HK$8.9 million as compared to a profit from continuing operations of HK$49.9 million for the year ended 30 September 2014.

The loss reflected reduced economies of scale, coupled with increased wage rates in the PRC. The cost of materials remained relatively steady and a weakening of the Renminbi against the US dollars since August 2015 provided a slightly positive effect on costs. However, despite this mild favourable effect and the Group's stringent cost controls, the gross profit margin dropped significantly to 7.3% as compared with 14.5% in 2014.

Administrative costs remained steady and recorded HK$40.1 million for the Reporting Period (year ended 30 September 2014: HK$37.8 million).

BUSINESS REVIEW

With weakened global market conditions weighing heavily on the global consumer electronics industry, the Group was operating against intense price competition and slowed consumer demand during the Reporting Period.

While the Group continued to meet the challenges of its manufacturing business, it has sought to diversify its business scope in view of the difficult manufacturing environment. As part of its diversification strategy, the Group has acquired an interest in an after-life services business. In consideration of the global economic uncertainty, the Group has constantly been assessing its existing portfolio with regard to the respective businesses' resilience to adverse operating conditions and their ongoing growth potential. The goal remains to strengthen the overall business momentum of the Group, and to improve its profit margin and cash flows.

Consumer Electronics Division (the "Division")

Sales revenues for the Reporting Period decreased by 41.4% to HK$167.6 million (year ended 30 September 2014: HK$286.2 million). The drop in sales revenues was mainly the result of reduced business with a major customer, caused by its shift to a more price-sensitive OEM business mode.

During the Reporting Period, baby monitors continued to be the Division's principal product, with the US remaining the major market. In order to reduce its product and market concentration, the Division has rolled out active business development initiatives to seek to achieve a more balanced business mix. As such, the Division has developed a pet training product series which generated sales revenue of HK$18 million during the Reporting Period. The Division has further developed the animal repeller product series, but management believes that more time and efforts are required to build a stronger customer base in this new arena.

The Division maintained a solid foothold in the developed markets. The US continued to be one of the largest markets for consumer electronics, and hence strong reliance on this market remained. During the Reporting Period, the US market generated 61.1% of total sales, while the UK contributed 19.1%.

Material costs and overhead expenditures decreased largely in line with the reduction in turnover. The Division continued to exercise strict cost control measures in order to limit its exposure to adverse external factors.

The average Renminbi exchange rate have remained steady for the previous several years. Depreciation in the currency since mid-August has brought a slightly positive effect to the Group, as its income was mostly denominated in US dollars while major expenditures were in Renminbi.

In view of the uncertainty in the US and other export markets, as well as the keen pricing competition within the consumer electronics industry, the Division has sought to diversify its existing product range to categories that are less vulnerable to market fluctuations. The Division has also made progress in further controlling its costs and achieving a lean operating structure.

Business Developments

The Group holds a 27.9% interest in Yuji Development Corporation ("Yuji"), an after-life services company based in Taiwan. Yuji currently has three columbarium towers and one outdoor cemetery in operation. Its revenue was mainly contributed by the sale of columbarium units and cemetery plots. During the Reporting Period, Yuji contributed a profit of HK$24.6 million (year ended 30 September 2014: HK$9.6 million) to the Group.

This acquisition represents an effective business strategy for the Group to expand its current portfolio, in order to achieve a better balanced earnings and geographical mix. The Group is actively seeking other viable investment opportunities from time to time, with an aim of maximising shareholder return.

OUTLOOK

While market growth is expected to be moderate at best, most categories in consumer electronics remained dominated by large manufacturers during 2015. These manufacturers generally benefit from strong brand recognition among the consumer base, many years of experience, and well-established distribution networks. In response to this market dominance, the Group will strive to extend existing product lines, and cautiously develop new products.

The Group does not expect to see a substantial growth in market demand in the near term. Nevertheless, management believes the growing convergence of information, innovation and technology will help the consumer electronics industry to get back on track.

The trend towards e-commerce continued to show growth in 2015 despite the economic uncertainty in general. It is one of the largest sales channels for most industries including consumer electronics. The Group seeks to redefine and reposition its business development, while focusing on managing its existing product portfolio and improving geographical penetration.

Driven by consumer behaviours, technological developments, newer products and gradually improving economic conditions, the consumer electronics industry looks forward to brighter prospects in the long term. The Group is actively seeking new business opportunities while expanding the market penetration of its existing products.

Given the high degree of competition and the possibility of an industry consolidation, the era of high growth for the consumer electronics sector is not sustainable. At the same time economic growth rates will likely be moderate and divergent across markets. In response to the macro environment and leveraging on its experience in manufacturing, the Group will actively adjust its business strategy to meet the evolving challenges.

Looking ahead, the Group will seek other product and customer diversification opportunities in order to expand its sources of income. The Group will also constantly look for new business opportunities that position well into its risk management principles. We will continue to explore attractive investments to diversify and broaden the business horizons to enhance the shareholders' value.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group adopted a prudent funding and treasury policy with regard to its overall business operation. As at 31 December 2015, the Group had cash and cash equivalents of HK$306.7 million (30 September 2014: HK$287.2 million). Total net cash (i.e. cash and bank balances less other debt) amounted to HK$306.7 million (30 September 2014: HK$208.1 million). Most of the bank balances were in Hong Kong dollars. With the cash and bank balances available, the Group has sufficient financial resources to finance its operations and to meet the financial obligations of its business. As at 31 December 2015 and 30 September 2014, the Group had no bank borrowings which resulted in zero gearing ratio.

As at 31 December 2015, the Group had a net asset value of HK$464.0 million (30 September 2014: HK$402.3 million), with a liquidity ratio (ratio of current assets to current liabilities) of 793.5% (30 September 2014: 494.7%).

On 30 September 2015, 163,336,303 shares were issued as the convertible bonds with face value of HK$77,000,000 were fully converted into shares of HK$0.10 each at the conversion price of HK$0.47142.

USE OF NET PROCEEDS FROM CONVERTIBLE BONDS

The net proceeds of HK$75,888,000 from the issue of convertible bonds were intended to be used to strengthen the financial position of the Company and for future investment opportunities, as well as to provide general working capital for the Group. Up to end of the Reporting Period, approximately HK$20,012,000 out of the net proceeds were applied as general working capital and the remaining proceeds of approximately HK$55,876,000 were placed in deposits with banks in Hong Kong and are intended to be utilised as originally planned.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

At 31 December 2015, there were no charges on the Group’s assets and the Group did not have any contingent liabilities (30 September 2014: Nil).

FOREIGN EXCHANGE EXPOSURE

Most of the Group’s assets and liabilities are denominated in Hong Kong dollars, US dollars, Renminbi and New Taiwan dollars (“TWD”). Considering that the exchange rates between these currencies are relatively stable, the Group took the view that the corresponding exposure to Renminbi and TWD exchange rate fluctuation was insignificant.

The Group does not use any derivative financial instruments or hedging instruments. The Group will constantly review the economic situation and its foreign currency risk profile, and actively monitor foreign exchange exposure to minimise the impact of any adverse currency movement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed approximately 360 employees (30 September 2014: 500 employees).

The remuneration of employees is determined by overall guidelines within the relevant industries. The Group has also adopted certain bonus programmes, medical insurance and other welfare and benefit programmes for its various categories of employees. The remuneration policy of the Group is reviewed regularly and is in line with the performance and qualifications of individual employees and prevailing market conditions.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high standard of corporate governance practices in order to enhance corporate performance and accountability. Continuous efforts are made to review and enhance the Group's procedures in light of changes in regulations and developments in best practices.

CORPORATE GOVERNANCE CODE

The Company has adopted all the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Throughout the period, the Company complied with all applicable code provisions of the CG Code.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company (the "Board") comprises six Directors, with one Executive Director, two Non-executive Directors and three Independent Non-executive Directors.

With effect from 1 October 2014, Mr. Henry Woon-Hoe Lim resigned as an Executive Director and Chief Executive Officer of the Company. Ms. Kelly Lee was appointed as Chief Executive Officer of the Company on the same date.

With effect from 8 December 2014, Mr. Anthony Lee resigned as a Non-executive Director of the Company. Ms. Kelly Lee was appointed as a Deputy Chairman of the Company on the same date.

All Non-executive Directors have entered into letters of appointment with the Company for a term of two years. Their terms of appointment shall be subject to retirement from office by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company. There is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined. The Chairman provides leadership and strategic direction for the Board and is also responsible for chairing meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

Appropriate directors' and officers' liability insurance had been arranged for all the Directors and Officers of the Company.

Each newly appointed director receives comprehensive, formal and tailored induction on his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Directors are also regularly updated on the Group's business and accounting reporting standard in the board meetings. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of the training they received for the fifteen months ended 31 December 2015 to the Company.

During the period, the Company Secretary, who is the employee of the Company, has taken no less than 15 hours of relevant professional training requirement.

The Board has a balance of skills and experience appropriate to meet the requirements of the businesses of the Group. All Directors had separate and independent access to the advice and services of the senior management, the Chief Financial Officer and the Company Secretary, with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

During the period ended 31 December 2015, the Board met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing more than one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company had received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers them to be independent.

The Board meets regularly and Board meetings are held at least four times a year, and at other times as necessary. Where appropriate, decisions are also taken by way of circulated resolutions. The Board monitors and reviews, among others, the performance of the Group companies, including operations, finance, internal controls and strategic issues. The principal functions of the Board are to:

- play a key role in the implementation and monitoring of internal controls, financial reporting and risk management;
- assume responsibility for corporate governance and compliance with applicable laws and regulations; and
- approve the Group's strategies, directions and financial objectives.

The overall management of the Company's business is vested in the Board. The Board reserves for its decision all major matters of the Company and it has delegated the day-to-day management, administration and operations of the Company to the Chief Executive Officer and senior management executives. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board for all material transactions entered into by senior management and other executives.

The Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

For all of the Board meetings, proper and reasonable notices, adequate and appropriate information in the form of agenda, board papers and minutes of the meetings are prepared and circulated to all the Directors in a reasonable time.

The attendance records of all the Directors for Board and Committee meetings for the fifteen months ended 31 December 2015 are set out below:

	No. of meetings attended/No. of meetings held				
Directors	**Full Board**	**Audit Committee**	**NCG Committee**	**Remuneration Committee**	**AGM**
Executive Directors:					
Ms. Kelly Lee	7/7	N/A	N/A	N/A	1/1
Mr. Henry Woon-Hoe Lim (resigned on 1 October 2014)	N/A	N/A	N/A	N/A	N/A
Non-executive Directors:					
Dato' Choo Chuo Siong	6/7	N/A	N/A	N/A	1/1
Mr. Sun Jih-Hui	7/7	N/A	N/A	N/A	1/1
Mr. Anthony Lee (resigned on 8 December 2014)	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors:					
Dr. Wong Ho Ching	6/7	5/5	2/2	3/3	1/1
Mr. Lan Yen-Po	5/7	4/5	2/2	3/3	1/1
Ms. Hu Gin Ing	6/7	5/5	2/2	2/3	1/1
Number of meetings held during the fifteen months from 1 October 2014 to 31 December 2015	**7**	**5**	**2**	**3**	**1**

AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its oversight responsibilities as to the Company's financial statements, reporting, internal controls and audit findings, as well as the Company's process for monitoring compliance with certain laws and regulations.

The members of the Audit Committee are as follows: Ms. Hu Gin Ing (Chairman of the Audit Committee), Dr. Wong Ho Ching, and Mr. Lan Yen-Po, all of whom are Independent Non-executive Directors.

In view of the new requirements in respect of risk management and internal control systems of listed issuers under the revised CG Code which apply to accounting periods beginning on or after 1 January 2016, the terms of reference of the Audit Committee were revised in December 2015 to align with the revised CG Code. The Audit Committee will continue to oversee the Company's financial reporting system, risk management and internal control systems.

Work done during the period

- reviewed the annual report, the interim report and the second interim report in accordance with the accounting policies and practices, accounting standards, Listing Rules and legal requirements;
- reviewed the appointment of auditors for audit and non-audit related services and their fees;
- reviewed the audit plans and findings of auditors, internal controls and financial reporting matter;
- discussed the audit approach and significant audit and accounting issues with the auditors;
- reviewed the continuing connected transaction.

The Audit Committee met more than twice a year with the external auditors in the absence of the Executive Director during the period.

REMUNERATION COMMITTEE

The Remuneration Committee advises the Board on Group compensation policy and practice with a view that a meaningful portion of management's compensation should be contingent upon financial performance of the Group in order to foster the creation of long term shareholder value.

The Remuneration Committee adopted the model described in code provision B.1.2(c)(i) of the CG Code.

The members of the Remuneration Committee are as follows: Ms. Hu Gin Ing (Chairman of the Remuneration Committee), Dr. Wong Ho Ching and Mr. Lan Yen-Po, all of whom are Independent Non-executive Directors.

Work done during the period

- reviewed the remuneration policy for directors and management with reference to the Board's corporate goals and objectives;
- reviewed and determined packages of the directors and management with reference to their duties and responsibilities with the Company;
- ensured no director or any of his/her associate is involved in deciding his/her own remuneration.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE ("NCG COMMITTEE")

The NCG Committee oversees the composition of the Board to ensure that qualified individuals meeting the criteria of the provisions of the Listing Rules serve as members of the Board and its committees. The NCG Committee also has the responsibility to develop, recommend to the Board and oversee the implementation of corporate governance principles and policies relating to the operation of the Board and its committees and the Company as a whole.

Where vacancies on the Board exist or an additional Director is considered necessary, the NCG Committee will identify suitable candidates and propose the appointment of such candidates to the Board for consideration and the NCG Committee will take into account the qualification as required in the Listing Rules, ability, working experience, leadership and professional ethics, etc. of the candidates and approved if such appointment is considered suitable.

The members of the NCG Committee are as follows: Dr. Wong Ho Ching (Chairman of the NCG Committee), Ms. Hu Gin Ing and Mr. Lan Yen-Po, all of whom are Independent Non-executive Directors.

Work done during the period

- reviewed the structure, size and composition of the Board, and is of the view that there is an appropriate and diverse mix of skills and experience;
- assessed the independence of independent non-executive directors of the Company and confirmed that all independent non-executive directors are considered independent;
- reviewed the profile and performance of Directors who will stand for re-election at annual general meeting and confirmed that all those Directors are suitable to stand for re-election;
- developed and reviewed the Company's policies and practices on corporate governance;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed the Company's compliance with the code and disclosure in the Corporate Governance Report;
- adopted the revised CG Code as corporate governance practices.

The NCG Committee continued to monitor the board composition with regard to its diversity policy by reviewing its own size, structure and composition to ensure that the Board has a balance of ages, talents, expertise, skills, experience, culture, knowledge and gender appropriate to the requirements of the Company. The Company believes diversity is important to enhance the Board's effectiveness by encouraging a diversity of perspectives and to maintain high standards of corporate governance. The Company will continue to monitor and develop new objectives for implementing and achieving improved diversity on the Board as and when it considers appropriate with regard to the specific needs of the Company and the market from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct governing Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standards set out in the Model Code throughout the period.

INTERNAL CONTROLS

The Audit Committee assists the Board in meeting its overall responsibility for ensuring that a sound and effective system of internal controls is maintained within the Group, particularly in respect of the controls on financial, operational, compliance and risk management. The adequacy of resources, qualifications and experience of staff performing the accounting and financial reporting functions, their training programmes and budget are also the subject of review. Such a review was conducted for the fifteen months ended 31 December 2015. The internal control system is designed to ensure proper maintenance of accounting records and reliability of financial reporting, as well as compliance with relevant legislation and regulations; and aims to manage, instead of eliminate, risks of failure in achieving the Group's objectives to safeguard shareholders' investments and the Group's assets, in recognition that risk-taking is an inherent aspect of business operations.

During the period, the Board, through the Audit Committee, reviewed with the Chief Financial Officer the effectiveness of internal controls and key findings, and received confirmation from the Company Secretary on the Group's compliance with regulatory requirements. The Audit Committee communicates any material issues to the Board. These reviews and reports were taken into consideration by the Audit Committee in making its recommendation to the Board for approval of the audited consolidated financial statements of the Group for the period.

AUDITOR'S REMUNERATION

The Company's principal auditor is BDO Limited. The total remuneration paid and payable to BDO Limited and auditors of subsidiaries and associate in respect of audit services and non-audit services for the fifteen months ended 31 December 2015 amounted to approximately HK$1,442,000 and HK$119,000, respectively.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the financial statements for the fifteen months ended 31 December 2015. The auditor of the Company acknowledges its reporting responsibilities on the financial statements for the fifteen months ended 31 December 2015 as set out in the Independent Auditor's Report on pages 26 and 27.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

The Chairman of the Company, chairmen and members of audit, remuneration and nominating and corporate governance committees and representatives of BDO Limited, the external auditor of the Company, attended the annual general meeting held on 19 March 2015. All these persons were available to answer questions at the annual general meeting.

For both institutional and retail investors, the Company's website at www.upi.com.hk, as well as a third-party hosted website at www.irasia.com/listco/hk/upi, provide up-to-date information of the Group. All key information such as announcements, annual and interim reports and circulars can be downloaded from these websites.

SHAREHOLDERS' RIGHTS

(i) Procedures by which Shareholders can convene a Special General Meeting ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

The requisition must state the purpose of the meeting and must be signed by the requisitionists and deposited at the registered office of the Company with a copy to the Company's head office and principal place of business in Hong Kong at Unit 503C, 5/F Golden Centre, 188 Des Voeux Road Central, Hong Kong, for the attention of the Company Secretary.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

(ii) Procedures for putting forward proposals at General Meetings ("GM")

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having, at the date of the requisition, a right to vote at the GM, or who are no less than 100 shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited at the Company's head office and principal place of business in Hong Kong at Unit 503C, 5/F Golden Centre, 188 Des Voeux Road Central, Hong Kong, for the attention of the Company Secretary not less than six weeks before the GM in case of a requisition requiring notice of a resolution and not less than one week before the GM in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

(iii) Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the company's registrar. Shareholders and the investment community may at any time make a request for information on the Company to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's head office and principal place of business in Hong Kong at Unit 503C, 5/F Golden Centre, 188 Des Voeux Road Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the fifteen months ended 31 December 2015, there was no change in the Company's memorandum of association and Bye-Laws.

DIRECTORS' REPORT

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the fifteen months ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is a diversified investment holding company. The activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements.

CHANGE OF FINANCIAL YEAR END DATE

As a result of the change of the financial year end date from 30 September to 31 December, this directors' report and the consolidated financial statements presented cover fifteen months from 1 October 2014 to 31 December 2015 (the "Reporting Period").

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss on page 28 and the accompanying notes to the consolidated financial statements.

The Directors do not recommend the payment of a final dividend for the fifteen months ended 31 December 2015.

FINANCIAL SUMMARY

A financial summary of the Group for five financial years is set out on pages 106 and 107.

SHARE CAPITAL

Details of the Company's share capital as at 31 December 2015 are set out in note 32 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 16 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 33.

At 31 December 2015, the Company's reserves, for distribution purposes, showed a surplus of HK$50,077,000 comprising accumulated losses of HK$20,834,000 and a contribution surplus of HK$70,911,000.

Under the Companies Act 1981 of Bermuda (as may be amended from time to time), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

BUSINESS REVIEW AND PERFORMANCE

Business Review

The business review and outlook and an analysis of the Group's performance for the Reporting Period is set out in the sections headed "Chairman's Statement", "Management's Discussion and Analysis" and "Financial Summary" of this Annual Report.

Principal Risks and Uncertainties

Business risk

The Group's revenue comes from the sale of baby monitors and is subject to keen pricing competition environment and customer concentration risk. The general economic conditions and consumer sentiment also affect the sales and results of the Group.

The Group will continue to roll out active business development initiatives to reduce the product and market concentration. Product series extension to different categories will be a major strategy. At the same time, the Group will follow through strict costs control measures to improve the operational efficiency and tackle the adverse market conditions.

Credit risk

The Group's principal financial assets are trade receivables and bank balances, which represent the maximum exposure to credit risk in relation to financial assets. The credit risk is primarily attributable to trade receivables. In order to minimise credit risk, the management continuously monitors the level of exposure to ensure that follow-up action is taken on a timely basis to recover overdue debts. In addition, the management will review the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment loss, if necessary, are provided for irrecoverable amounts. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets stated in the statements of financial position. The Group has a concentration of credit risk of the trade receivables due from the largest debtor. As at 31 December 2015, HK$30,260,000 (30 September 2014: HK$76,049,000) were contributed by the top five customers. Credit risks on bank deposits and bank balances is limited because all of the counterparties are reputable banks and financial institution.

Foreign currency risk

Foreign currency risk refers to the risk that the fair value of future cash flows of the financial instruments will fluctuate due to changes in foreign exchange rates and consequently affect the Group's financial results and cash flow.

Certain of the financial assets are denominated in US dollars, which is different from the respective functional currency of the entity for which the balances reside in. Besides, certain part of the cash flow is derived from dividend income from the associate in Taiwan, and would be exposed to foreign currency risks when the dividends are received in New Taiwan dollars.

The Group has not engaged in any foreign currency hedging activities as at the date of this Annual Report and will keep closely monitor the foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner when necessary.

BUSINESS REVIEW AND PERFORMANCE *(Continued)*

Environmental Polices and Performance

The trend towards environmental consciousness is expected to continue, as waste becomes a bigger problem, and natural resources are depleted at an increasing rate. Recognising that these trends will shape the future of the industry, management devotes its efforts to adjust its production and business modes to minimise the impact to the environment. The Group believes that in the long run, due performance and environmental responsibility would definitely improve the effectiveness of the utilisation of the Group's resources and would raise the economic efficiency to the Group.

The Group has complied with the applicable environmental laws and regulations of the places where the Group has business operations. The Group will review its environmental practices from time to time and will consider implement further eco-friendly measures and practices in the Group's business operation to enhance sustainability.

Compliance with Laws and Regulations

The Group's business are mainly carried out by the Company's subsidiaries and associate established in Hong Kong, the British Virgin Islands, Peoples' Republic of China and Taiwan while the Company itself is incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Bermuda, People's Republic of China, the British Virgin Islands, Taiwan and Hong Kong.

During the Reporting Period and up to the date of this Annual Report, the Group had complied with all the relevant rules, laws and regulations in Bermuda, People's Republic of China, the British Virgin Islands, Taiwan and Hong Kong that have a significant impact on the Group.

Key Relationships with Employees, Customers and Suppliers

The Group has always paid great attention to and maintained a good working relationship with its suppliers of raw materials, and has been providing quality professional and customer-oriented services for its regional markets and customers. The aforementioned suppliers and customers are good working partners creating value for the Group. The Group also values the knowledge and skills of its employees, and continues to provide favourable career development opportunities for its employees.

DIRECTORS AND SERVICE CONTRACTS

The Directors of the Company during the Reporting Period and up to the date of this report are:

Executive Directors:

Ms. Kelly Lee
Mr. Henry Woon-Hoe Lim (resigned on 1 October 2014)

Non-executive Directors:

Dato' Choo Chuo Siong
Mr. Sun Jih-Hui
Mr. Anthony Lee (resigned on 8 December 2014)

Independent Non-executive Directors:

Dr. Wong Ho Ching
Mr. Lan Yen-Po
Ms. Hu Gin Ing

In accordance with Bye-Law 111(A) and 111(B) of the Company's Bye-Laws and Code Provision A.4.2 of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Mr. Lan Yen-Po and Ms. Hu Gin Ing will retire as Directors at the forthcoming annual general meeting ("AGM"). All of them, being eligible, will offer themselves for re-election.

None of the Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

All Directors are subject to retirement by rotation as required by the Company's Bye-Laws.

PERMITTED INDEMNITY PROVISION

The Bye-Laws of the Company provides that directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs charges, losses, damages and expenses which they are or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests of the Directors of the Company and their associates in the ordinary shares and underlying ordinary shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 14 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions

(i) Interests in the Company

Name of director	Capacity/Nature of interest	Number of ordinary shares held	Percentage interest in the Company's issued shares as at 31 December 2015
Mr. Sun Jih-Hui (Note)	Interests in controlled corporation /Corporate interest	163,336,303	12.27%

Note :

These shares are held by Kingage International Limited ("Kingage") which is wholly owned by Mr. Sun Jih-Hui.

(ii) Interests in an associated corporation

Name of associated corporation	Name of director	Capacity/Nature of interest	Number of shares of associated corporation	Issued shares of associated corporation as at 31 December 2015	Percentage of the associated corporation's issued shares as at 31 December 2015
Yuji Development Corporation	Dato' Choo Chuo Siong (Note)	Interests in controlled corporation/ Corporate interest	26,222,056	181,930,324	14.41%
	Sun Jih-Hui	Beneficial owner/ Beneficial interest	38,143	181,930,324	0.02%
		Interests of spouse/ Family interest	24,090	181,930,324	0.01%

Note:

Dato' Choo Chuo Siong holds 100% direct interest in Sino Market Global Limited ("Sino Market") and is accordingly deemed to have interest in the shares of Yuji Development Corporation held by Sino Market.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

Other than as disclosed above, and except for nominee shares in a subsidiary held in trust for the Group at 31 December 2015, neither the Directors, nor any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2015, the interests or short positions of those persons (other than Directors whose interests disclosed above) in the ordinary shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Long Positions

Name of shareholders	Capacity/Nature of Interest	Number of ordinary shares held	Percentage interest in the Company's issued shares as at 31 December 2015
Best Service Holdings Limited ("Best Service")	Beneficial owner/Beneficial interest	281,313,309	21.12%
Ever Team Global Limited ("Ever Team")[1]	Interests of controlled corporation/ Corporate interest	281,313,309	21.12%
The Goldenlife PTC Limited ("Goldenlife")[1]	Interests of controlled corporation/ Other interest	281,313,309	21.12%
Kingage	Beneficial owner/Beneficial interest	163,336,303	12.27%
Ms. Chou Chi-Chin[2]	Interests of spouse/Family interest	163,336,303	12.27%

Notes:

1. Goldenlife, as trustee of a discretionary trust, holds 100% direct interest in Ever Team and is accordingly deemed to have interest in the ordinary shares interested by or deemed to be interested by Ever Team for the purpose of Part XV of the SFO. The founder of the said trust is Mr. Lee Shih-Tsung. Ever Team holds 100% direct interest in Best Service and is accordingly deemed to have an interest in the ordinary shares interested by Best Service for the purpose of Part XV of the SFO.

2. Ms. Chou Chi-Chin, being the spouse of Mr. Sun Jih-Hui who wholly owns Kingage, is accordingly deemed to have interest in the ordinary shares interested by or deemed to be interested by Mr. Sun Jih-Hui for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2015, the Company has not been notified of any other interests or short positions in the ordinary shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At a special general meeting of the Company held on 30 August 2004, a share option scheme was adopted (the "2004 Scheme"). The 2004 Scheme has a life of ten years and the Board is authorised to grant options to eligible Directors and employees of the Group, to subscribe for shares in the Company. The number of underlying shares available under the 2004 Scheme shall not, in aggregate, exceed 5% of the issued shares as at 30 August 2004 (the "Scheme Limit"). The Scheme Limit was refreshed at the AGM held on 28 July 2006. Following capital changes in 2008 and 2009 and the subsequent exercise and grant of share options, the number of options available for future grants is 21,531,217, which represents approximately 1.62% of the Company's shares in issue as at the date of the Annual Report. The 2004 Scheme expired on 29 August 2014.

The exercise price of the options shall be determined by a committee administering the 2004 Scheme, and shall fall within the following prescribed parameters: they should not be less than (i) the par value of the shares, (ii) the closing price of the shares on the date of grant which must be a business day, and (iii) the average closing price of the shares for five consecutive trading days immediately preceding the date of grant.

Details of the movements of options outstanding during the period which have been granted under the 2004 Scheme, are as follows:

Name	Date of grant	Exercise price per share HK$	As at 1 October 2014	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 31 December 2015
Mr. Simon Hsu Nai-Cheng[1, 4]	18 June 2012	0.313	4,500,000	–	(4,500,000)	–	–
Mr. Henry Woon-Hoe Lim[2, 4]	18 June 2012	0.313	3,000,000	–	(3,000,000)	–	–
			7,500,000	–	(7,500,000)	–	–

Notes:

1. Mr. Simon Hsu Nai-Cheng resigned as director of the Company on 30 May 2014.

2. Mr. Henry Woon-Hoe Lim resigned as director of the Company on 1 October 2014.

3. The options granted on 18 June 2012 were subject to vesting in 3 equal tranches on the first, second and third anniversary date of the grant and which had been fully vested on 18 June 2015. The options granted are exercisable subject to the vesting conditions for a period not exceeding ten years up to 17 June 2022.

4. In view of the above ex-directors' contribution to the Company, on 10 April 2014, in accordance with the provisions of the 2004 Scheme, the board of directors, at its discretion, determined to allow Mr. Simon Hsu Nai-Cheng and Mr. Henry Woon-Hoe Lim to exercise the whole of unexercised options and the unvested options to which they are entitled within twelve months commencing on the date of resignation of their office as directors respectively, and upon expiry of such period, the options granted to them shall lapse.

5. The weighted average closing price of the shares of the Company immediately before the dates of exercise of options was HK$0.69.

Save as disclosed above, no options were granted, exercised, cancelled or lapsed during the period.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(Continued)*

For details of the 2004 Scheme, please refer to note 33 to the consolidated financial statements.

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries or fellow subsidiaries, or its parent company (if any) a party to any arrangement 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.

Other than as disclosed above, none of the Directors, or their spouses and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report, no equity-linked agreements were entered into during the Reporting Period or subsisted at the end of the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND CONNECTED TRANSACTION

On 19 August 2014, Alford Industries Limited ("Alford"), a wholly owned subsidiary of the Company, entered into a management agreement (the "Management Agreement") with Grace Harvest Corporation Limited ("Grace Harvest"), a company wholly owned by Mr. Simon Hsu Nai-Cheng, a former director of the Company who resigned on 30 May 2014, to manage the business of Alford from time to time for a term of three years commencing from 1 October 2014. The annual caps of the management fee payable by Alford to Grace Harvest for each of the three financial years ended 30 September 2015, 30 September 2016 and 30 September 2017, were set at HK$10 million each as disclosed in the Company's announcement dated 19 August 2014.

During the period ended 31 December 2015, since the consolidated net profit after tax of Alford group did not meet the target profit amount, as adjusted according to the change of the financial year end of the Company from 30 September to 31 December, as set out in the Management Agreement, no management fee was paid.

The independent non-executive directors of the Company have conducted an annual review and confirmed to the Board that during the Reporting Period, the continuing connected transaction between Alford and Grace Harvest has been entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better; and

3. in accordance with the agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transaction disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND CONNECTED TRANSACTION *(Continued)*

Other than disclosed as above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries, fellow subsidiaries, or its parent company (if any) was a party or were parties and in which a Director or former Director of the Company or any connected entity had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the Reporting Period or subsisted at the end of the Reporting Period.

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

The Company has not repurchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws although there are no restrictions against such rights under the laws in Bermuda.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Sales to the largest customer and the five largest customers accounted for 70% and 98%, respectively, of total revenues for the Reporting Period.

Purchases from the largest supplier and the five largest suppliers accounted for 16% and 40%, respectively, of total purchases for the Reporting Period.

As far as the Directors are aware, none of the Directors of the Company, their close associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's total issued shares) has any interest in the customers or suppliers of the Company disclosed above.

EMOLUMENT POLICY

The emolument policy of the Group's employees is set by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company throughout the Reporting Period and up to the date of this Annual Report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practice as adopted by the Company is set out in the Corporate Governance Report on pages 9 to 15.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent.

AUDITOR

The consolidated financial statements for the Reporting Period have been audited by BDO Limited which will retire and being eligible, offer themselves for reappointment at the forthcoming AGM.

On behalf of the Board

Dato' Choo Chuo Siong
Chairman
Hong Kong, 23 March 2016

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF UNITED PACIFIC INDUSTRIES LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of United Pacific Industries Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") set out on pages 28 to 105, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fifteen months 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Act, 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.

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 Group as at 31 December 2015 and of its financial performance for the fifteen months 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.

BDO Limited
Certified Public Accountants

Li Pak Ki
Practising Certificate Number P01330
Hong Kong, 23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the fifteen months ended 31 December 2015

	Notes	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000
Continuing operations			
Revenue	6	**167,625**	286,249
Cost of sales		**(155,467)**	(244,786)
Gross profit		**12,158**	41,463
Other income	7	**1,355**	61,033
Interest income	8	**3,904**	87
Selling and distribution costs		**(4,694)**	(12,106)
Administrative costs		**(40,099)**	(37,754)
Finance costs	10	**(3,675)**	(814)
Gain on dilution of interest in an associate	19	**1,152**	–
Share of results of an associate	19	**24,594**	9,583
(Loss)/profit before tax	11	**(5,305)**	61,492
Income tax expense	13	**(3,621)**	(11,581)
(Loss)/profit for the period/year from continuing operations		**(8,926)**	49,911
Discontinued operations			
Net results from discontinued operations	37	**–**	(228,670)
Loss for the period/year		**(8,926)**	(178,759)
(Losses)/earnings per share	15		
From continuing and discontinued operations			
Basic		**(0.75) cents**	(16.78) cents
Diluted		**(0.75) cents**	(16.31) cents
From continuing operations			
Basic		**(0.75) cents**	4.69 cents
Diluted		**(0.75) cents**	4.60 cents
From discontinued operations			
Basic		**N/A**	(21.47) cents
Diluted		**N/A**	(20.91) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fifteen months ended 31 December 2015

	Notes	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000
Loss for the period/year		**(8,926)**	(178,759)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Recognition of actuarial losses on defined benefit pension plan (net of tax)		**–**	(53,143)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of interest in a foreign associate	19	**(7,517)**	(1,706)
Exchange differences arising on the translation of foreign operations		**(873)**	868
Cash flow hedge loss recognised in equity		**–**	(361)
Cash flow hedge recycled to the statement of profit or loss		**–**	712
Deficit on revaluation of available-for-sale financial assets		**(160)**	(957)
Realised exchange differences on the sale of a disposal group recycled to the statement of profit or loss		**–**	57,122
Impairment of available-for-sale financial assets recycled to the statement of profit or loss		**–**	1,702
Other comprehensive income for the period/year, net of tax		**(8,550)**	4,237
Total comprehensive income for the period/year attributable to owners of the Company		**(17,476)**	(174,522)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	31 December 2015 HK$'000	30 September 2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**3,957**	4,362
Interest in an associate	19	**152,383**	150,234
Available-for-sale financial assets	20	**77**	237
		156,417	154,833
CURRENT ASSETS			
Inventories	21	**12,599**	18,182
Trade and other receivables	22	**34,565**	96,440
Cash and bank balances	23	**306,669**	287,181
		353,833	401,803
CURRENT LIABILITIES			
Trade and other payables	24	**37,004**	62,023
Interest-bearing bank borrowings	25	**–**	6,020
Obligations under finance leases	26	**–**	9
Tax payable		**7,587**	13,174
		44,591	81,226
NET CURRENT ASSETS		**309,242**	320,577
TOTAL ASSETS LESS CURRENT LIABILITIES		**465,659**	475,410

	Notes	**31 December 2015 HK$'000**	30 September 2014 HK$'000
NON-CURRENT LIABILITIES			
Convertible bonds	30	**–**	73,101
Deferred tax liabilities	31	**1,703**	–
		1,703	73,101
NET ASSETS		**463,956**	402,309
CAPITAL AND RESERVES			
Share capital	32	**133,171**	116,087
Reserves	34	**330,785**	286,222
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**463,956**	402,309

The consolidated financial statements on pages 28 to 105 were approved and authorised for issue by the Board of Directors on 23 March 2016 and are signed on its behalf by:

DATO' CHOO CHUO SIONG
DIRECTOR

KELLY LEE
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the fifteen months ended 31 December 2015

	Share capital HK$'000	Share premium* HK$'000	Treasury share reserve* HK$'000	Share option reserve* HK$'000	Other reserve* HK$'000	Convertible bonds equity reserve* HK$'000	Capital redemption reserve* HK$'000	Capital reserve* HK$'000	Translation reserve* HK$'000	Hedging reserve* HK$'000	Investment revaluation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 October 2013	100,744	42,406	(4,968)	513	40	–	1,442	19,870	(55,336)	(351)	(794)	371,001	474,567
Exercise of share options	600	1,456	–	(178)	–	–	–	–	–	–	–	–	1,878
Share-based compensation expense	–	–	–	208	–	–	–	–	–	–	–	–	208
Equity component of convertible bonds (note 30)	–	–	–	–	–	4,349	–	–	–	–	–	–	4,349
Issuance of shares for acquisition of on associate (note 19)	14,743	81,086	–	–	–	–	–	–	–	–	–	–	95,829
Transactions with owners	15,343	82,542	–	30	–	4,349	–	–	–	–	–	–	102,264
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(178,759)	(178,759)
Other comprehensive income:													
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	–	–	868	–	–	–	868
Exchange differences arising on the translation of interest in a foreign associate (note 19)	–	–	–	–	–	–	–	–	(1,706)	–	–	–	(1,706)
Cash flow hedge loss recognised in equity	–	–	–	–	–	–	–	–	–	(361)	–	–	(361)
Cash flow hedge recycled to the statement of profit or loss	–	–	–	–	–	–	–	–	–	712	–	–	712
Realised exchange differences on the sale of a disposal group recycled to the statement of profit or loss	–	–	–	–	–	–	–	–	57,122	–	–	–	57,122
Deficit on revaluation of available-for-sale financial assets	–	–	–	–	–	–	–	–	–	–	(957)	–	(957)
Impairment loss on available-for-sale financial assets recycled to the statement of profit or loss	–	–	–	–	–	–	–	–	–	–	1,702	–	1,702
Recognition of actuarial losses on defined benefit pension plan (net of tax)	–	–	–	–	–	–	–	–	–	–	–	(53,143)	(53,143)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	56,284	351	745	(231,902)	(174,522)
At 30 September 2014	116,087	124,948	(4,968)	543	40	4,349	1,442	19,870	948	–	(49)	139,099	402,309

	Share capital HK$'000	Share premium* HK$'000	Treasury share reserve* HK$'000	Share option reserve* HK$'000	Other reserve* HK$'000	Convertible bonds equity reserve* HK$'000	Capital redemption reserve* HK$'000	Capital reserve* HK$'000	Translation reserve* HK$'000	Investment revaluation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 October 2014	116,087	124,948	(4,968)	543	40	4,349	1,442	19,870	948	(49)	139,099	402,309
Exercise of share options	750	2,182	–	(584)	–	–	–	–	–	–	–	2,348
Exercise of conversion rights (note 30)	16,334	64,749	–	–	–	(4,349)	–	–	–	–	–	76,734
Share-based compensation expense	–	–	–	41	–	–	–	–	–	–	–	41
Transactions with owners	17,084	66,931	–	(543)	–	(4,349)	–	–	–	–	–	79,123
Loss for the period	–	–	–	–	–	–	–	–	–	–	(8,926)	(8,926)
Other comprehensive income:												
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	–	–	(873)	–	–	(873)
Exchange differences arising on the translation of interest in a foreign associate (note 19)	–	–	–	–	–	–	–	–	(7,517)	–	–	(7,517)
Deficit on revaluation of available-for-sale financial assets	–	–	–	–	–	–	–	–	–	(160)	–	(160)
Total comprehensive income for the period	–	–	–	–	–	–	–	–	(8,390)	(160)	(8,926)	(17,476)
At 31 December 2015	133,171	191,879	(4,968)	–	40	–	1,442	19,870	(7,442)	(209)	130,173	463,956

* The total reserves at 31 December 2015 is HK$330,785,000 (30 September 2014: HK$286,222,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fifteen months ended 31 December 2015

	Notes	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000
Cash flows from operating activities:			
(Loss)/profit before tax from continuing operations		**(5,305)**	61,492
Loss before tax from discontinued operations	37	**–**	(225,424)
Adjustments for:			
Interest income		**(3,904)**	(842)
Interest on interest-bearing bank borrowings and overdrafts		**42**	1,844
Interest on obligations under finance leases		**–**	308
Imputed interest on convertible bonds		**3,633**	450
Interest on retirement benefit obligations		**–**	4,922
Bargain purchase on acquisition of an associate		**–**	(60,440)
Prolonged decline in fair value of available-for-sale financial assets		**–**	1,702
Retirement benefit plan expenses		**–**	4,146
Share of results of an associate		**(24,594)**	(13,599)
Gain on dilution of interest in an associate		**(1,152)**	–
Depreciation of property, plant and equipment		**1,648**	12,086
Gain on disposal of property, plant and equipment previously written off		**(384)**	–
Amortisation of prepaid land lease payments under operating leases		**–**	17
Property, plant and equipment written off		**–**	145
Impairment loss on non-current assets	38	**–**	170,283
Reversal of impairment loss on trade receivables		**(92)**	(465)
Impairment loss on inventories		**717**	786
Cash flow hedge recycled to the statement of profit or loss		**–**	712
Share-based compensation expenses		**41**	208
Net loss on disposal of subsidiaries	36	**–**	117,537
Restructuring costs charged to the statement of profit or loss		**–**	4,112
Operating cash flows before movements in working capital		**(29,350)**	79,980
Decrease/(increase) in inventories		**4,866**	(13,415)
Decrease/(increase) in trade and other receivables		**47,337**	(57,049)
(Decrease)/increase in trade and other payables		**(25,019)**	44,146
Restructuring costs paid		**–**	(5,992)
Employer contributions to the defined benefit pension plan		**–**	(12,955)
Net cash (used in)/generated from operations		**(2,166)**	34,715
Income tax paid		**(7,525)**	(9,524)
Net cash (used in)/generated from operating activities		**(9,691)**	25,191

For the fifteen months ended 31 December 2015

	Notes	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(1,390)**	(6,728)
Proceeds from disposal of property, plant and equipment previously written off		**384**	–
Interest received		**3,904**	842
Acquisition of an associate	19	**–**	(131,440)
Net cash inflow from disposal of subsidiaries	36	**–**	2,242
Dividend received from an associate		**30,712**	–
Net cash generated from/(used in) investing activities		**33,610**	(135,084)
Cash flows from financing activities:			
Principal repayment of obligations under finance leases		**(9)**	(4,748)
Interest paid on interest-bearing bank borrowings and bank overdrafts		**(42)**	(7,074)
Net cash inflow on trust receipts and export loans		**–**	2,331
Repayment of bank borrowings		**(6,020)**	(14,560)
New bank borrowings raised		**–**	35,925
Proceeds from issue of convertible bonds		**–**	77,000
Proceeds from issue of ordinary shares upon acquisition of an associate		**–**	130,720
Repayment of bridge loan in relation to the acquisition of an associate	19	**–**	(130,720)
Proceeds from bridge loan in relation to the acquisition of an associate	19	**–**	130,720
Proceeds from exercise of share options		**2,348**	1,878
Net cash (used in)/generated from financing activities		**(3,723)**	221,472
Net increase in cash and cash equivalents		**20,196**	111,579
Effect of foreign exchange rates		**(708)**	2,597
Cash and cash equivalents at beginning of period/year		**287,181**	173,005
Cash and cash equivalents at end of period/year		**306,669**	287,181
Analysis of the balance of cash and cash equivalents:			
Cash and bank balances	23	**306,669**	287,181

Details of major non-cash transactions are set out in note 35 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CHANGE OF FINANCIAL YEAR END DATE

On 5 November 2015, the Company announced to change its financial year end date from 30 September to 31 December so as to unify the financial year end date of the Company and its principal operating subsidiary which is incorporated in the People's Republic of China (the "PRC"). As a result of this, the final results covered a period of fifteen months ended 31 December 2015.

2. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The Company is an investment holding company. The activities of its principal subsidiaries and associate are set out in notes 45 and 19, respectively.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively include all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs — effective 1 October 2014

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

As explained below, the adoption of these amendments has no material impact on the Group's financial statements.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment loss.

The adoption of the amendments to HKAS 16 has no impact on these financial statements as the Group does not use revaluation model for its property, plant and equipment.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective date is deferred

Amendments to HKAS 1 - Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

HKFRS 9 (2014) - Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

HKFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1:	Identify the contract(s) with a customer
Step 2:	Identify the performance obligations in the contract
Step 3:	Determine the transaction price
Step 4:	Allocate the transaction price to each performance obligation
Step 5:	Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the Directors are not yet in a position to quantity the effects on the Group's financial statements.

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all of the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale financial assets, which are stated at their fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as "the Group") made up to 31 December each year.

Subsidiaries

Subsidiaries are investees over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The results of subsidiaries acquired or disposed of during the period are included in the statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

The acquisition of businesses are accounted for using the acquisition method. The cost of an acquisition is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the consolidated statement of profit or loss as incurred unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (Revised) are recognised at their fair values, except that: deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively; liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 Share-based Payments; and assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any) the excess is recognised immediately in profit or loss as a bargain purchase gain. Non-controlling interests that represent present ownership interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Interest in an associate

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influences is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over these policies.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is carried in the statement of financial position at cost, as adjusted for post-acquisition changes in the Group's share of the net assets of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, on the following bases:

(a) Sales of goods are recognised when goods are delivered and title has been passed. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

(b) Rental income, including rentals invoiced in advance from freehold land and building under operating leases, is recognised on a straight-line basis over the term of the lease.

(c) Interest income from a financial asset is recognised as it accrues using the effective interest method.

Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and accumulated impairment loss.

Freehold land is stated at cost and related carrying amounts are not depreciated, as freehold land is considered infinite.

Depreciation is provided to write off the cost of property, plant and equipment net of expected residual value over their estimated useful lives, using the straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

The property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Nil
Land and buildings	Over the remaining unexpired term of the lease or fifty years, whichever is shorter
Leasehold improvements	Over the remaining unexpired term of the lease or five years, whichever is shorter
Furniture, fixtures and equipment	10% - 25%
Motor vehicles	20% - 25%
Plant and machinery	10% - $33^1/_3$ %

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

For owner-occupied leasehold land and buildings, where the allocation between the land and building elements cannot be made reliably, the leasehold interests in land are accounted for as property, plant and equipment and measured using the cost model, as appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

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 costs, such as repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

The Group assesses, at the end of each reporting period, whether there is any objective evidence that the financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include, but not be limited to: significant financial difficulty of the debtor; a breach of contract, such as a default or delinquency in interest or principal payments; the granting of a concession to a debtor due to financial difficulties; and it becoming probable that the debtor will enter bankruptcy or any other financial reorganisation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including trade receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised in the profit or loss when there is objective evidence that the asset is impaired. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss for receivables is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account. When any part of the financial asset is determined as un-collectible, it is written off against the allowance account for the relevant financial asset.

Impairment loss are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each reporting date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the profit or loss. Any impairment loss on available-for-sale financial assets is recognised in the profit or loss. For available-for-sale equity investments, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit or loss.

For available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment loss at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in the profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

For financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment loss is written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment loss for doubtful receivables is recorded using an allowance account. When the Group is satisfied that recovery of the trade receivable is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a Group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. 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 in respect of financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities

Other financial liabilities including trade payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

When any entity within the Group purchases the Company's ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners and presented as "treasury shares" within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of the treasury shares is deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued, the cost of the treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is taken to equity as other reserve of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective components on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the 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 and payable is recognised in the profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents 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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset. An impairment loss is recognised as an expense immediately.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

Taxation

Taxation represents the sum of the tax paid or currently payable and deferred tax. The tax currently paid and payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes profit or loss items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. 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 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associate, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at that date, and their income and expenses are translated at the average monthly exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of other comprehensive income (the translation reserve). Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 April 2005 have been treated as assets and liabilities of the foreign operation and translated in Hong Kong dollars at the closing rates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Prepaid land lease payments under operating leases

Leasehold interests in land are up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment loss. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Assets held under finance leases are recognised as assets of the Group at fair values at inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. Finance charges are charged directly to the profit or loss.

Retirement benefits costs

Payments to the defined contribution retirement plans are charged as expenses when employees have rendered service entitling them to contributions.

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Company's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

Share options granted to Directors of the Company and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segmental reporting

The Group has identified its operating segments and prepared segmental information based on regular internal financial information reported to the Group's Executive Directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

The business components in the internal reporting to the Executive Directors are determined following the Group's principal activities.

Under HKFRS 8, reported segmental information is based on internal management reporting information that is regularly reviewed by the Executive Directors. The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in the HKFRS financial statements except for cash flow hedges recycled from other comprehensive income, realised exchange differences on the liquidation of a subsidiary undertaking recycled from other comprehensive income and corporate income and expenses that are not directly attributable to the business activities of any operating unit and income tax.

Segment assets include all assets but exclude deferred tax assets, goodwill, other intangible assets, interest in an associate, available-for-sale financial assets, consolidation and Group assets unrelated to the business activities of any operating segment.

Segment liabilities include all liabilities but exclude deferred tax liabilities and consolidation and Group liabilities unrelated to the business activities of any operating segment.

Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The key sources of estimation uncertainty at the end of each 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 disclosed below.

Inventories

Inventories are measured at the lower of cost and net realisable value. The management of the Group reviews the carrying amount of the inventory at the end of each reporting period, and makes allowance for any inventory items identified to be carried at a recoverable value that is lower than cost through estimation of the expected selling prices under current market conditions.

Impairment of trade receivables

Management assesses the recoverability of the trade receivables based on the estimate on their financial status and their ability to repay their obligations when they fall due. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

6. REVENUE AND SEGMENT INFORMATION

The Group's segment information is based on regular internal financial information reported to the Company's executive director and management for their decisions about resources allocation to the Group's business components and their review of these components' performance.

Up until 30 May 2014, the Group's principal segments for internal reporting purposes were: the contract manufacturing, on OEM and EMS bases, of a wide range of power-related and electrical/electronic products ("Contract Manufacturing"); the manufacture, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"); the procurement and assembly of magnetic tools and products including the provision of magnetic-based industrial solutions ("Magnetic Technologies"); the manufacture, assembly and procurement of metrology and measurement tools ("Precision Measurement"); and the manufacture of electronic consumer products ("Consumer Electronics"). On 30 May 2014, the Company sold its entire shareholdings in Pantene Global Holdings Limited ("PGH") and Pantronics Holdings Limited ("PHL"). PGH was the holding company of the Tools, Magnetic Technologies and Precision Measurement segments while PHL was the holding company of the Contract Manufacturing segment.

At the reporting date, there is one remaining business segment, Consumer Electronics, upon which the Group reports its primary segment information.

Revenue represents the total invoiced value of goods supplied less discounts and returns.

	Consumer Electronics HK$'000
For the fifteen months ended 31 December 2015	
Revenue	
External customers	**167,625**
Loss before tax	
Segment loss	**(5,616)**
Net finance credits	**342**
Reportable segment loss	**(5,274)**
Assets	
Segment assets	**83,765**
Liabilities	
Segment liabilities	**34,397**
Other information	
Additions of property, plant and equipment	**1,341**
Depreciation of property, plant and equipment	**1,273**
Income tax credit	**(1,298)**
Reversal of impairment loss on trade receivables	**(92)**
Reversal of impairment loss on inventories	**(717)**

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Consumer Electronics HK$'000	Discontinued Operations HK$'000	Total HK$'000
For the year ended 30 September 2014			
Revenue			
External customers	286,249	875,395	1,161,644
Inter-segment sales	—	7,210	7,210
	286,249	882,605	1,168,854
Profit before tax			
Segment profit	19,298	68,447	87,745
Restructuring costs	—	(4,112)	(4,112)
Share of results of an associate	—	4,016	4,016
Impairment loss on non-current assets (note 38)	—	(170,283)	(170,283)
Net finance costs	(287)	(5,955)	(6,242)
Reportable segment profit/(loss)	19,011	(107,887)	(88,876)
Assets			
Segment assets	120,414	—	120,414
Liabilities			
Segment liabilities	65,721	—	65,721
Other information			
Additions of property, plant and equipment	1,857	6,785	8,642
Depreciation of property, plant and equipment	2,222	9,730	11,952
Amortisation of prepaid land lease payments under operating leases	—	17	17
Income tax expense	8,654	3,246	11,900
(Reversal of impairment loss)/impairment loss on trade receivables	(474)	9	(465)
Impairment loss/(reversal of impairment loss) on inventories	1,236	(450)	786

Inter-segment sales are charged at prevailing market rates.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

The totals presented for the Group's operating segments reconciled to the Group's key financial figures is presented in the financial statements as follows:

	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000
Reportable segment revenues	**167,625**	1,168,854
Discontinued operations	**–**	(882,605)
Total revenue	**167,625**	286,249

	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000
Reportable segment loss	**(5,274)**	(88,876)
Less: Segment loss from discontinued operations	**–**	(107,887)
Gain on dilution of interest in an associate	**1,152**	–
Share of results of an associate	**24,594**	9,583
Unallocated corporate (costs)/credits#	**(25,664)**	32,811
Unallocated corporate net finance (charge)/credits	**(113)**	87
(Loss)/profit from continuing operations before income tax	**(5,305)**	61,492

	31 December 2015 HK$'000	30 September 2014 HK$'000
Reportable segment assets	**83,765**	120,414
Interest in an associate	**152,383**	150,234
Available-for-sale financial assets	**77**	237
Unallocated corporate assets*	**274,025**	285,751
Total assets	**510,250**	556,636

\# The unallocated corporate (costs)/credits mainly comprises bargain purchase on acquisition of Yuji, staff costs including directors' remuneration, legal and professional fee, exchange difference and office rental.

* The unallocated corporate assets mainly represents cash and bank balances retained at corporate level.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

	31 December 2015 HK$'000	30 September 2014 HK$'000
Reportable segment liabilities	**34,397**	65,721
Deferred tax liabilities	**1,703**	–
Consolidation and Group liabilities	**10,194**	88,606
Total liabilities	**46,294**	154,327

Geographical information

The following table provides an analysis of the Group's revenue from external customers by location of delivery of goods and/or services to the customers:

Revenue by geographical market

	Continuing operations		**Discontinued operations**		**Total**	
	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000
Mainland China	**243**	1,011	**–**	26,913	**243**	27,924
Hong Kong (place of domicile)	**271**	328	**–**	6,293	**271**	6,621
	514	1,339	**–**	33,206	**514**	34,545
United States of America	**102,485**	215,351	**–**	148,223	**102,485**	363,574
United Kingdom	**32,095**	24,593	**–**	264,125	**32,095**	288,718
Australia	**931**	2,847	**–**	131,185	**931**	134,032
France	**–**	–	**–**	93,285	**–**	93,285
Others	**31,600**	42,119	**–**	205,371	**31,600**	247,490
	167,625	286,249	**–**	875,395	**167,625**	1,161,644

"Others", above, represents sales to various countries which individually represent less than 10% of the total revenue of the Group.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from the major customers, who accounted for 10% or more of the Group's revenue from continuing and discontinued operations, is set out below:

	Fifteen months ended 31 December 2015 HK$'000	**Weighting %**	Year ended 30 September 2014 HK$'000	Weighting %
Customer A — Consumer Electronics	**117,756**	**70**	257,890	22
Customer B — Consumer Electronics	**29,058**	**17**	–	–

The following is an analysis of the carrying amount of non-current assets (excluding deferred tax assets and financial assets) analysed by the geographical areas in which the assets are located:

Carrying amount of non-current assets:

	31 December 2015 HK$'000	30 September 2014 HK$'000
Mainland China	**2,875**	3,015
Hong Kong	**1,082**	1,347
	3,957	4,362

7. OTHER INCOME

	Continuing operations		**Discontinued operations**		**Total**	
	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000
Bargain purchase on acquisition of Yuji (note 19)	**–**	60,440	**–**	–	**–**	60,440
Property rental income	**–**	–	**–**	817	**–**	817
Gain on disposal of property, plant and equipment previously written off	**384**	–	**–**	383	**384**	383
Others	**971**	593	**–**	3,723	**971**	4,316
	1,355	61,033	**–**	4,923	**1,355**	65,956

8. INTEREST INCOME

	Continuing operations		Discontinued operations		Total	
	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000
Interest on bank deposits and balances	**3,904**	87	**–**	755	**3,904**	842

9. RESTRUCTURING COSTS

	Continuing operations		Discontinued operations		Total	
	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000
Manufacturing reorganisation	**–**	–	**–**	3,264	**–**	3,264
Other costs	**–**	–	**–**	848	**–**	848
	–	–	**–**	4,112	**–**	4,112

The manufacturing reorganisation costs relate to retrenchment costs in the Company's UK subsidiaries and the relocation of certain sourcing operations in the PRC.

10. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000
Interest on interest-bearing bank borrowings and overdrafts	**42**	364	**–**	1,480	**42**	1,844
Imputed interest on convertible bonds	**3,633**	450	**–**	–	**3,633**	450
Interest on retirement benefit obligations	**–**	–	**–**	4,922	**–**	4,922
Interest on obligations under finance leases	**–**	–	**–**	308	**–**	308
	3,675	814	**–**	6,710	**3,675**	7,524

11. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax has been arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Total	
	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000
Labour and related costs:						
Directors' remuneration	**3,772**	7,790	**–**	1,429	**3,772**	9,219
Staff salaries, allowances and welfare	**10,922**	16,480	**–**	90,308	**10,922**	106,788
Defined contribution plans	**–**	–	**–**	2,984	**–**	2,984
Provident fund contributions	**2,270**	1,996	**–**	3,757	**2,270**	5,753
Mandatory provident fund obligations	**560**	440	**–**	250	**560**	690
Defined benefit retirement plan charge						
Current service charge	**–**	–	**–**	2,092	**–**	2,092
Administration costs	**–**	–	**–**	2,054	**–**	2,054
Direct labour costs	**23,516**	23,291	**–**	55,237	**23,516**	78,528
	41,040	49,997	**–**	158,111	**41,040**	208,108
Other items:						
Amortisation of lease payments under operating leases	**–**	–	**–**	17	**–**	17
Auditors' remuneration	**1,442**	926	**–**	1,306	**1,442**	2,232
Exchange losses	**6,393**	389	**–**	1,708	**6,393**	2,097
Depreciation of property, plant and equipment	**1,648**	2,356	**–**	9,730	**1,648**	12,086
(Reversal of impairment loss)/ impairment loss on trade receivables	**(92)**	(474)	**–**	9	**(92)**	(465)
(Reversal of impairment loss)/impairment loss on inventories	**(717)**	1,236	**–**	(450)	**(717)**	786
Minimum lease payments in respect of rented premises	**3,516**	2,651	**–**	6,807	**3,516**	9,458
Cost of inventories recognised as expenses	**155,467**	244,786	**–**	590,883	**155,467**	835,669
Cash flow hedge recycled from other comprehensive income	**–**	–	**–**	712	**–**	712
Prolonged decline in fair value of available-for-sale financial assets	**–**	1,702	**–**	–	**–**	1,702
Restructuring costs	**–**	–	**–**	4,112	**–**	4,112
Interest income	**(3,904)**	(87)	**–**	(755)	**(3,904)**	(842)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the seven (year ended 30 September 2014: thirteen) directors are as follows:

For the fifteen months ended 31 December 2015

	Fees HK$'000	Basic salaries and allowances HK$'000	Bonuses HK$'000	Benefits in kind HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive Director:						
Ms. Kelly Lee	–	1,500	200	750	23	2,473
Non-executive Directors:						
Dato' Choo Chuo Siong	313	–	–	–	–	313
Mr. Sun Jih-Hui	–	–	–	–	–	–
Mr. Anthony Lee (resigned on 8 December 2014)	47	–	–	–	–	47
Dr. Wong Ho Ching*	313	–	–	–	–	313
Mr. Lan Yen-Po*	313	–	–	–	–	313
Ms. Hu Gin Ing*	313	–	–	–	–	313
	1,299	1,500	200	750	23	3,772

* Independent Non-executive Directors

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' emoluments *(Continued)*

For the year ended 30 September 2014

	Fees HK$'000	Basic salaries and allowances HK$'000	Share-based compensation expenses HK$'000	Bonuses HK$'000	Benefits in kind HK$'000	Compensation for loss of office HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive Directors:								
Mr. David Howard Clarke (resigned on 15 September 2014)	–	772	91	591	–	–	–	1,454
Mr. Simon Hsu Nai-Cheng (resigned on 30 May 2014)	–	320	70	273	–	–	10	673
Mr. Henry Woon-Hoe Lim (resigned on 1 October 2014)	–	2,832	47	666	–	–	16	3,561
Mr. Patrick John Dyson (resigned on 30 May 2014)	–	932	–	–	102	–	65	1,099
Ms. Kelly Lee	–	704	–	–	–	–	16	720
Non-executive Directors:								
Mr. Anthony Lee	250	–	–	–	–	–	–	250
Mr. Ramon Sy Pascual* (resigned on 15 September 2014)	250	–	–	–	–	250	–	500
Dr. Wong Ho Ching*	250	–	–	–	–	–	–	250
Mr. Lan Yen-Po*	250	–	–	–	–	–	–	250
Ms. Hu Gin Ing* (appointed on 6 November 2013)	226	–	–	–	–	–	–	226
Mr. Robert Barry Machinist * (resigned on 10 October 2013)	–	–	–	–	–	194	–	194
Mr. Sun Jih-Hui (appointed on 19 August 2014)	–	31	–	–	–	–	–	31
Dato' Choo Chuo Siong (appointed on 15 September 2014)	–	11	–	–	–	–	–	11
	1,226	5,602	208	1,530	102	444	107	9,219

* Independent Non-executive Directors

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' emoluments *(Continued)*

During the fifteen months ended 31 December 2015, Mr. Sun Jih-Hui waived his emoluments to the amount of HK$313,000. Save as disclosed above, no director has waived or agreed to waive any emoluments during the fifteen months ended 31 December 2015 and the year ended 30 September 2014.

No remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the fifteen months ended 31 December 2015.

Except for the compensation for loss of office paid to Mr. Ramon Sy Pascual and Mr. Robert Barry Machinist amounted to HK$250,000 and HK$194,000 respectively, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 30 September 2014.

The management considers that the executive directors of the Company are the key management of the Group.

Employees' emoluments

The five highest paid individuals of the Group included one Director (year ended 30 September 2014: three), details of whose emoluments are set out above. The emoluments of the four (year ended 30 September 2014: two) highest paid employees, other than the Directors of the Company, are as follows:

	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000
Salaries and other benefits	**5,305**	5,057
Expenses of retirement benefit plans	**90**	135
	5,395	5,192

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments *(Continued)*

Emoluments of these employees are within the following bands:

	Number of employees Fifteen months ended 31 December 2015	Number of employees Year ended 30 September 2014
Nil - HK$1,000,000	**2**	–
HK$1,000,001 - HK$1,500,000	**–**	1
HK$1,500,001 - HK$2,000,000	**1**	–
HK$2,000,001 - HK$2,500,000	**1**	–
HK$2,500,001 - HK$3,000,000	**–**	–
HK$3,000,001 - HK$3,500,000	**–**	–
HK$3,500,001 - HK$4,000,000	**–**	–
HK$4,000,001 - HK$4,500,000	**–**	1
	4	2

Emoluments of the Directors

The emoluments paid or payable to the Directors are within the following bands:

	Fifteen months ended 31 December 2015	Year ended 30 September 2014
Nil - HK$1,000,000	**6**	10
HK$1,000,001 - HK$1,500,000	**–**	2
HK$1,500,001 - HK$2,000,000	**–**	–
HK$2,000,001 - HK$2,500,000	**1**	–
HK$2,500,001 - HK$3,000,000	**–**	–
HK$3,000,001 - HK$3,500,000	**–**	–
HK$3,500,001 - HK$4,000,000	**–**	1
	7	13

13. INCOME TAX EXPENSE

(a) The income tax charge for the period/year comprises:

	Continuing operations		Discontinued operations		Total	
	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000	**Fifteen months ended 31 December 2015 HK$'000**	Year ended 30 September 2014 HK$'000
Current income tax – Hong Kong:						
Provision for the period/year	**–**	1,530	**–**	1,616	**–**	3,146
Current income tax – Overseas:						
Provision for the period/year:						
Taiwan	**3,216**	2,927	**–**	–	**3,216**	2,927
Australia	**–**	–	**–**	905	**–**	905
United Kingdom	**–**	–	**–**	3,290	**–**	3,290
Mainland China	**–**	1,780	**–**	1,175	**–**	2,955
Canada	**–**	–	**–**	835	**–**	835
United States	**–**	–	**–**	(28)	**–**	(28)
France	**–**	–	**–**	509	**–**	509
New Zealand	**–**	–	**–**	286	**–**	286
(Over)/under provision in respect of prior years	**(1,298)**	5,344	**–**	–	**(1,298)**	5,344
	1,918	10,051	**–**	6,972	**1,918**	17,023
Deferred tax (note 31)	**1,703**	–	**–**	(5,342)	**1,703**	(5,342)
	3,621	11,581	**–**	3,246	**3,621**	14,827

No Hong Kong profits tax has been provided for the fifteen months ended 31 December 2015 as the Group has no estimated assessable profits.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year ended 30 September 2014. PRC Enterprise Income tax has been provided on estimated assessable profits of the subsidiary operations in the Mainland China at 25% (year ended 30 September 2014: 25%). Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

Withholding tax is levied on profit distribution upon declaration of the undistributed earnings of an associate for the fifteen months ended 31 December 2015 at the rate of 20% (year ended 30 September 2014: 20%).

13. INCOME TAX EXPENSE *(Continued)*

(b) The income tax charge for the period/year can be reconciled to the (loss)/profit per the consolidated statement of profit or loss as follows:

	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000
(Loss)/profit before tax:		
Continuing operations	**(5,305)**	61,492
Discontinued operations	**–**	(225,424)
	(5,305)	(163,932)
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	**2,512**	31,975
Tax effect of expenses not deductible for tax purposes	**(809)**	(67,450)
Tax effect of income not taxable for tax purposes	**3,200**	31,555
Tax effect of losses not recognised	**(4,903)**	(3,858)
Tax effect of share of results of an associate	**(4,919)**	–
Utilisation of tax losses previously not recognised	**–**	1,730
Over/(under) provision in respect of prior years	**1,298**	(5,344)
Withholding tax on dividend from an associate	**–**	(2,927)
Others	**–**	(508)
Tax charge for the period/year	**(3,621)**	(14,827)

14. DIVIDENDS

The Board does not recommend the payment of a final dividend for the fifteen months ended 31 December 2015 (year ended 30 September 2014: Nil).

15. (LOSSES)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted losses per share for the fifteen months ended 31 December 2015 is based on the loss attributable to owners of the Company of HK$8,926,000 (year ended 30 September 2014: loss of HK$178,759,000 and HK$178,385,000 respectively) and the weighted average number of 1,183,812,600 (year ended 30 September 2014: 1,065,202,417 and 1,093,467,562 respectively) ordinary shares.

The calculation of adjusted loss for diluted losses per share purpose is as follows:

	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000
Loss for the period/year from continuing and discontinued operations	**(8,926)**	(178,759)
Add: Imputed interest on convertible bonds	**–**	450
Less: Tax impact of the imputed interest	**–**	(76)
	(8,926)	(178,385)

15. (LOSSES)/EARNINGS PER SHARE *(Continued)*

(a) From continuing and discontinued operations *(Continued)*

The calculation of weighted average number of ordinary shares is as follows:

(i) Weighted average number of ordinary shares (basic)

	Fifteen months ended 31 December 2015	Year ended 30 September 2014
Issued ordinary shares at 1 October	**1,160,871,287**	1,007,443,153
Subscription of shares at 8 April 2014	**–**	71,088,634
Effect of share options exercised (note i)	**3,130,197**	98,630
Effect of conversion rights	**33,239,116**	–
Treasury shares	**(13,428,000)**	(13,428,000)
Weighted average number of ordinary shares at 31 December/30 September	**1,183,812,600**	1,065,202,417
Basic losses per share (HK cents)	**(0.75)**	(16.78)

(ii) Weighted average number of ordinary shares (diluted)

	Fifteen months ended 31 December 2015	Year ended 30 September 2014
Issued ordinary shares at 1 October	**1,160,871,287**	1,007,443,153
Subscription of shares at 8 April 2014	**–**	71,088,634
Effect of share options exercised (note i)	**3,130,197**	98,630
Effect of conversion rights	**33,239,116**	–
Effect of deemed issue of shares under the Company's share option scheme	**–**	7,232,799
Effect of deemed issue of shares under the Company's convertible bonds	**–**	21,032,346
Treasury shares	**(13,428,000)**	(13,428,000)
Weighted average number of ordinary shares at 31 December/30 September	**1,183,812,600**	1,093,467,562
Diluted losses per share (HK cents) (note ii)	**(0.75)**	(16.31)

Notes:

(i) This is related to the share options exercised under the Company's share option scheme during the fifteen months ended 31 December 2015 and year ended 30 September 2014.

(ii) Diluted losses per share for the fifteen months ended 31 December 2015 is the same as basic losses per share as there is no potential dilutive shares outstanding at the end of reporting period.

15. (LOSSES)/EARNINGS PER SHARE *(Continued)*

(b) From continuing operations

The calculation of the basic and diluted losses per share for the fifteen months ended 31 December 2015 is based on the loss from continuing operations of HK$8,926,000 and the weighted average number of ordinary shares, for basic and diluted losses per share of 1,183,812,600. The calculation of the basic and diluted earnings per share for the year ended 30 September 2014 is based on the profit from continuing operations of HK$49,911,000 and HK$50,285,000 respectively, and the weighted average number of ordinary shares for basic and diluted earnings per share of 1,065,202,417 and 1,093,467,562 respectively.

The calculation of adjusted (loss)/profit for diluted (losses)/earnings per share purpose is as follows:

	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000
(Loss)/profit for the period/year from continuing operations	**(8,926)**	49,911
Add: Imputed interest on convertible bonds	**–**	450
Less: Tax impact of the imputed interest	**–**	(76)
	(8,926)	50,285

	Fifteen months ended 31 December 2015	Year ended 30 September 2014
Basic (losses)/earnings per share (HK cents)	**(0.75)**	4.69
Diluted (losses)/earnings per share (HK cents)	**(0.75)**	4.60

Diluted losses per share for the fifteen months ended 31 December 2015 is the same as basic losses per share as there is no potential dilutive shares outstanding at the end of reporting period.

(c) From discontinued operations

The calculation of the basic and diluted losses per share for the year ended 30 September 2014 is based on the loss from discontinued operations of HK$228,670,000 and the weighted average number of ordinary shares, for basic and diluted losses per share of 1,065,202,417 and 1,093,467,562 respectively.

	Fifteen months ended 31 December 2015	Year ended 30 September 2014
Basic losses per share (HK cents)	**N/A**	(21.47)
Diluted losses per share (HK cents)	**N/A**	(20.91)

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost						
At 1 October 2013	177,330	–	84,719	22,988	112,603	397,640
Additions	473	–	2,338	3,989	3,116	9,916
Disposals	(310)	–	(950)	–	–	(1,260)
Disposal of subsidiary undertakings	(181,230)	–	(74,693)	(26,375)	(111,502)	(393,800)
Currency realignment and others	4,211	–	195	543	(1,002)	3,947
At 30 September 2014 and 1 October 2014	474	–	11,609	1,145	3,215	16,443
Transfer	**(474)**	**474**	**–**	**–**	**–**	**–**
Additions	**–**	**–**	**1,390**	**–**	**–**	**1,390**
Currency realignment and others	**–**	**–**	**(966)**	**(67)**	**–**	**(1,033)**
At 31 December 2015	**–**	**474**	**12,033**	**1,078**	**3,215**	**16,800**
Accumulated depreciation and impairment						
At 1 October 2013	39,342	–	70,959	15,230	94,415	219,946
Provided for the year	2,465	–	2,483	2,954	4,184	12,086
Disposals	(165)	–	(950)	–	–	(1,115)
Impairment loss (note 38)	126,233	–	7,925	7,485	13,407	155,050
Disposal of subsidiary undertakings	(168,774)	–	(71,872)	(25,917)	(107,732)	(374,295)
Currency realignment and others	923	–	62	483	(1,059)	409
At 30 September 2014 and 1 October 2014	24	–	8,607	235	3,215	12,081
Transfer	**(24)**	**24**	**–**	**–**	**–**	**–**
Provided for the period	**–**	**118**	**1,283**	**247**	**–**	**1,648**
Currency realignment and others	**–**	**–**	**(827)**	**(59)**	**–**	**(886)**
At 31 December 2015	**–**	**142**	**9,063**	**423**	**3,215**	**12,843**
Carrying values						
At 31 December 2015	**–**	**332**	**2,970**	**655**	**–**	**3,957**
At 30 September 2014	450	–	3,002	910	–	4,362

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Additions in the year ended 30 September 2014 included HK$3,188,000 in relation to assets acquired under finance leases for which there was no cash outflow included in the consolidated statement of cash flows (note 35).

As at 30 September 2014, the net book value of furniture, fixtures and equipment of HK$3,002,000 included amount of HK$13,000 in respect of assets held under finance lease.

17. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

The Group's interest in leasehold land and land use rights represents prepaid operating lease payments. The movements in their net carrying values are as follows:

	31 December 2015 HK$'000	30 September 2014 HK$'000
At 1 October	**–**	459
Amortisation	**–**	(17)
Disposal of subsidiary undertakings	**–**	(442)
At 31 December/30 September	**–**	–

18. GOODWILL

	31 December 2015 HK$'000	30 September 2014 HK$'000
At 1 October	**–**	2,419
Currency realignment	**–**	72
Impairment loss (note 38)	**–**	(2,491)
At 31 December/30 September	**–**	–

Goodwill, until 30 May 2014 was attributable to the acquisition of Baty International Limited ("Baty"), a company incorporated in the UK and engaged in the design, manufacturing and procurement of precision measuring instruments, which was acquired on 10 March 2010, through the Company's then UK-based subsidiary, Bowers Group Limited. The goodwill in Baty forms part of the net assets sold on the disposal of subsidiary undertakings.

19. INTEREST IN AN ASSOCIATE

Discontinued operations

	31 December 2015 HK$'000	30 September 2014 HK$'000
At 1 October	–	10,052
Currency realignment	–	(377)
Share of profit before tax	–	5,357
Share of tax	–	(1,341)
Impairment loss (note 38)	–	(12,677)
Disposal of subsidiary undertakings	–	(1,014)
At 31 December/30 September	–	–

Up until 30 May 2014, the Group had an interest in the following associate:

Name of entity	Form of business structure	Place of registration	Principal place of operation	Registered capital	Proportion of registered capital held by the Group	Proportion of voting power held
Ningbo Hi-tech Assemblies Co. Ltd.	Sino-foreign joint venture	PRC	PRC	US$800,000	25%	25%

Ningbo Hi-tech Assemblies Co. Ltd. is involved in the manufacture and sale of magnetic, plastic and other materials and magnetic assemblies.

The summarised financial information up to the date of disposal in respect of the Group's associate is set out below:

	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000
Sales	–	140,769
Profit for the period/year	–	16,064
Other comprehensive income	–	–
Total comprehensive income	–	16,064
Share of results of an associate (net of tax)	–	4,016

19. INTEREST IN AN ASSOCIATE *(Continued)*

On 8 April 2014, the Group acquired 28.84% equity interest in Yuji Development Corporation ("Yuji") at a cash consideration of New Taiwan dollars ("TWD") 513,728,077 (equivalent to HK$130,720,000) from 40 independent persons (the "Vendors") who aggregately controlled 28.84% in Yuji. The Vendors then used the proceeds from the transaction to subscribe for 147,428,134 new shares of the Company issued for the same consideration. The cash consideration for the acquisition of Yuji was entirely financed by a bridge loan and the bridge loan was fully repaid out of the subscription monies for the Company's shares. In substance, the Company issued its own shares to the Vendors in exchange for their interest in Yuji. The actual cost of investment in Yuji was therefore based on the fair market value of new shares issued as at the date of acquisition of HK$95,829,000. The directly attributable expense incurred for the acquisition amounted to HK$720,000.

The share of fair values of Yuji's net assets as at the date of acquisition is as follows:

	2014 HK$'000
Net assets value of Yuji	
Properties, plant and equipment	17,156
Columbarium units and cemetery plots for resale	570,821
Trade and other receivables	17,161
Amounts due from related parties	2,639
Other financial assets	6,657
Cash and cash equivalents	6,468
Trade payables	(17,278)
Receipt in advance	(32,202)
Other payables	(8,537)
Non-controlling interests	(15,518)
Deferred tax liabilities	(3,023)
	544,344
28.84% of net assets value	156,989
Satisfied by:	
Fair value of shares of the Company issued to Vendors of Yuji at the date of acquisition	95,829
Directly attributable expense	720
Bargain purchase on acquisition (note 7)	60,440
	156,989

Yuji engages in the after-life services in Taiwan, which is a totally new business to the Group. Management decided to invest in Yuji in order to tap into the funeral market which has growth potential, and to diversify the income source of the Group.

19. INTEREST IN AN ASSOCIATE *(Continued)*

The bargain purchase on acquisition was mainly contributed by the profit generated by Yuji between the negotiation stage and the completion of acquisition, which the fair value of the columbarium units and cemetery plots for resale as at 8 April 2014 was in excess of its book carrying value as at that date and the market price of the subscription shares at 8 April 2014 of HK$0.65, which was substantially below the subscription price of HK$0.887 used to determine the number of subscription shares under the subscription agreement dated 8 February 2014.

Movement of interest in an associate:

	HK$'000
At 1 October 2013	—
Share of net assets of Yuji on acquisition	156,989
Share of results of an associate	9,583
Dividend received	(14,632)
Currency realignment	(1,706)
At 30 September 2014 and 1 October 2014	**150,234**
Gain on dilution of interest in an associate (note i)	**1,152**
Share of results of an associate	**24,594**
Dividend received	**(16,080)**
Currency realignment	**(7,517)**
At 31 December 2015	**152,383**

Note:

(i) During the fifteen months ended 31 December 2015, Yuji's ordinary shares in issue were increased from 176,000,000 shares to 181,930,324 shares. The Group did not subscribe its proportionate share of the new ordinary shares which were issued at TWD15 per share. Accordingly, the Group's equity interest in Yuji was diluted from 28.84% to 27.9%. As the Group's share of net assets value of Yuji immediately after the issuance of new shares was in excess of the Group's original share in net asset value of Yuji, a gain on dilution of interest in an associate of approximately HK$1,152,000 was recognised during the fifteen months ended 31 December 2015.

19. INTEREST IN AN ASSOCIATE *(Continued)*

As at 31 December 2015, the Group had an interest in the following associate:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Nominal value of share capital TWD	Proportion of nominal value of share capital held by the Group
Yuji	Limited by shares	Taiwan	Taiwan	1,819,303,240	27.9%

The summarised financial information since 8 April 2014 in respect of the Group's associate is set out below:

	31 December 2015 HK$'000	30 September 2014 HK$'000
Non-current assets	**35,848**	22,493
Current assets	**574,056**	617,691
Total assets	**609,904**	640,184
Current liabilities	**(45,400)**	(100,947)
Non-current liabilities	**(2,800)**	(3,016)
Total liabilities	**(48,200)**	(103,963)
Non-controlling interests	**(15,529)**	(15,297)
Net assets	**546,175**	520,924
Share of an associate's net assets	**152,383**	150,234
Sales	**151,813**	52,455
Profit for the period/year	**87,984**	33,228
Other comprehensive income	**(26,948)**	(5,915)
Total comprehensive income	**61,036**	27,313
Share of results of an associate (net of tax)	**24,594**	9,583

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2015 HK$'000	30 September 2014 HK$'000
Listed investments		
Equity securities – JDO and KSL (note i)	–	3,813
Equity securities – TCF (note ii)	237	1,988
Less: Impairment loss	–	(5,515)
Change in fair value recognised in investment revaluation reserve	(160)	(49)
	77	237

The movements in available-for-sale financial assets during the period/year are as follows:

	31 December 2015 HK$'000	30 September 2014 HK$'000
At 1 October	237	1,921
Disposal of subsidiary undertakings (note 36)	–	(754)
Currency realignment	–	27
Change in fair value recognised in investment revaluation reserve	(160)	(49)
Less: Impairment loss	–	(908)
At 31 December/30 September	77	237

Notes:

(i) This represents the Group's investment in the shares of Jed Oil Inc ("JDO"), a Canada-based company and the Company's investment in the shares of Kuangchi Science Limited ("KSL") (formerly known as Climax International Company Limited), a company incorporated in Bermuda with its shares listed on the Stock Exchange.

Both of these investments were fully impaired in prior years.

(ii) This represents the Group's investment in the shares of CBM Asia Development Corp. (Symbol: TCF), a Canada listed company.

21. INVENTORIES

	31 December 2015 HK$'000	30 September 2014 HK$'000
Raw materials	6,633	11,520
Work in progress	2,700	3,747
Finished goods	3,266	2,915
	12,599	18,182

The carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK$12,599,000 (30 September 2014: HK$18,182,000). Reversal of impairment loss of HK$717,000 was recognised due to inventories previously impaired were used and sold during the fifteen months ended 31 December 2015 (year ended 30 September 2014: impairment loss of HK$786,000).

22. TRADE AND OTHER RECEIVABLES

	31 December 2015 HK$'000	30 September 2014 HK$'000
Trade receivables	31,342	76,983
Less: impairment provisions	(881)	(973)
Trade receivables (net)	30,461	76,010
Prepayments and other receivables	4,104	20,430
	34,565	96,440

At the reporting date, the aged analysis of trade receivables, based on invoice date, is as follows:

	31 December 2015 HK$'000	30 September 2014 HK$'000
0 - 60 days	16,627	70,890
61 - 90 days	5,302	96
91 - 120 days	7,504	—
Greater than 120 days	1,909	5,997
	31,342	76,983

Trade receivables that were neither past due nor impaired related to a large number of customers for whom there has been no recent history of default.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows credit periods ranging from 30 to 120 days (year ended 30 September 2014: 30 to 120 days) to its trade customers depending on their credit status and geographical location. The Directors consider that the carrying amount of trade and other receivables approximate their fair values.

Movements in the provision for impairment of trade receivables are as follows:

	31 December 2015 HK$'000	30 September 2014 HK$'000
At 1 October	**973**	7,698
Impairment loss recognised	**265**	75
Impairment loss reversed	**(357)**	(540)
Currency realignment	**–**	137
Uncollectible amounts written off	**–**	(293)
Disposal of subsidiary undertakings	**–**	(6,104)
At 31 December/30 September	**881**	973

The Group has provided in full against those receivables where evidence suggests that the amounts outstanding are not recoverable.

The aged analysis of the Group's trade receivables that were past due as at the reporting date but not impaired, is as follows:

	31 December 2015 HK$'000	30 September 2014 HK$'000
Greater than 120 days	**1,028**	5,997

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality.

23. CASH AND BANK BALANCES

Cash and bank balance include short term bank deposits carrying interest at prevailing market rates. The Directors consider that the carrying values of the deposits at the reporting date approximate their fair values.

Included in cash and bank balances of the Group are bank balances denominated in Renminbi ("RMB") of approximately HK$70,081,000 (30 September 2014: HK$8,732,000) placed with banks in Hong Kong and the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

24. TRADE AND OTHER PAYABLES

	31 December 2015 HK$'000	30 September 2014 HK$'000
Trade payables	**19,021**	35,305
Accruals and other payables	**17,983**	26,718
	37,004	62,023

At the reporting date, the aged analysis of trade payables, based on invoice date, is as follows:

	31 December 2015 HK$'000	30 September 2014 HK$'000
0 - 60 days	**12,962**	22,092
61 - 90 days	**2,099**	4,577
Greater than 90 days	**3,960**	8,636
	19,021	35,305

The Directors consider that the carrying amounts of trade and other payables approximate their fair values.

25. INTEREST-BEARING BANK BORROWINGS

	31 December 2015 HK$'000	30 September 2014 HK$'000
Secured bank borrowings due within one year comprise:		
Export invoices/loan financing	**–**	6,020

At 30 September 2014, the bank borrowings were denominated in US dollars.

The effective interest rates on the Group's floating rate borrowings range from 2.5% to 5.0% per annum.

The fair values of the Group's bank borrowings, determined as the present value of the estimated future cash flows discounted using the prevailing market rate at the reporting date, approximate their carrying values.

26. OBLIGATIONS UNDER FINANCE LEASES

The Group's finance lease liabilities are repayable as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	31 December 2015 HK$'000	30 September 2014 HK$'000	**31 December 2015 HK$'000**	30 September 2014 HK$'000
Amounts payable under finance leases:				
Within one year	**–**	10	**–**	9
In the second to fifth years inclusive	**–**	–	**–**	–
	–	10	**–**	9
Less: Future finance charges	**–**	(1)	**–**	–
Present value of lease obligations	**–**	9	**–**	9

Interest rates underlying all obligations under finance leases are fixed at their respective contract rates ranging from 3.3% to 7.0% per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. Following the disposal of subsidiaries as detailed in note 36, the Group's obligations under finance leases were all disposed except for a finance lease with carrying value of HK$9,000 as at 30 September 2014. The fair values of the Group's finance lease obligations, determined as the present value of estimated future cash flows discounted using the prevailing market rate at the reporting date, approximate their carrying values.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

27. PROVISIONS

	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1 October 2013	2,180	1,680	3,860
Utilisation of provision	(815)	(4,329)	(5,144)
Provision for the year	—	3,264	3,264
Currency realignment	52	10	62
Disposal of subsidiary undertakings (note 36)	(1,417)	(625)	(2,042)
At 30 September 2014, 1 October 2014 and 31 December 2015	**–**	**–**	**–**

28. DEFINED CONTRIBUTION PLANS

Hong Kong

With effect from 1 December 2000, the Group joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules of the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. For the fifteen months ended 31 December 2015, the retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to HK$560,000 (year ended 30 September 2014: HK$690,000) (note 11), representing contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

Mainland China

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contribution made for the fifteen months ended 31 December 2015 was HK$2,270,000 (year ended 30 September 2014: HK$5,753,000) (note 11). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

Rest of the World

Defined pension contribution schemes are in place in the United Kingdom, France and Australasia, the assets of which are held separately from those of the Group and are held under the control of independent trustees. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. The total contributions made for the fifteen months ended 31 December 2015 is Nil (year ended 30 September 2014: HK$2,984,000) (note 11).

29. RETIREMENT BENEFIT OBLIGATIONS

Up until the sale of the disposal group on 30 May 2014, the Group operated a contributory defined benefit pension plan covering certain of its employees in the UK-based subsidiaries of Spear & Jackson Limited and Bowers Group Limited (the "James Neill Pension Plan", the "Plan"). The benefits covered by the Plan were based on years of service and compensation history. The Plan's assets were held separately from the assets of the Group and were administered by the Plan's trustees and were managed professionally.

The latest formal actuarial valuation of the Plan was carried out at 30 May 2014 by KPMG LLP, the Company's actuarial advisors.

The Group's contributions from 1 October 2013 to 30 May 2014 amounted to ￡1.4 million (approximately HK$17.9 million) .

The principal financial assumptions used in the updated actuarial valuations at 30 May 2014 for the purpose of the accounting disclosures in the annual report were as follows:

	As at 30 May 2014
Long term rate of increase in pensionable salaries (note i)	0.00%
Rate of increase of benefits in payment (note ii)	3.22%
Rate of increase of benefits in payment (note iii)	2.00%
Discount rate	4.30%
Inflation assumption (Retail Prices Index ("RPI"))	3.25%
Inflation assumption (Consumer Prices Index ("CPI")) (note iv)	2.25%

Notes:

(i) Pensionable pay was frozen with effect from 5 April 2010.

(ii) In respect of pensions in excess of the guaranteed minimum pension in the 1999 and 2001 sections of the Plan.

(iii) In respect of guaranteed minimum pension earned after 6 April 1988.

(iv) Following changes in applicable legislation, inflationary increases applied to the value of deferred members' pension liabilities have been recalculated using CPI rather than the RPI inflation index.

The life expectancies implied by the mortality assumptions used in the pension's valuation (making allowance for projected future improvements in mortality) are:

Pensioner currently aged 65:	Male 19.3 years	Female 21.3 years
Future pensioner when aged 65:	Male 21.0 years	Female 23.3 years

Amounts recognised in the consolidated statement of profit or loss in respect of the Plan are as follows:

	Year ended 30 September 2014 HK$'000
Current service cost	2,092
Administration costs	2,054
Interest on assets	(41,860)
Interest cost	46,782
Net pension cost	9,068

The current service cost was included in the employee benefits expense in the consolidated statement of profit or loss. The net interest payable was included in the finance costs in the consolidated statement of profit or loss.

29. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

Movements in the present value of the defined benefit obligations are as follows:

	HK$'000
At 1 October 2013	1,533,184
Currency realignment	57,500
Current service cost	2,092
Administration cost	2,054
Interest cost	46,782
Member contributions	1,071
Benefit payments	(58,607)
Actuarial losses – change in demographic assumptions	31,335
Actuarial losses – change in financial assumptions	50,464
Disposal of subsidiary undertakings	(1,665,875)
At 30 September 2014	–

Changes in the fair values of the Plan's assets are as follows:

	HK$'000
At 1 October 2013	1,366,933
Currency realignment	51,230
Employer contributions	17,877
Member contributions	1,071
Interest income	41,860
Benefit payments	(58,607)
Return on plan assets (excluding interest)	15,350
Disposal of subsidiary undertakings	(1,435,714)
At 30 September 2014	–

30. CONVERTIBLE BONDS

On 15 August 2014, the Company issued convertible bonds in the principal amount of HK$77,000,000 to Kingage International Limited. The convertible bonds do not carry any interest unless the Company redeem any outstanding convertible bonds on maturity, in which case a 2% per annum interest will be accrued on the outstanding convertible bonds on a 365-day basis.

The convertible bonds contain two components: liability and equity components. The equity component is presented in equity under convertible bonds equity reserve. The effective interest rate of the liability component on initial recognition is 5% per annum, as determined by Ample Appraisal Limited which is an independent valuer.

On 30 September 2015, the convertible bonds were fully converted into shares of the Company of HK$0.10 each at the conversion price of HK$0.47142 per share. Accordingly, a total of 163,336,303 ordinary shares of HK$0.10 each were allotted and issued.

	HK$'000
Face value convertible bonds issued on 15 August 2014	77,000
Equity component	(4,349)
	72,651
Imputed interest on convertible bonds (note 10)	450
Liability component at 30 September 2014 and 1 October 2014	**73,101**
Imputed interest on convertible bonds (note 10)	**3,633**
Exercise of conversion rights	**(76,734)**
Liability component at 31 December 2015	**–**

31. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior periods:

	Accelerated accounting depreciation HK$'000	Revaluation of properties HK$'000	Retirement benefit obligations HK$'000	Others HK$'000	Tax losses HK$'000	Total HK$'000
At 1 October 2013	8,510	(10,140)	33,252	1,404	164	33,190
Credited/(charged) to consolidated statement of profit or loss (note 13)	(2,367)	10,414	(1,760)	(945)	–	5,342
Recognition of actuarial losses on defined benefit pension plan in other comprehensive income	–	–	13,305	–	–	13,305
Currency realignment	245	(274)	1,240	(69)	5	1,147
Disposal of subsidiary undertakings	(6,388)	–	(46,037)	(390)	(169)	(52,984)
At 30 September 2014 and 1 October 2014	**–**	**–**	**–**	**–**	**–**	**–**
Charged to consolidated statement of profit or loss (note 13)	**–**	**–**	**–**	**(1,703)**	**–**	**(1,703)**
At 31 December 2015	**–**	**–**	**–**	**(1,703)**	**–**	**(1,703)**

Up until the disposal date of the PGH group of companies on 30 May 2014, the majority of the Group's deferred tax assets related to temporary difference originating in its UK subsidiaries. Such deferred tax balances were provided at 20%.

During the current period, deferred tax liabilities related to the undistributed earnings of the Group's associate which were provided at 20% (2014: 20%).

At the reporting date, based on the estimation of future profit streams, the Group has unrecognised gross deferred tax assets (before applying tax rates prevailing in the respective jurisdictions) in respect of unused tax losses available for offset against future profits analysed as follows:

	31 December 2015 HK$'000	30 September 2014 HK$'000
Unused tax losses	**131,850**	108,879

The Group records deferred tax assets in respect of tax losses only where there is a reasonable expectation that these tax losses will be utilised in the foreseeable future. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant portion of these unrecognised tax losses or the material reversal of the other deferred tax temporary differences in the foreseeable future. As at 31 December 2015 and 30 September 2014, the tax losses solely arise in Hong Kong and can be carried forward indefinitely.

31. DEFERRED TAX LIABILITIES *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2015 and 30 September 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiaries established in Mainland China. In the opinion of Directors, it is not probable that these subsidiaries will distribute their earnings accrued after 1 January 2008 in the foreseeable future.

32. SHARE CAPITAL

Ordinary shares of HK$0.10 each

	31 December 2015		30 September 2014	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Authorised:				
At 1 October, 30 September and 31 December	**1,500,000,000**	**150,000,000**	1,500,000,000	150,000,000
Issued and fully paid:				
At 1 October	**1,160,871,287**	**116,087,129**	1,007,443,153	100,744,315
Subscription of shares (note 19)	**–**	**–**	147,428,134	14,742,813
Share options exercised (note 33)	**7,500,000**	**750,000**	6,000,000	600,000
Debt conversion rights exercised	**163,336,303**	**16,333,630**	–	–
At 31 December/ 30 September	**1,331,707,590**	**133,170,759**	1,160,871,287	116,087,128

33. SHARE OPTIONS

At a special general meeting of the Company held on 30 August 2004, a share option scheme was adopted (the "2004 Scheme") for the purpose of providing incentives to the Executive Directors and eligible employees of the Company and its subsidiaries. The Board is authorised to grant options to eligible Executive Directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company. The number of underlying shares available under the 2004 Scheme shall not, in aggregate, exceed 5% of the issued shares as at 30 August 2004. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 months is not permitted to exceed 1% of the issued shares at such time. Options to be offered to any participants who is also an executive director, chief executive officer, substantial shareholder of the Company or any of their respective associates ("Connected Persons") shall require prior approval from the Independent Non-executive Directors of the Company. No option can be granted to Connected Persons in any 12 months that exceeds in aggregate over 0.1% of the issued shares and an aggregate value exceeding HK$5 million based on the closing price of the shares at the date of each grant without prior approval from the Company's shareholders.

The exercise price of the options shall be determined by a committee administering the 2004 Scheme, and shall fall within the following prescribed parameters: they should not be less than (i) the par value of the shares, (ii) the closing price of the shares on the date of grant which must be a business day, and (iii) the average closing price of the shares over 5 consecutive trading days immediately preceding the date of grant.

The offer of a grant of share options under the 2004 Scheme may be accepted within 30 days from the date of the offer together with the payment of nominal consideration of HK$1 in total by the grantee. Options granted are vested for a period of 3 years immediately after the date of grant by one-third on each anniversary. The exercise period shall be determined by the Board of Directors but not exceeding 10 years from the date of grant. Options granted to a participant are lapsed if the participant ceased to be an eligible participant pursuant to the 2004 Scheme before the options are vested or exercised.

The 2004 Scheme expired on 29 August 2014.

The movements in the number of share options under the 2004 Scheme during the fifteen months ended 31 December 2015 and the year ended 30 September 2014 are as follows:

	Date of grant	**Exercise price HK$**	**Outstanding at 1 October 2014**	**Granted during the period**	**Exercised during the period (note ii)**	**Lapsed during the period**	**Outstanding at 31 December 2015 (note iii)**
Directors	18 June 2012	0.313	7,500,000	–	(7,500,000)	–	**–**
			7,500,000	–	(7,500,000)	–	**–**

	Date of grant	Exercise price HK$	Outstanding at 1 October 2013	Granted during the year	Exercised during the year (note ii)	Lapsed during the year	Outstanding at 30 September 2014 (note iii)
Directors	18 June 2012	0.313	13,500,000	–	(6,000,000)	–	7,500,000
			13,500,000	–	(6,000,000)	–	7,500,000

33. SHARE OPTIONS *(Continued)*

Notes:

(i) On 18 June 2012, the Company granted 13,500,000 options to Directors of the Company under the 2004 Scheme. These options entitle the grantees to subscribe for a total of 13,500,000 new ordinary shares with nominal value of HK$0.10 per share in the capital of the Company. The exercise price of the options granted is HK$0.313 per share and they are valid for a period of ten years from 18 June 2012 to 17 June 2022. The options granted are subject to vesting in 3 equal tranches on the first, second and third anniversary of the date of the grant.

In view of the contribution of the grantees to the Company, on 10 April 2014, in accordance with the provisions of the 2004 Scheme, the board of directors, at its discretion, determined to allow Mr. David Howard Clarke, Mr. Simon Hsu Nai-Cheng and Mr. Henry Woon-Hoe Lim to exercise the whole of unexercised options and the unvested options to which they are entitled within twelve months commencing on the date of resignation of their office as Directors, and upon expiry of such period, the options granted to them shall lapse.

The following assumptions were used to derive the fair values of these share options, using the Black-Scholes option pricing model:

Date of grant	18 June 2012
Number of options	13,500,000
Expected volatility	33%
Expected life	3 years
Risk-free interest rate	1.50%
Weighted average share price	HK$0.313

The underlying expected volatility was determined by reference to historical data based on the expected life of share options.

Based on the fair values derived from the above pricing model, share-based compensation expenses of HK$41,000 were charged to the profit or loss for the fifteen months ended 31 December 2015 (30 September 2014: HK$208,000).

(ii) The following share options were exercised during the fifteen months ended 31 December 2015:

Month	**Number of options exercised**	**Exercise price HK$**	**Closing price prior to exercise HK$**
May 2015	4,500,000	0.313	0.70
July 2015	1,000,000	0.313	0.68
August 2015	1,000,000	0.313	0.67
August 2015	1,000,000	0.313	0.66
	7,500,000		

The following share options were exercised during the year ended 30 September 2014:

Month	**Number of options exercised**	**Exercise price HK$**	**Closing price prior to exercise HK$**
September 2014	6,000,000	0.313	0.64

(iii) As at 31 December 2015, no share options remained outstanding (30 September 2014: 7,500,000) and the weighted average remaining life for those outstanding share options was Nil (30 September 2014: 2,816 days).

34. RESERVES

The amounts of the Group's reserves and the movements therein for both the current period and prior year are presented in the consolidated statement of changes in equity on pages 32 and 33 to the consolidated financial statements.

Share Premium

The movement in the share premium account is as follows:

	31 December 2015 HK$'000	30 September 2014 HK$'000
At 1 October	**124,948**	42,406
Issue of shares for acquisition of an associate (note i)	**–**	81,086
Exercise of share options	**2,182**	1,456
Exercise of conversion rights (note ii)	**64,749**	–
At 31 December/30 September	**191,879**	124,948

Notes:

(i) As detailed in note 19, the Group in substance acquired Yuji by the issue of 147,428,134 new shares of the Company as consideration to the Vendors of Yuji. The closing price of the Company's shares at the date of completion is HK$0.65 per share and the share premium on 8 April 2014 amounted to approximately HK$81,086,000.

(ii) As detailed in note 30, the convertible bonds were fully converted into shares of the Company of HK$0.10 each at the conversion price of HK$0.47142 per share. Accordingly, share premium HK$64,749,000 was recognised for the fifteen months ended 31 December 2015.

Treasury Share Reserve

During the year ended 30 September 2010, the Group obtained at nil cost 14,500,000 of its own shares of HK$0.10 with a value of HK$5,365,000. The relevant shares are available for resale and have been included in the treasury share reserve, shown as a component of capital and reserves.

There is no movement in the treasury share reserve during the fifteen months ended 31 December 2015 and the year ended 30 September 2014 and the balance of treasury share reserve as at each reporting date is detailed as follows:

	Number of treasury shares	**Amount HK$'000**
Treasury share reserve		
At 30 September 2014, 1 October 2014 and 31 December 2015	**13,428,000**	**4,968**

34. RESERVES *(Continued)*

Share Option Reserve

At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

The total balance was transferred to share premium account upon where all the share options granted were exercised.

Other Reserve

The other reserve represents the net gain on the disposal of the treasury shares.

Convertible Bonds Equity Reserve

The amount represents the equity component of the convertible bonds issued during the year ended 30 September 2014. The total balance was transferred to share premium account upon where the convertible bonds were fully converted into shares.

Capital Reserve

The capital reserve represents the capital reserve arising on the Group reorganisation carried out in 1994.

Translation Reserve

The translation reserve comprises the exchange differences arising on the translation of the financial statements of foreign operations.

Hedging Reserve

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Investment Revaluation Reserve

The investment revaluation reserve comprises the change in fair value of the Group's available-for-sale financial assets.

35. MAJOR NON-CASH TRANSACTIONS

On 30 September 2015, convertible bonds with principal amount of HK$77,000,000 were fully converted into 163,336,303 ordinary shares of the Company of HK$0.10 each at conversion price of HK$0.47142 per share.

During the year ended 30 September 2014, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of approximately HK$3,188,000 (note 16).

36. DISPOSAL OF SUBSIDIARY UNDERTAKINGS

On 30 May 2014, the Company completed the sale of the entire share capital of PGH and PHL, to Kings Victory Limited ("KVL") and New Wave Capital Limited ("NWC"), for a consideration of US$2.5 million (approximately HK$19.4 million) and US$22.5 million (approximately HK$174.6 million), respectively. The Company concluded the sale of its 100% equity interests in PGH and PHL for a net consideration of HK$6.6 million and HK$155.5 million, respectively, after deducting the applicable direct costs on disposal and settlement of shareholder's loans, payable in cash. PGH is the holding company of the Tools, Magnetics Technologies and Precision Measurement divisions and PHL is the holding company of the Contract Manufacturing division.

KVL and NWC are companies incorporated in the British Virgin Islands with limited liability and beneficially owned by Mr. Simon Hsu Nai-Cheng, who up until 30 May 2014, was an Executive Director and the Executive Vice-Chairman of the Company.

On 8 February 2014, the Company entered into a share purchase agreement with KVL and NWC for the sale of the entire share capital of PGH and PHL, respectively. Being substantial in nature, the Listing Rules required that the transaction be approved by independent shareholders and the approval for this transaction was duly obtained at a Special General Meeting held on 1 April 2014. Completion was achieved on 30 May 2014.

36. DISPOSAL OF SUBSIDIARY UNDERTAKINGS *(Continued)*

The net assets of PGH and PHL at the disposal date are as follows:

	PGH HK$'000	PHL HK$'000	Total HK$'000
Property, plant and equipment	299	19,185	19,484
Prepaid land lease payments under operating leases	—	442	442
Available-for-sale financial assets	754	—	754
Interest in associate	1,014	—	1,014
Deferred tax assets	52,984	—	52,984
Inventories	244,271	39,991	284,262
Trade and other receivables	209,703	61,723	271,426
Cash and bank balances	77,203	82,698	159,901
Trade and other payables	(183,311)	(51,131)	(234,442)
Amounts due from/(owed to) group companies	3,180	(16,820)	(13,640)
Bank overdrafts	(338)	—	(338)
Other interest-bearing bank borrowings	(47,923)	(18,213)	(66,136)
Obligations under finance leases	(9,390)	—	(9,390)
Provisions	(1,742)	(300)	(2,042)
Derivative financial instruments	(611)	—	(611)
Tax payable	(6,580)	(4,369)	(10,949)
Retirement benefit obligations	(230,161)	—	(230,161)
Net book value at disposal	109,352	113,206	222,558
Less: Sale proceeds	(19,375)	(160,967)	(180,342)
Add: Transaction costs	12,758	5,441	18,199
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on disposal of the subsidiary undertakings	53,265	3,857	57,122
Net loss/(gain) on disposal	156,000	(38,463)	117,537
Satisfied by:			
Net cash considerations after settlement of shareholder's loans	19,375	160,967	180,342
Transaction costs directly attributable to the disposal	(12,758)	(5,441)	(18,199)
	6,617	155,526	162,143
Net cash inflow arising from the disposal:			
Net cash considerations after settlement of shareholder's loans	19,375	160,967	180,342
Transaction costs directly attributable to the disposal	(12,758)	(5,441)	(18,199)
Cash and cash equivalents disposed of	(77,203)	(82,698)	(159,901)
	(70,586)	72,828	2,242

37. DISCONTINUED OPERATIONS

On 30 May 2014, the Company concluded the sale of its 100% equity interests in PGH and PHL (collectively, the "Disposal Group"), for a net consideration of HK$6.6 million and HK$155.5 million, respectively, after deducting the applicable direct costs on disposal and settlement of shareholder's loans, payable in cash.

The revenues, results and cash flows of the Disposal Group are as follows:

	Notes	Year ended 30 September 2014 HK$'000
Revenue	6	875,395
Cost of sales		(590,883)
Gross profit		284,512
Other income	7	4,923
Interest income	8	755
Selling and distribution costs		(144,197)
Administrative costs		(76,079)
Restructuring costs	9	(4,112)
Finance costs	10	(6,710)
Share of results of an associate	19	4,016
Cash flow hedge recycled from other comprehensive income		(712)
Impairment loss on non-current assets	38	(170,283)
	11	(107,887)
Net loss on disposal	36	(117,537)
Loss before tax from discontinued operations		(225,424)
Income tax expense		(3,246)
Net results from discontinued operations		(228,670)

The cash flows from the discontinued operations are as follows:

	Year ended 30 September 2014 HK$'000
Net cash generated from operating activities	24,364
Net cash used in investing activities	(2,841)
Net cash generated from financing activities	16,320
Effect of foreign exchange rate	(1,330)
	36,513

38. IMPAIRMENT LOSS ON NON-CURRENT ASSETS

As discussed in note 37 above, on 30 May 2014, the Company concluded the disposal of PGH and PHL.

For 31 March 2014 interim financial report purposes, although the Company had entered into an agreement to dispose PGH and PHL prior to the reporting date, the Disposal Group (including the Tools, Magnetic Technologies, Precision Measurement and Contract Manufacturing divisions) was not classified as held for sales or as a discontinued operation, because the agreement contained certain conditions which affected the immediate availability for sale of PGH and PHL at the reporting date.

However, given that the consideration of US$2,500,000 for PGH Group was significantly lower than its carrying value at 31 March 2014, the non-current assets of each cash generating unit ("CGU") in the PGH Group were tested for impairment. The aggregate impairment loss recognised for each class of asset at 31 March 2014, are as follows:

	Carrying value as at 31 March 2014 HK$'000	Recoverable amount as at 31 March 2014 HK$'000	Impairment loss of non-current assets HK$'000
Assets of the PGH Group at 31 March 2014			
Property, plant and equipment	155,050	–	155,050
Goodwill	2,491	–	2,491
Other intangible assets	65	–	65
Interest in an associate	12,677	–	12,677
Available-for-sale financial assets	749	749	–
Deferred tax assets	46,150	46,150	–
Inventories	261,433	261,433	–
Trade and other receivables	229,355	229,355	–
Cash and bank balances	73,026	73,026	–
	780,996	610,713	170,283

The impairment loss were calculated by comparing the recoverable amount to the carrying value of the PGH Group's net assets at 31 March 2014. Impairment loss were allocated to the goodwill and non-current assets of each CGU of the PGH Group as follows:

	Operating segments				
	Tools HK$'000	Precision Measurement HK$'000	Magnetic Technologies HK$'000	Corporate HK$'000	Total HK$'000
Class of assets:					
Property, plant and equipment	27,218	25,500	3,587	98,745	155,050
Goodwill	–	2,491	–	–	2,491
Other intangible assets	65	–	–	–	65
Interest in an associate	–	–	12,677	–	12,677
	27,283	27,991	16,264	98,745	170,283

39. CONTINGENT LIABILITIES

As at 31 December 2015 and 30 September 2014, the Group did not have any significant contingent liabilities.

40. OPERATING LEASE COMMITMENTS

As Lessee

At the reporting date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	31 December 2015 HK$'000	30 September 2014 HK$'000
Operating leases which expire:		
Within one year	**1,674**	1,979
In the second to fifth years inclusive	**1,300**	807
	2,974	2,786

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. The leases run for an initial period of 1 to 3 years (year ended 30 September 2014: 1 to 2 years), with an option to renew the leases and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and the respective landlords. None of the leases contain contingent rentals.

41. RELATED PARTY TRANSACTIONS

The remuneration of the Directors and other members of key management during the period/year is as follows:

	Fifteen months ended 31 December 2015 HK$'000	Year ended 30 September 2014 HK$'000
Basic salaries and allowances, bonuses and benefits in kind	**3,749**	6,035
Mandatory provident fund contribution	**23**	32
	3,772	6,067

Eclipse Magnetics Limited, which was until 30 May 2014, a subsidiary undertaking of the Company, purchases manufactured products directly from Ningbo Hi-tech Assemblies Co. Ltd. ("Ningbo Hi-tech"), a company in which it has a 25% interest (note 19). For the year ended 30 September 2014, goods to the value of approximately HK$25,016,000 were purchased from Ningbo Hi-tech.

41. RELATED PARTY TRANSACTIONS *(Continued)*

On 8 February 2014, the Company entered into a disposal agreement with two purchasers, both wholly owned by Mr. Simon Hsu Nai-Cheng, the former Director of the Company who resigned with effect from 30 May 2014, to dispose of its entire interests in PHL and PGH at a total consideration of US$25 million. The completion of the disposal took place on 30 May 2014.

On 8 February 2014, Rise Up International Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement to acquire approximately 28.84% of the total issued share capital of Yuji, a company indirectly owned by an associate of Ms. Kelly Lee, the Director of the Company. The acquisition, settled by the Company's shares valued at HK$95.8 million, was completed on 8 April 2014.

Up until 30 May 2014, the Group operated a contributory defined benefit pension plan covering certain of its employees in its then UK based subsidiaries of Spear & Jackson Limited and Bowers Group Limited (the "Plan"). The Group pays contributions to the Plan each year according to a schedule of contributions agreed between the Plan's trustees and the Group. Full details of the contributions paid by the Group to the Plan during the year are disclosed in note 29.

Other than the emoluments paid to the Executive Directors of the Company, as disclosed in note 12, who are also considered as the key management of the Group and the transactions referred to above, the Group has not entered into any other related party transactions.

42. CAPITAL MANAGEMENT POLICIES AND RISK

The Group's objectives are: to provide returns for shareholders; to safeguard the Group's ability to continue as a going concern so that it continues to provide returns and benefits for its stakeholders; to support the Group's stability and growth; and to provide capital for the purpose of strengthening the Group's risk management capability.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders and issue new shares to reduce its debt level.

Consistent with other industries, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing bank borrowings, obligations under finance leases and convertible bonds less cash and cash equivalents and bank deposits. Total capital represents total equity, as shown in the consolidated statement of financial position.

	31 December 2015 HK$'000	30 September 2014 HK$'000
Total net debt	**N/A**	N/A
Total capital	**463,956**	402,309
Gearing ratio	**N/A**	N/A

43. FINANCIAL RISK MANAGEMENT AND POLICIES

The Group is exposed to a variety of financial risks: including foreign currency risk, fair value risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the Board of Directors. The Group does not have written risk management policies. However, the Board of Directors meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

The Group's financial assets are primarily denominated in Hong Kong dollars ("HK$"), RMB, US dollars and Australian dollars ("AUD"). The currencies to which the Group had significant exposure on its monetary financial assets and liabilities included RMB, US dollars and AUD. At 31 December 2015 and 30 September 2014, in view of the fact that the Hong Kong dollars is pegged to the US dollars, the Company's exposure to US dollars is considered to be minimal. The net exposure in original currency is as follows:

	31 December 2015		30 September 2014	
	RMB'000	**AUD'000**	RMB'000	AUD'000
Trade and other receivables	**1,987**	**–**	2,892	–
Cash and bank balances	**59,547**	**412**	6,919	407
Trade and other payables	**(15,876)**	**–**	(27,202)	–
Overall net exposure	**45,658**	**412**	(17,391)	407

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate on the net positions denominated in RMB and AUD, with all other variables held constant, of the Group's profit or loss before tax.

	Change in exchange rate %	**Increase/ (decrease) in profit before tax HK$'000**
31 December 2015		
If HK$ weakens against RMB	**5**	**2,687**
If HK$ strengthens against RMB	**5**	**(2,687)**
If HK$ weakens against AUD	**5**	**117**
If HK$ strengthens against AUD	**5**	**(117)**

43. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

	Change in exchange rate %	Increase/ (decrease) in profit before tax HK$'000
30 September 2014		
If HK$ weakens against RMB	5	(1,097)
If HK$ strengthens against RMB	5	1,097
If HK$ weakens against AUD	5	138
If HK$ strengthens against AUD	5	(138)

Fair value risk

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial assets and liabilities.

Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Group is exposed to concentration risk as a significant portion of its business is derived from its largest customers. As at 31 December 2015, trade receivables of HK$30,260,000 (30 September 2014: HK$76,049,000) were contributed by the top five customers. In order to minimise any credit risk, the management of the Group has delegated a team to be responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt on a regular basis to ensure that adequate impairment loss are made for irrecoverable amounts. Management does not expect any significant losses of trade receivables that have not been provided for by way of an allowance.

The credit risk on liquid funds is limited because the counterparts are banks with high credit ratings assigned by international credit rating agencies.

43. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

Liquidity risk

The Group's objective is to ensure that adequate funds are available to meet commitments associated with its financial liabilities.

The Group manages its liquidity needs by carefully monitoring short term and long term cash outflows on a regular basis. The Group mainly utilises cash to meet its liquidity requirements for periods up to 30 days. Funding for long term liquidity needs will be considered when liquidity requirements in the long term are identified.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

At 31 December 2015

	Within one year or on demand HK$'000	**More than one year but less than five years HK$'000**	**Total undiscounted amount HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities:				
Trade payables	**19,021**	**–**	**19,021**	**19,021**
Accruals and other payables	**17,983**	**–**	**17,983**	**17,983**
	37,004	**–**	**37,004**	**37,004**

At 30 September 2014

	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	Total undiscounted amount HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities:				
Trade payables	35,305	–	35,305	35,305
Accruals and other payables	26,718	–	26,718	26,718
Interest-bearing bank borrowings	6,120	–	6,120	6,020
Convertible bonds (note 30)	–	80,080	80,080	73,101
Obligations under finance leases	10	–	10	9
	68,153	80,080	148,233	141,153

43. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

Categories of financial assets and liabilities by category

The carrying amounts of financial assets and liabilities presented in the consolidated statement of financial position relates to the following categories:

Financial assets:

	31 December 2015 HK$'000	30 September 2014 HK$'000
Loans and receivables:		
Cash and cash equivalents	**306,669**	287,181
Trade and other receivables	**34,565**	96,440
Available-for-sale financial assets	**77**	237
	341,311	383,858

Financial liabilities:

	31 December 2015 HK$'000	30 September 2014 HK$'000
Financial liabilities measured at amortised cost:		
Trade and other payables	**37,004**	62,023
Interest-bearing bank borrowings	**–**	6,020
Obligations under finance leases	**–**	9
Convertible bonds	**–**	73,101
	37,004	141,153

43. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

Fair value measurements recognised in the statement of financial position

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

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

Level 3: inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities that are measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	31 December 2015				30 September 2014			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets:								
Available-for-sale investments								
– Listed	**77**	**–**	**–**	**77**	237	–	–	237
Net fair value	**77**	**–**	**–**	**77**	237	–	–	237

Listed Securities

The fair value of the listed securities is determined with reference to their quoted bid prices at the reporting date and has been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

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

	Notes	31 December 2015 HK$'000	30 September 2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**964**	1,290
Investment in subsidiaries		**21,440**	21,440
Available-for-sale financial assets		**77**	237
		22,481	22,967
CURRENT ASSETS			
Trade and other receivables		**1,076**	806
Amounts due from subsidiaries		**333,901**	113,979
Cash and cash equivalents		**29,814**	268,839
		364,791	383,624
CURRENT LIABILITIES			
Trade and other payables		**10,187**	12,397
NET CURRENT ASSETS		**354,604**	371,227
TOTAL ASSETS LESS CURRENT LIABILITIES		**377,085**	394,194
NON-CURRENT LIABILITIES			
Convertible bonds		**–**	73,101
NET ASSETS		**377,085**	321,093
CAPITAL AND RESERVES			
Share capital	32	**133,171**	116,087
Reserves		**243,914**	205,006
TOTAL EQUITY		**377,085**	321,093

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 23 March 2016 and are signed on its behalf by:

DATO' CHOO CHUO SIONG
DIRECTOR

KELLY LEE
DIRECTOR

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

Reserve movement of the Company

	Share premium HK$'000 (note i)	Share option reserve HK$'000 (note i)	Other reserve HK$'000 (note i)	Convertible bonds equity reserve HK$'000 (note i)	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000 (note i)	Contributed surplus HK$'000 (note ii)	Accumulated losses HK$'000	Total HK$'000
At 1 October 2013	42,406	513	725	–	1,442	(794)	70,911	(11,771)	103,432
Exercise of share options	1,456	(178)	–	–	–	–	–	–	1,278
Share-based compensation expenses	–	208	–	–	–	–	–	–	208
Equity component of convertible bonds	–	–	–	4,349	–	–	–	–	4,349
Issuance of shares for acquisition of an associate	81,086	–	–	–	–	–	–	–	81,086
Transactions with owners	82,542	30	–	4,349	–	–	–	–	86,921
Profit for the year	–	–	–	–	–	–	–	13,908	13,908
Other comprehensive income:									
Deficit on revaluation of available-for-sale financial assets	–	–	–	–	–	(957)	–	–	(957)
Impairment loss on available-for-sale financial assets	–	–	–	–	–	1,702	–	–	1,702
Total comprehensive income for the year	–	–	–	–	–	745	–	13,908	14,653
At 30 September 2014 and 1 October 2014	124,948	543	725	4,349	1,442	(49)	70,911	2,137	205,006
Exercise of share options	**2,182**	**(584)**	**–**	**–**	**–**	**–**	**–**	**–**	**1,598**
Exercise of conversion rights	**64,749**	**–**	**–**	**(4,349)**	**–**	**–**	**–**	**–**	**60,400**
Share-based compensation expenses	**–**	**41**	**–**	**–**	**–**	**–**	**–**	**–**	**41**
Transactions with owners	**66,931**	**(543)**	**–**	**(4,349)**	**–**	**–**	**–**	**–**	**62,039**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,971)**	**(22,971)**
Other comprehensive income:									
Deficit on revaluation of available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**(160)**	**–**	**–**	**(160)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(160)**	**–**	**(22,971)**	**(23,131)**
At 31 December 2015	**191,879**	**–**	**725**	**–**	**1,442**	**(209)**	**70,911**	**(20,834)**	**243,914**

Notes:

(i) Please refer to note 34 to the consolidated finanical statements for details.

(ii) The contributed surplus represents the difference between the book values of the underlying assets of the Company's subsidiaries, PHL and its subsidiaries, at the date on which the shares of these companies were acquired, and the nominal amount of the share capital issued by the Company under a Group reorganisation in 1994.

In addition to retained profits, under company law in Bermuda, the contributed surplus account of a company is also available for distribution. However, the Company cannot pay or declare a dividend, or make a distribution out of contributed surplus if: it is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

45. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name of company	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company		Principal activities
			Directly	Indirectly	
Alford Industries Limited	Hong Kong/ Hong Kong	Ordinary HK$2,000,000	–	100%	Design and distribution of consumer electronic products
Foshan Shunde Alford Electronics Co. Ltd.	PRC*/PRC	Registered capital HK$ 22,074,000	–	100%	Manufacture and design of consumer electronic products
Rise Up International Limited	British Virgin Islands/Hong Kong	Ordinary US$1	100%	–	Investment holding

* Established in the PRC as a wholly owned foreign enterprise.

The above list includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the period or formed a substantial portion of the assets and liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 31 December 2015 or at any time during the period (year ended 30 September 2014: Nil).

FINANCIAL SUMMARY

RESULTS

	Years ended 30 September				Fifteen months ended 31 December
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Continuing operations					
Revenue	1,276,962	1,468,610	226,282	286,249	**167,625**
Cost of sales	(906,164)	(1,030,994)	(195,072)	(244,786)	**(155,467)**
Gross profit	370,798	437,616	31,210	41,463	**12,158**
Other income	7,204	4,354	716	61,033	**1,355**
Interest income	12,292	11,796	122	87	**3,904**
Selling and distribution costs	(219,036)	(223,534)	(9,936)	(12,106)	**(4,694)**
Administrative costs	(104,081)	(144,058)	(25,149)	(37,754)	**(40,099)**
Restructuring costs	(11,135)	(3,284)	–	–	**–**
Finance costs	(5,573)	(3,921)	(625)	(814)	**(3,675)**
Share of results of an associate	2,848	4,452	–	9,583	**24,594**
Gain on dilution of interest in an associate	–	–	–	–	**1,152**
Cash flow hedge recycled from other comprehensive income	(2,076)	1,361	–	–	**–**
Realised exchange differences on the liquidation of a subsidiary undertaking recycled from other comprehensive income	–	600	–	–	**–**
Profit/(loss) before tax from continuing operations	51,241	85,382	(3,662)	61,492	**(5,305)**
Income tax expense	(17,471)	(24,808)	(2,529)	(11,581)	**(3,621)**
Profit/(loss) for the year/period from continuing operations	33,770	60,574	(6,191)	49,911	**(8,926)**
Net results from discontinued operations	3,979	–	59,567	(228,670)	**–**
Profit/(loss) for the year/period	37,749	60,574	53,376	(178,759)	**(8,926)**
Attributable to owners of the Company	37,749	60,574	53,376	(178,759)	**(8,926)**
Dividends paid	–	4,887	14,777	–	**–**

	2011	2012	2013	2014	2015
		Years ended 30 September			**Fifteen months ended 31 December**
	2011	2012	2013	2014	**2015**
	HK cents	HK cents	HK cents	HK cents	**HK cents**
Earnings/(losses) per share from continuing and discontinued operations					
Basic	3.86	6.20	5.42	(16.78)	**(0.75)**
Diluted	3.85	6.18	5.42	(16.31)	**(0.75)**
Earnings/(losses) per share from continuing operations					
Basic	3.45	6.20	(0.63)	4.69	**(0.75)**
Diluted	3.44	6.18	(0.63)	4.60	**(0.75)**

ASSETS AND LIABILITIES

		At 30 September			**At 31 December**
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	918,481	977,516	1,008,923	556,636	**510,250**
Total liabilities	(499,910)	(574,716)	(534,356)	(154,327)	**(46,294)**
Equity attributable to owners of the Company	418,571	402,800	474,567	402,309	**463,956**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director:

Ms. Kelly Lee
(Deputy Chairman and Chief Executive Officer)

Non-executive Directors:

Dato' Choo Chuo Siong *(Chairman)*
Mr. Sun Jih-Hui

Independent Non-executive Directors:

Dr. Wong Ho Ching
Mr. Lan Yen-Po
Ms. Hu Gin Ing

AUDIT COMMITTEE

Ms. Hu Gin Ing *(Chairman)*
Dr. Wong Ho Ching
Mr. Lan Yen-Po

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Dr. Wong Ho Ching *(Chairman)*
Mr. Lan Yen-Po
Ms. Hu Gin Ing

REMUNERATION COMMITTEE

Ms. Hu Gin Ing *(Chairman)*
Dr. Wong Ho Ching
Mr. Lan Yen-Po

REGISTERED OFFICE

Clarendon House,
2 Church Street, Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 503C, 5/F Golden Centre
188 Des Voeux Road Central, Hong Kong
Tel : (852) 2802 9988, Fax : (852) 2802 9163
Websites: www.upi.com.hk, www.irasia.com/listco/hk/upi

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street, Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

BDO Limited

COMPANY SECRETARY

Ms. Chan Wing Yi

United Pacific Industries
聯 太 工 業

Tel : (852) 2802 9988 Fax : (852) 2802 9163
Websites: www.upi.com.hk, www.irasia.com/listco/hk/upi