United Pacific Industries

聯太工業

Stock Code : 176

Annual Report 2013

United Pacific Industries Limited ("UPI") is a diversified holding company which has been listed on the Stock Exchange of Hong Kong since 1994. Its principal operations are in hand and garden tools, magnetic products and applications, precision measurement and OEM/consumer electronics.

Our long established brands are recognised internationally for their heritage and superior quality. UPI is committed to innovation and the delivery of a pipeline of new products which satisfy both customer demand and provide a substantial platform for continuing organic growth.

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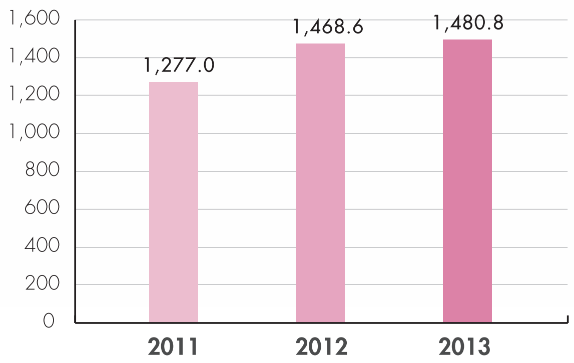
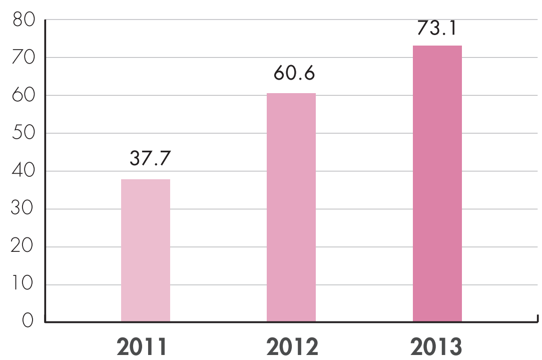
FINANCIAL HIGHLIGHTS

	2013 HK$'m	2012 HK$'m	% Change
Revenue	**1,480.8**	1,468.6	+0.83%
EBIT (before restructuring and other non-operating costs and credits)	**88.2**	74.4	+18.6%
EBITDA	**109.0**	95.2	+14.5%
Profit attributable to the Owners of the Company	**73.1**	60.6	+20.6%
Earnings per share (Hong Kong cents)	**7.42**	6.20	+19.7%

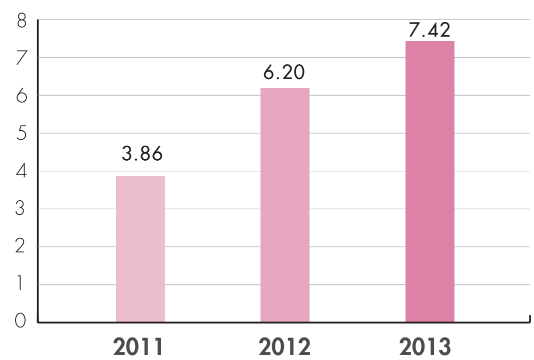
Revenue
HK$'m



Profit Attributable to Owners of the Company
HK$'m



Earnings per Share
HK cents



CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS,

In a difficult environment for our type of manufacturing businesses, I am pleased to report that United Pacific Industries Limited ("UPI", the "Company") has achieved a positive result for fiscal 2013. Confirming the sluggish economic backdrop mentioned in our Interim Report, our full year revenue came in at HK$1.48 billion, a minor increase of only 0.83% over last year's results. However, due to initiatives taken in earlier periods and during the year, our 2013 profit after tax was HK$73.1 million, an excellent increase of 20.6% over the same period in 2012. And, UPI's all important earnings per share was 7.42 HK cents, an increase of 19.7% over last year.

Our divisional management is to be congratulated for a year of diligent work and good results. It is important to note that, for the first time in many years, every entity in our Company was profitable this year. I am also particularly pleased that our net cash position has again increased significantly and at 30 September 2013 was HK$113.6 million.

When new management came in June 2010, UPI had a balance sheet with too much debt and the Company was losing money. Our mission at that time was to fix the balance sheet and get all continuing divisions profitable. In this sense, the two most important goals set out to be done have both been accomplished. As a result, now is an appropriate time for UPI to consider developing a new chapter by implementing new strategies to bring better benefits to shareholders as the future unfolds.

Two items come to mind which UPI must consider in looking at ways to improve future growth and opportunities. The first is that UPI has an out-sized amount of its business in Europe, a slow growth area. The second, something we mentioned in our Interim Report, is that our largest operation, Spear & Jackson, headquartered in England, has a huge underfunded pension liability which consumes a very high percentage of its cash flow. Put together, these two items behave like an enormous brake on UPI's growth prospects. Your Board is actively looking at this situation and various ways to correct it.

In June 2013, Mr. Chan Kin Sang and Mr. Liu Ka Lim resigned from the UPI Board and in October 2013, Mr. Robert Machinist resigned from the UPI Board due to his heavy business commitments in New York. I would like to thank these fine gentlemen for their wise counsel and many contributions to our Company. All three of them remain friends to UPI and friends to me personally.

We would like to welcome Ms Nancy Hu Gin Ing, who was appointed to the UPI Board in early November 2013. Nancy, who is a Certified Public Accountant, has undergraduate and graduate degrees from universities in both Taiwan and the United States. She comes with an excellent and diverse business background and will make a fine contributing Board member.

PROSPECTS

There has been little change in world economic conditions in the last year. While improvement is happening it is spotty and at a very slow pace. We, therefore, see a continued sluggish environment for our businesses. Last year, at this time, we predicted modest growth for UPI in 2013, which, in the end, we achieved. Looking ahead to 2014, on the assumption of no dramatic strategic move, we see modest growth for UPI.

DAVID H. CLARKE
Chairman

9 December 2013

CHIEF EXECUTIVE OFFICER'S BUSINESS REVIEW

I am very pleased to report that United Pacific Industries, despite a flat top-line revenue performance, delivered a strong net profit growth of 20.6% in fiscal 2013. Revenue grew only 0.83% to HK$1,480.8 million while the gross margin of 29.78% remained static when compared to last year. The increase in net profit was primarily achieved through improvements in operational efficiencies and specific cost reduction initiatives.

We were also able to significantly increase net cash in the year by 43% from HK$79.6 million at 30 September 2012 compared to HK$113.6 million at 30 September 2013.

The performance highlights are discussed below:

DIVISIONAL PERFORMANCE

The Consumer Electronics division achieved a good revenue increase of 13.5% year-on-year while the Contract Manufacturing division's revenue dropped by 8.5% due to a slowing demand from existing customers in the US and Europe against a sluggish economic back drop. The remaining operating divisions recorded moderate revenue increases.

From a geographical perspective, our revenue in the US fell by 5.6% due primarily to the reduced sales in our Contract Manufacturing division. However, this was partially offset by increased sales in the UK (+9%) and Australia (+3.7%).

The biggest turnaround this year was the Tools division where profit before tax increased by 569.7% from HK$3.3 million in 2012 to HK$22.3 million in 2013 due to stabilisation of the manufacturing operations in our PRC-based hacksaw blade plant and restructuring initiatives in the UK. All other operating divisions achieved double digit profit growth with the exception of the Contract Manufacturing division where profit before tax fell by 9.6%.

NEW PRODUCT DEVELOPMENT

We continued to develop and introduce innovative and value added products to the market which allowed us to satisfy our customers' needs as well as improve our competitive edge and margins.

New products launched included the following:

Tools Division

- Following the highly successful launch of the Kew Gardens Collection from Spear & Jackson for the 2012/13 gardening season, a further 37 lines have been added to the range for the 2013/14 season including cultivating, digging and cutting tools, garden tidy and the "Kew Kids" range designed for children. The new additions further cement the relationship between The Royal Botanical Gardens at Kew which enjoys a world-wide reputation for plant conservation and research and Spear & Jackson's brand heritage and reputation for supplying premium quality garden tools.

- A new range of professional quality garden cutting tools including secateurs, loppers and shears, designed to complement our existing range of Neverbend Professional digging, cultivating and landscaping tools to create the most comprehensive hand tool range available to professional gardeners and landscapers.
- New professional quality bow saws and bow saw blades. Our four new bow saws incorporate new technology and features including advanced blade tensioning, integral hand guards and oval tubing for rigidity ensuring that our new generation of bow saw blades cut both wet and dry wood faster and for longer than our competitors.
- A vibrant range of "Colours" small garden hand tools, secateurs, loppers, shears & thermometers available in eye-catching merchandisers in pink, blue and green colour options designed to appeal to the younger or cost conscious gardener.
- The addition of a range of 19 jigsaw blades to capitalise on the expanding demand for power tool accessories and to further strengthen the already renowned worldwide Eclipse reputation for manufacturing and supplying high quality metal cutting hand tools, including hacksaw blades, saw frames and holesaws.
- During the period under review, our Australian division maintained its strong product development program and released 27 new hand tool products to complement their already extensive range offers. They also released a new range of nylon tool bags and 3 new air compressors to accommodate the professional and trade markets.
- At Spear & Jackson France, the company launched a range of mulicoloured hand tools, cutting tools and thermometers; a cutting tools extension encompassing professional cutting tools and bi material hand shears and a top of the range SPEAR IT product line including a fork, spade, shovel, rake, cultivator, edging knife and hoe with a bi material handle.

Magnetic Technologies Division

- During the period Filtramag+ was launched. This is a new design/upgrade on the existing Filtramag product to give improved performance for high fluid flow and high fluid viscosity applications. It is ideal for high precision metal machining processes such as grinding, honing, milling or super-finishing. It is also a specialist filter for the manufacture of carbide drills and cutting tools.

  Magnetic filtration is the most effective means of removing problem ferrous contamination from Industrial fluids. The filter captures the carbide contamination for the manufacturer allowing this to be resold as high value scrap material, hence reclaiming material costs and drastically reducing payback periods.

  The filter was designed using existing patented magnetic circuits and processes from the existing Micromag and Automag products. The entire Filtration range is now encompassed under patent protection and separates the Eclipse range from our competitors.

- In 2013 the Magnet Materials and Assemblies team worked in collaboration with a leading developer of next generation safety interlocks who specialises in Machine Guard safety products for the food industry, explosion proof applications and factory automation.

  Our team of engineers worked with their designers to develop a new electro magnet for their latest MGL range of non contact radio frequency Identification coded safety switches, developed in order to provide and maintain a high level of functional safety whilst providing a reliable magnetic door interlock.

  The Eclipse designed electro magnets are manufactured in stainless steel with holding forces of 1500N (Heavy Duty) and 1000N (Medium Duty). This type of electro magnet incorporates high temperature coils to allow for continuous duty without loss of performance over sustained periods of use and is an 'energise to hold' type. The magnet is suitable for "cleaning in place" processes. This high pressure cleaning process is required following any contact with foreign body particles (contamination) and is a requirement in hygiene critical environments such as food, beverage and pharmaceutical industries.

Precision Measurement Division

Products launched in the year by the Precision Measurement division comprise:

- Bowers MicroGauge for high accuracy measurement of very small diameters from 1-6mm. This is an ergonomically designed gauge utilising electronics with a USB output for transmission of data to PCs or data collectors. Typical applications are in the aerospace, electronics and medical industries.

- All digital Moore & Wright hand tools were given a refreshed design which provided the range with a more industrial and professional feel. Products included in the re-design were calipers, micrometers, indicators, height gauges and levels.

- Baty Venture Plus. The popular Venture Plus Vision System with bridge type construction was expanded to incorporate two new models for large measurement volume. These new models offer an X & Y measuring range of 1000mm x 1000mm or 1500mm x 1000m and incorporate CNC features as standard utilising the Baty "Fusion" software.

Contract Manufacturing Division

- Two new Li-Ion Chargers for power tools are under production

Consumer Electronics Division

- A range of new baby monitors including a 2.8" screen version with pan-tilt-zoom function, a 1.8" screened low cost monitor and a monitor with a 3.5" screen. The launches also featured monitors designed specifically for the Chinese and Japanese markets.

- To supplement and expand on the baby monitor range, a pet monitoring series was launched in July 2013.

OPERATIONAL EXCELLENCE

The production efficiency at our hacksaw blade manufacturing plant in Jiangmen, Guangdong Province, China was much improved during 2013 and has contributed to the increase in the profit before tax in the Tools division.

At the Contract Manufacturing division, we continued to fine tune our production operations to deal with reduced sales orders and rising wages in China in order to maintain our margin and profitability.

In the UK, we restructured the Precision Measurement division's manufacturing, warehouse, sales and service operations to improve our cost structure and provide better sales and customer service capability.

CASH FLOW

Despite a number of one-time cash costs and increased contributions into the UK defined benefit pension plan, through continuous diligent operational and treasury management of working capital, we were able to significantly improve our cash flow which resulted in the best cash position we have had in recent years.

In closing, I would like to thank all our employees for their contribution to our success in 2013, as well as our customers, vendors and bankers for their continued support and cooperation.

Assuming no adverse changes in global economic conditions and an unchanged operational base, I look forward to delivering further improvements in results in the coming year.

HENRY W. LIM
Chief Executive Officer

Hong Kong, 9 December 2013

THE BOARD ROOM

EXECUTIVE DIRECTORS

David Howard Clarke – *Chairman*

Mr. Clarke, aged 72, was appointed Chairman on 30 June 2010 and has been a Director since 2004. He had previously served as a Non-executive Director of the Company from July 1996 to July 1998 and as a member of the Remuneration Committee for the period from 30 June 2010 to 30 September 2010. Mr. Clarke was formerly Chairman and Chief Executive Officer of Jacuzzi Brands, Inc. ("Jacuzzi"), a company listed on the New York Stock Exchange, from 1995 until his retirement in September 2006. Prior to joining Jacuzzi, Mr. Clarke was Vice Chairman and a director of Hanson plc, a major international diversified company listed on the London Stock Exchange. Mr. Clarke also serves on the board of Fiduciary Trust Company International, a money manager, which is a subsidiary of New York Stock Exchange-listed Franklin Resources, Inc. Mr. Clarke is currently Chief Executive Officer of GSB Holdings, Inc., a subsidiary of his family's private business engaged in real estate development and investments.

Simon Hsu Nai-Cheng – *Executive Vice-chairman*

Mr. Hsu, aged 53, was appointed Executive Vice-chairman of the Company in 2003 and has been a Director since 1996. With effect from 1 October 2010 and 30 June 2010, Mr. Hsu became a member of the Remuneration Committee and the Nominating and Corporate Governance Committee, respectively. He is the Chief Executive Officer of Sino Resources Mining Corporation Limited which engages in exploiting natural resources and mining activities in Laos PDR and Australia. Mr. Hsu is also the Executive Chairman of E-commerce Logistics Group, a Greater China-focused logistics and supply chain management company headquartered in Hong Kong. In addition, he is a director of UBP Asset Management Asia Ltd., which engages in asset management and investment consultancy in Asia.

Henry Woon-Hoe Lim – *Chief Executive Officer*

Mr. Lim, aged 62, was re-designated as an Executive Director and was appointed Chief Executive Officer of the Company on 30 June 2010. Mr. Lim had previously served as an Independent Non-executive Director of the Company from September 2004 to June 2010 and was the Chairman of the Audit Committee as well as a member of the Remuneration Committee and the Nominating and Corporate Governance Committee during the same period. Mr. Lim was a director and the Chief Financial Officer of Morrison Express Corporation, based in Taiwan, from February 2000 to May 2009. He is a Certified Public Accountant and is a fellow of the Institute of Certified Public Accountants of Singapore, a fellow of CPA Australia as well as a fellow of the Association of Chartered Certified Accountants. He holds a Bachelor of Commerce (Honors) degree in Accounting (Silver Medal winner) from the Nanyang University of Singapore and has over 30 years' experience in professional audit, financial accounting and international management. He has held senior financial management positions with various companies, including 15 years with Fritz Companies, Inc., a former NASDAQ-listed company, where he rose through the ranks to become Director of Finance for International Operations.

Patrick John Dyson – *Chief Financial Officer*

Mr. Dyson, aged 57, was appointed Chief Financial Officer of the Company in February 2007 and was appointed a Director in April 2008. Prior to his appointment, Mr. Dyson had been Chief Financial Officer of Spear & Jackson, Inc. since October 2004. He qualified as a member of the Institute of Chartered Accountants in England and Wales in1982 and worked in public practice until joining Spear & Jackson plc in 1991, where he occupied a number of senior corporate financial roles within the Group. From April 1995 to July 2001, Mr. Dyson was Group Chief Accountant and from August 2001, until his appointment as Chief Financial Officer in October 2004, he was Group Financial Controller. He holds a BA in English and an MA in Linguistics, both from the University of Leeds, England.

Kelly Lee

Ms. Lee, aged 28, was appointed as a Non-executive Director of the Company on 14 May 2013 and was re-designated as an Executive Director of the Company on 24 June 2013. 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. Ms. Lee is the older sister of Mr. Anthony Lee.

NON-EXECUTIVE DIRECTOR

Anthony Lee

Mr. Lee, aged 26, was appointed as a Non-executive Director of the Company on 14 May 2013. Mr. Lee has a number of years of experience in writing, editing and translating medical literature and clinical trial documents and between 2007 and 2011 he operated his own language services business. Between 2008 and 2010, he was a member of the American Medical Writers Association (AMWA). Mr. Lee is currently studying philosophy at Woodsworth College, the University of Toronto, Canada and expects to graduate with a Bachelor of Arts degree in 2014. Mr. Lee is the younger brother of Ms. Kelly Lee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ramon Sy Pascual

Mr. Pascual, aged 54, was appointed a Director of the Company in January 2003. He serves as Chairman of the Remuneration Committee and is also a member of the Audit Committee (save for the period from 30 June 2010 to 30 September 2010). He is a senior executive of Eton Properties Limited, a real estate development and investment company known for premier residential, commercial, retail, and hotel developments in Hong Kong and China. Mr. Pascual also serves as an executive director of Dynamic Holdings Ltd, a company listed on the Hong Kong Stock Exchange (stock code: 29), a position he has held since 2006, and as a director in real estate, manufacturing and logistics companies with businesses in Hong Kong, China, and the Philippines.

Dr. Wong Ho Ching

Dr. Wong, aged 66, 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, is also a member of the Audit Committee and, since 30 June 2010, a member of the Remuneration Committee. He specialises in Industrial Engineering, Technology Transfer and Corporate Management, and he holds a PhD in management engineering from Xian Jiao Tung University. 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 has also been a member of the first Hong Kong Special Administrative Region Election Committee and a member of the first and second Hong Kong Special Administration Region Selection Committee.

Lan Yen-Po

Mr. Lan, aged 29, was appointed as an Independent Non-executive Director of the Company on 14 May 2013. Mr. Lan has experience in private equity investments in biotechnology and medical equipment businesses. He obtained his medical doctorate degree from the National Taiwan University School of Medicine in 2009, qualified to practise Medicine in Taiwan in 2009 and is currently a Medical doctor at the Taipei Medical University Hospital. Mr. Lan is also qualified to practise law in Taiwan and is an attorney with Wisblue Attorneys-at-Law of Taiwan. In addition, he is counsel to a private equity investment company in Taiwan.

Hu Gin Ing

Ms. Hu, aged 54, 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 on 6 November 2013. Ms. Hu has experience in media, television network and private equity investments. She is an independent non-executive director of Enterprise Development Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited ("HKEx") (stock code: 1808) since March 2011, non-executive director of Qin Jia Yuan Media Services Company Limited, a company listed on the main board of the HKEx (stock code: 2366) since August 2013 and independent director of Arich Enterprise Co., Ltd., a company listed on the Taiwan Stock Exchange (stock code: 4173) since December 2012. She was an independent director of Gigamedia Limited, a company listed on the NASDAQ (stock code: GIGM) from July 2003 to October 2013 and an independent director of Evendata Holding Company Limited, a company which was previously listed on the Taiwan Stock Exchange, from April 2011 to May 2013.

Ms. Hu holds a 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 and is 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 18 years of experience in accounting and finance. Ms. Hu has been a director/partner of NHL CPA Limited, Hong Kong, since January 2005.

KEY EXECUTIVES

GROUP MANAGEMENT TEAM

Alaina Shone
– Chief Accounting Officer and Chief Taxation Officer, UPI

Fung Chow Man, Charles
– Group Financial Controller (Asia) and Chief Financial Officer, Pantene Group

Som Wai Tong, Ivan
– Group Treasurer and Company Secretary, UPI

SPEAR & JACKSON GROUP

Mark B Franckel
– Chief Executive Officer, Spear & Jackson Group

Alexander (Sandy) Boyd
– Tools Group Managing Director

Steve White
– Chief Executive Officer, Precision Measurement and Magnetic Technologies

PANTENE GROUP

Ho Hon Ching, Lewis
– Chief Executive Officer

ALFORD INDUSTRIES

Tsui Chun Cheong, Rix
– Chief Executive Officer

GROUP PROFILE

THE COMPANY AND PRINCIPAL DIVISIONS

United Pacific Industries Limited ("United Pacific Industries", "UPI" or the "Company") is a diversified investment holding company. The Company has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" or "HKEx") since 1994. The Company's shareholders include Executive Directors and key management personnel, as well as institutional and private investors who make a significant contribution to the Company's diversity and financial strength.

The Company and its subsidiaries (the "Group") have expanded through mergers and acquisitions and its five principal divisions are engaged in a broad range of business operations. These divisions are Contract Manufacturing, Consumer Electronics and, through the Spear & Jackson Group, Tools, Precision Measurement and Magnetic Technologies.

CONTRACT MANUFACTURING DIVISION ("PANTENE GROUP")

Pantene Industrial, founded in 1978, our original contract manufacturing business, is based in Shenzhen, PRC. Pantene Industrial is the Company's founding OEM and EMS service provider, providing a one-stop solution from design, tooling and safety approval to mass production. Its diverse product range includes industrial-grade chargers, electronic components and products such as industrial work lights, coils and solenoids and PCBA, as well as end-user durables such as chargers for self-drive cars and toys for children, energy-efficient travel chargers and LED lights. Pantene also offers plastic injection capability. Please visit our website at www.pantene.com.hk.

CONSUMER ELECTRONICS DIVISION ("ALFORD INDUSTRIES")

In January 2009, the Company acquired the entire share capital of Alford Industries Limited ("Alford"), an OEM/ODM manufacturer incorporated in Hong Kong with manufacturing facilities in Guangdong, PRC. Alford is engaged in the design and manufacture of sophisticated consumer electronic and wireless products including video monitoring systems for babies, pets and home security, as well as medical hearing enhancers, Bluetooth headphones and wireless speakers. These are sold not only as OEM/ODM products but, increasingly, under the company's own brand names. Please visit our website at www.alford.com.hk.

SPEAR & JACKSON GROUP

In 2007 the Group completed its acquisition of the Spear & Jackson Group of companies.

Over the years, Spear & Jackson's products have become widely recognised for their heritage and high quality. The Group has expanded through acquisitions and has also reduced costs and refined its business model by relocating selected manufacturing operations to Asia.

The Spear & Jackson group comprises the following divisions:

- Tools
- Precision Measurement
- Magnetic Technologies

These autonomous divisions consist of internationally recognised subsidiary companies engaged in a range of business activities. Although headquartered in the United Kingdom, the Spear & Jackson Group has extended its operations into other territories and now has manufacturing sites, distribution centres and sales offices in key locations around the world.

The Spear & Jackson Group's website is www.spearandjacksongroup.com.

The activities of these divisions are summarised below:

Tools Division

The Tools division comprises the UK operating units Spear & Jackson, Eclipse Tools and Robert Sorby Limited, plus subsidiaries in France, Australia and New Zealand.

Principal activities include the design, manufacture, assembly, procurement, sales and distribution of a broad range of hand and garden tools.

Spear & Jackson and Eclipse Tools
The division has manufacturing and assembly facilities in Jiangmen, PRC, and St. Chamond, France, and distribution facilities in England, France, Australia, New Zealand, China and Canada. The division sells in over 100 countries world-wide under globally recognised brands such as Spear & Jackson, Eclipse, WHS Tyzack and Elliott Lucas.

With a heritage dating back to the 1760s, Spear & Jackson and Eclipse Tools offer a broad range of premium quality, industry-leading brands. Between them, the two operations are involved in the design, manufacture, procurement and distribution of lawn, garden and agricultural tools, wood saws and hacksaw blades and frames. They also provide a full range of contractors' tools, engineers' tools, plumbers' tools, power tools and electric garden implements.

Spear & Jackson France offers a comprehensive lawn and garden product portfolio not only through the Spear & Jackson brand but also under the Forges de Lavieu brand, a long-standing and well-established name in French agricultural tools. Additionally, through its Karamel & Jeremy range, it has branched into children's gardening products and accessories, with a view to building brand loyalty among a new generation of gardeners.

Complementing the European operations, Spear & Jackson (Australia) and Spear and Jackson (New Zealand) provide sales and distribution services in Australia and New Zealand. These subsidiaries enhance their sales through the development of their own products, in particular air compressors and automotive equipment.

Further information on these operations and their product ranges can be found at the following websites:

www.spear-and-jackson.com

www.eclipse-tools.com

www.eclipsetoolsinc.com

www.spearandjackson.com.au/

www.spear-and-jackson.com/fr

Robert Sorby
Within the Tools division, Robert Sorby offers high quality, English designed and manufactured speciality tools. These include premium woodturning, woodcarving and woodworking tools for hobbyists and professional woodworkers worldwide, together with lathe accessories and tool sharpening products.

Robert Sorby's website can be found at:

www.robert-sorby.co.uk

Precision Measurement Division

The Precision Measurement division includes Bowers, CV Instruments, Moore & Wright and Baty International. Through these subsidiaries, the division engages in the design, manufacture, procurement and distribution of precision shop-floor contact and non-contact measuring instruments for the automotive, aerospace, and oil and gas industries.

The Precision Measurement division's products range from simple engineers' hand tools, such as gauges for checking the threads, diameters and tapers of machined components, to highly sophisticated and specialised measuring systems, such as precision bore gauges and hardness testing equipment. These products are sold to industrial customers and are exported to more than 50 countries worldwide, including the US, Germany and France.

The division's main manufacturing facility is in Bradford, UK. Here, the key manufactured product is a range of three-point internal bore gauges, known as the 'Bowers XT', a product sector in which Bowers is the market leader. UK and export sales are coordinated from the newly established Divisional HQ in Camberley, UK. This customer focused site includes an extensive showroom facility providing product demonstration facilities for both UK and visiting export customers. It offers a one-stop-shop for UK and export markets, selling to industrial end-users and offering expert precision measurement solutions.

Bowers

Bowers is a global leader in precision internal measurement. Offering customers a comprehensive product portfolio of measuring solutions, Bowers specialises in bore gauging, air gauging, SmartPlugs and universal gauging. The company's extensive range of products and services enables customers to choose the most appropriate measuring instruments for their applications, helping them to save time, improve quality and reduce operating costs. The company's Shanghai facility produces several of the Bowers Group's hardness testing instruments under the CV Instruments brand, while also acting as a design, out-sourcing and quality control centre for products sold internationally. Bowers Shanghai also distributes the entire Bowers product range to the rapidly expanding Chinese market.

For further details, please refer to:

www.bowers.co.uk

www.bowersmetrology.com

www.bowers-shanghai.com

Moore & Wright

The Moore & Wright brand is a recognised leader in micrometer design. With a product range including micrometers, calipers, indicators, height gauges and workshop tools, Moore & Wright is committed to supplying industry worldwide with high quality, yet affordable products.

www.moore-and-wright.com

Baty International

The UK-based Baty International is one of the world's leading designers and manufacturers of optical-based measuring instruments and gauging products.

Established in 1932 and now with a worldwide distribution network and diverse clientele, Baty International delivers products for industrial, manufacturing and professional use on the shop floor, in tool rooms, and in other areas where precision measurement is critical. Its range includes:

- Three-dimensional, camera-based, non-contact co-ordinate measuring systems
- Two-dimensional, non-contact optical profile projectors
- The Harpenden skinfold caliper, recognised as the fitness & medical industry standard for many years
- Dial gauges and other gauging products

Baty also services and calibrates contact and non contact dimensional measuring equipment. An ISO 9001:2008 accredited-company, Baty International is committed to providing measuring solutions for manufacturing. It boasts a worldwide distribution network and superior levels of service.

Additional information is available at:

www.baty.co.uk

www.cvinstruments.com

Magnetic Technologies Division

The Eclipse Magnetics Materials and Assemblies division provides the foundation for the Magnetics business. With almost 100 years of cutting-edge innovation in magnetic technology, Eclipse has a portfolio of high quality, industry leading products.

Our high end specialist capability provides magnetic equipment design for many leading OEM customers. This division also combines the branded core products of magnetic tools, magnetic chucks and magnetic lifting equipment that are listed in almost every major catalogue worldwide.

Bespoke and turnkey magnetic systems in our Magnetic Technologies division are a result of aligning special applications knowledge with our magnet design capabilities. These products provide process solutions to major key accounts across diverse market sectors from Food and Pharmaceutical to Automotive and Steel manufacturing.

In fiscal 2013 this combination of magnet design and application understanding in our Magnetic Technologies division also led to a new product range introduction of Magnet Filters used for contamination protection for boilers in both domestic and industrial heating systems.

Synonymous with high quality and total customer support, Eclipse Magnetics enjoys worldwide recognition, supplying over 20,000 products to global markets. Looking forward, our specialist magnet design applications knowledge will continue to offer bespoke and innovative magnetic solutions to a worldwide market.

The division's sales and marketing reach has also been extended through the formation of a Canadian distribution operation, Eclipse Tools North America, and, in China, with Bowers Eclipse. These operations sell and distribute magnetic materials, assemblies and solutions throughout North America and Asia, respectively.

www.eclipse-magnetics.co.uk

www.boilermag.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

Despite challenging market conditions, the year ended 30 September 2013 has seen the Company maintain revenues and increase profitability. Operating profit has risen 18.6% to HK$88.2 million and earnings per share have increased 19.7% to 7.42 HK cents per share.

FINANCIAL AND OPERATIONS REVIEW

The increase in profitability experienced in fiscal 2012 has continued into the year ended 30 September 2013 where further significant profit improvements have been delivered, particularly as a result of strong operating performances in the Contract Manufacturing, Magnetic Technologies and Precision Measurement divisions.

The Consumer Electronics division has built on the increased revenues experienced in fiscal 2012 and achieved current year sales of HK$226.3 million, an increase of 13.5% over the prior year. This increase in sales has been the exception rather than the rule across our divisions as very competitive markets have seen overall sales revenues remain flat year on year.

The increase in profitability has been driven by manufacturing efficiencies and specific cost reduction initiatives implemented in the UK and Australia. Of particular significance was the performance of our PRC-based hacksaw blade manufacturing operation. In fiscal 2012, this operation encountered high scrap levels and labour inefficiencies but these problems were successfully addressed and profitability improved significantly as a result.

Elsewhere in the Tools division, soft retail demand and poor spring and summer weather adversely affected UK and French garden product sales. These shortfalls were partially compensated by good trading results from Spear & Jackson Australia, which, despite weak consumer demand, delivered a strong trading performance in fiscal 2013 driven by increased revenues and overhead savings.

The Group continues to benefit from zero gearing. Net cash generated in the year was HK$34.0 million. This inflow is stated after the inclusion of approximately HK$23.5 million of payments made to the Company's underfunded UK defined benefit pension plan in annual contributions and to the UK Pension Protection Fund in respect of annual levies.

GROUP RESULTS

In the year ended 30 September 2013, United Pacific Industries Limited, ("UPI", the "Group") recorded a turnover of HK$1,480.8 million, an increase of 0.83% when compared to the turnover of HK$1,468.6 million for the year ended 30 September 2012.

In an increasingly competitive market and under difficult trading conditions, gross margins of 29.8% remained static when compared to the prior year. However, the Group's operating profit (before restructuring costs, net finance costs, share of associate's profits, other non-operating items and taxation) increased to HK$88.2 million in the year, up by HK$13.8 million, or 18.6%, over the prior year.

Consistent with the increase in operating profit, the Group's EBITDA (i.e. earnings before restructuring costs, net finance costs, share of associate's profits, other non-operating items, taxation, depreciation and amortisation) for the year under review amounted to HK$109.0 million (2012 – HK$95.2 million), an increase of HK$13.8 million, or 14.5%, over the prior year.

The Group's profit before tax was HK$100.6 million (2012 – HK$85.4 million).

The tax charge for the year ended 30 September 2013 was HK$27.5 million (2012 – HK$24.8 million).

The profit attributable to Owners of the Company was HK$73.1 million (2012 – HK$60.6 million), an increase of 20.6% compared to the prior year.

2013 earnings per share were 7.42 HK cents compared to earnings per share of 6.20 HK cents in 2012.

DIVISIONAL RESULTS OVERVIEW

CONTRACT MANUFACTURING DIVISION (PANTENE GROUP)

Despite promising manufacturing data from the US and Asia, there is still some uncertainty affecting confidence in the electronics sector. The overwhelming trend was one of slowing demand and this was reflected in a decrease in Pantene's revenues from its existing customer base in fiscal 2013.

Overall, Pantene's performance in 2013 was adverse to the prior year with sales being approximately 8.5% lower. Pantene faced issues such as labour shortages, worker wage increases, adverse exchange movements and electricity shortages which were all factors that drove up costs in the year.

To mitigate these cost increases, the Pantene management team worked continuously on the control of cash, expenses and the improvement of operational efficiency in order to maintain the prior year profit levels. Despite these efforts, Pantene's profit before tax fell by approximately 10% compared to fiscal 2012.

The labour and technical staff shortages referred to above are likely to continue into fiscal 2014. Another significant challenge will be the renegotiation of product pricing in a highly competitive environment where all increases are resisted. Our sales teams are working with key customers to resolve these pricing issues on as favourable terms as possible.

Based on latest sales order levels, the indications are that business is continuing to slow which will adversely affect Pantene's revenues in the first quarter of 2014. In general, fiscal 2014 is expected to be a challenging year and our sales teams are working hard on proactive marketing activity to generate new business and to find new customers. Pantene will take all measures, including cost saving, productivity improvement and the streamlining of operational efficiency to maintain profit levels and to generate increased revenues.

TOOLS DIVISION

UK Tools

S&J UK (Domestic)

Despite a poor start to the garden season due to adverse weather conditions in March and April, the overall trading environment has been positive with new listings or increased sales volumes secured in most key accounts. This has driven sales growth, year on year, of approximately 6%. A key factor was the launch of the Spear & Jackson "Kew" garden tool range in March 2013 which delivered significant incremental sales in a segment of the market (independent garden centres) where previously we had poor brand representation.

Year on year sales growth came from new woodsaw and garden tools listings with major UK DIY and garden multiple retailers. Unfortunately, this positive news was diluted by sales underperformance in the independent and industrial distribution segments.

Margins remained in line with last year while cost reduction programmes implemented in the year resulted in annual overhead savings.

Business challenges were sector specific. In the DIY /Garden multiple retail sector, securing price increases from key customers was virtually impossible without triggering a full scale re-tender of the listings. Consequently, we bolstered revenues by negotiating increased listings and volumes with a more favourable sales mix.

In the Builders' Merchant and Construction sectors, we are seeing a recovery following five years of severe downturn.

In the Industrial Distribution sector, key distributors continue to pursue their own private label strategies to the detriment of heritage brands such as Eclipse and Spear & Jackson. Independent High Street retailers continue to be under pressure from major corporates who are following aggressive branch opening strategies. We do have good representation in these corporates, but the business that migrates to them is at significantly lower margins.

E-commerce, incorporating M-commerce (mobile) and 'Click and Collect', continues to be the key factor driving the strategic direction of all our big corporate customers. Most are scrambling to implement new on-line platforms compatible with smart phones in order to compete with Amazon. This enables them to reduce their store footprints and then sub-let the freed space to other non-compete retailers.

Looking ahead to fiscal 2014, additional volume has been secured for garden and other tools but, as in previous years, much will depend on favourable weather in the UK garden season.

S&J UK (Export)

Overall, export sales experienced a small decline compared to the prior year, with decreased sales in Africa and the Far East only partially compensated by an improved performance in the Middle East.

Revenues from the Far East were adverse to fisal 2012 against a backdrop of excess inventories held by some distributors in certain territories. Sales of Eclipse products into the China domestic market exceeded expectations and we experienced strong growth in hand tools in other Far East markets. Products in the Eclipse "Workholding", "Gripping" and "Engineering" ranges all featured in this growth.

Increased costs and import restrictions into Central Africa impacted on sales during the first half of the year. We experienced a partial recovery during the second half, however market conditions remain challenging in this region. In contrast, we saw much better growth in South Africa as distributors reported growing demand for the Eclipse brand. Developing our Industrial Hand Tool range remains a key driver for business in that region.

Sales into the Americas improved during the second half of the year but still finished behind fiscal 2012. However, this is a good result considering the continuing economic pressure in the region. Capitalising on last year's initial success we continued to develop our Garden Tools business in the USA, heavily promoting the Spear & Jackson brand with specialist wholesalers in East and West Coast states. The Spear & Jackson Kew Range was particularly well received and has delivered a very encouraging order bank for the 2014 garden season. Developing distribution and sales capability in the USA remains a key objective for S&J UK (Export).

Business in the Middle East exceeded expectations with sales finishing 40% above fiscal 2012. This growth was primarily as a result of increased market penetration of the Eclipse Tools programme.

Moving into 2014, we are targeting additional growth from the launch of several new products. We will be introducing a comprehensive range of Eclipse branded jig saw blades during the first quarter to complement and further strengthen our leading position in metal cutting products. In addition, we will also be expanding our workholding and gripping product portfolios in response to customer demand.

Expansion into Asia, Middle East and USA markets remains key to our long term strategy. The Far East is a target market for growth together with the various ranges under the Eclipse Professional Tools banner. The S&J UK marketing and product management team has recently been strengthened to ensure that continuous innovation and rapid range development are maintained.

Robert Sorby

Robert Sorby is still regarded as the market leader in its niche wood-working sector. Its trade benefits from its name, quality and reputation and it has continued to profit in fiscal 2013 from the concerted effort to promote the Sorby brand.

The year saw very difficult market conditions with increasing competition typified by the closure of three customers' stores. Despite this testing market environment, Sorby's results have exceeded all expectations. It has also been an exciting year for Turners Retreat (Sorby's retail arm) with the purchase of certain of the assets of a small trading competitor which has expanded Sorby's reach into the true hobbyist market.

Jointly, Sorby and Turners have seen sales 12% up on last year and operating profit has improved significantly driven by this top-line growth. To put the results for 2013 further into context, a number of our competitors have reduced staffing and have had periods of short time working.

The new Turnmaster range has continued to perform very well and, along with the ProEdge, these two relatively new products have gone a long way to provide the success of 2013.

The outlook for 2014 is uncertain, with the main concern being a lack of new product. However, we are increasing our presence in the market place with many initiatives including demonstrations to turning clubs, hobby associations, the production of promotional videos available on CD or via YouTube, the use of Flash codes on product packaging and investing in merchandising units to ensure our product is professionally merchandised in stores across the world.

Spear & Jackson France

The business struggled in fiscal 2013 as a result of the general economic situation in France and adverse weather conditions in the early part of the year. Sales activity was particularly patchy from October 2012 to April 2013 where the company saw revenues 10% down, in Euro terms, on the comparable period in fiscal 2012. This was attributable to a significant reduction in customers visiting stores in the period combined with very rainy weather conditions during two of the three best sales months of the year.

However, in terms of the full year trading performance, it is interesting to note that we maintained operating profit. This was in part due to improved trading activity from May to September where we managed to recover a part of the sales lost earlier in the year. The situation would have been much worse had it not been for gaining a private cutting tools range. At the same time, the performance of new products has done much to mitigate the loss of turnover on established products.

In addition to the soft retail environment which suppressed sales demand, we also had to face the negative impact of losing two important customers. The negative effect of this was offset by the new private label cutting tools range, referred to above, and the positive impact of new products launched in the period.

The company continues to invest significantly in new products in order to maintain sales revenues. Increasingly innovative approaches are taken. For example, the name of the St. Etienne football club has been licensed on a range of garden products. This provides us with a good image with our customers in the region where the Company is based, due to the fact that the team is highly regarded because of its successful past and its Premier League status in France.

In term of operating results, the company has faced price increases from its Chinese vendors and sales price pressure from our customers in the face of competition from rival suppliers. We were able to increase some prices at the beginning of the year which has helped us to maintain margins.

The outlook for 2014 should show improvements over fiscal 2013 if the weather conditions in the early part of the garden season are better than last year. We will continue to try to secure additional range listings through the major retail multiples but concerns remain, however, about the financial standing of certain customers who have experienced poor trading levels over the last six months.

Spear & Jackson Australia and New Zealand

During fiscal 2013 the Australian and New Zealand business units experienced difficult trading conditions for the second consecutive year as rising food, fuel, and utility costs and higher unemployment saw consumers cut their discretionary spend in favour of paying down debt. As a result, sales within both the DIY and industrial sectors declined. This forced retailers to discount price points to attract the available consumer dollar as well as increasing expectations from their supply base for additional promotional support. Despite these difficult trading conditions, the Australian and New Zealand business units increased fiscal 2013 sales, in local currency terms, by 2.2% when compared to the prior year, indicating that we continued to grow our sales and market share in most product categories in which we compete.

With regard to profitability, our trading margins remained under pressure from the declining AUD, retailer house brands and the increased demand from retail customers for additional price support. The effect in fiscal 2013 was a flat gross margin when compared to the prior year, despite the 2.2% increase in sales. However, the overhead costs reduction program implemented at the start of fiscal 2013 offset the neutral gross margin to enable the business to achieve an overall increase in operating profit year on year.

Looking ahead to fiscal 2014, management will continue to drive incremental revenues and profit via our proven sales and new product development strategies which have delivered consistent revenue and earnings growth over the past ten years. While there is little indication that the prevailing economic conditions in either country will improve dramatically in the near term, management believes that the strength of our brands and retail offering will assist the Australian and New Zealand business units to continue to deliver improved revenues and profit performance going forward.

PRECISION MEASUREMENT DIVISION

Overall, sales for the year saw a marginal increase on the previous year. The UK market was buoyant while export performance was varied; the Eurozone is still struggling to recover and domestic sales into China remained flat. The positive news for export was Bowers' performance in North America which was a record high, indicating a solid recovery in that market.

The underlying mix of the sales performance underlines the varied market conditions that we faced this year. The Machine Tool Association reported good order intake for the year in the UK with a forecast increase for 2014 and 2015. A buoyant machine tool sector is good news for measurement products as demand for high end instruments such as ours increases. The global machine tool forecast is generally positive for 2014 onwards with USA, UK and Germany leading the way. China is the main concern with little growth expected.

The main challenge in the year was to re-structure the Bowers UK manufacturing, warehouse and sales and service operation, vacating tired premises in Bordon, Hampshire. Air Gauge manufacture was moved to our group's manufacturing site in Bradford, with the warehouse and service/repair function being managed at the newly extended Burgess Hill site. Both home and export sales are now managed by a single team in excellent, newly refitted premises in a high tech industrial park in Camberley, Surrey. The premises include impressive ground floor showroom and conference facilities which will facilitate customer visits and which have already generated orders. Recruitment of new team members has been completed in an impressively short time frame and we are now looking to build experience within the newly formed export sales team.

New products unveiled at the Control Show in Stuttgart included non-contact vision systems from Baty and a new Digital Readout ("DRO") system for profile projectors. Feedback from the show was extremely positive with a significant level of interest levelled at the DRO which features an integral touch screen display and full PC capability in an industrial enclosure. Distributors were in agreement that the retrofit opportunities are significant. The finished product is due to be released for sale at the end of November.

The outlook for 2014 is mixed, with real uncertainty across much of the Eurozone. Currency exchange rates are also a factor affecting development of high growth potential markets such as India. However, with our strongest markets of the UK, USA and Germany leading the recovery in manufacturing and with steady growth predicted for the Automotive, Aerospace and Energy sectors, there are clear areas on which to focus our sales resource.

MAGNETIC TECHNOLOGIES DIVISION

Magnetics' overall sales grew by 4% over the previous year. Improvements in the UK and in Europe on the previous year's performance were testimony to our determination to continuously improve our position and sales in all regions. This was against a market backdrop where conditions were publicised as indicating no growth in our two main sales regions of the UK and Europe.

Our Materials based business remained a firm foundation for our UK sales and brand. The start-up of a dedicated Plumbing Division with the Boilermag filter for domestic heating protection also recorded good performance for a new entrant into an established market.

Separation recorded excellent results in the UK and Europe (particularly Germany and France) with good external partners married to high quality design and product.

Filtration is our key product driver into export regions, mainly Eastern Europe and Asia. Asia saw a 68% sales improvement on the previous year and established partners in China and Thailand will develop sales increases further in the next fiscal period.

Our earnings and cash flow also benefitted from strong results in our joint venture company in Ningbo.

Our main challenges in the year were in sales resource and the potentially adverse impact of departmental changes. The Magnetics division was restructured in quarter 2 and required changes to the management structure. This reorganisation had some adverse impact on our sales team but this was successfully managed to ensure disruption was kept to a minimum and normal operational activity was restored by quarter 3. In key areas of sales we require a high level of expertise and competence to be successful and talent retention will be a key element of our success going forward.

The business launched the new product range for the domestic and industrial HVAC industry, Boilermag, in 2012. Boilermag has gained good market recognition and we expect the market to accept this range and be able to increase sales in 2014. The Boilermag XL and XT commercial filters were also launched in 2013 and three additions to the range should provide further opportunities to grow sales.

The overall outlook for 2014 is positive and we have several areas of business that will benefit from work done in 2013. For the UK we have recruited high quality, experienced sales and management personnel to lead the sales drive of the Boilermag Heating Filters in the UK. We have also added to the team for Materials and Assemblies to gain a foothold in the high-end OEM market in the Automotive, Aerospace and Energy sectors.

Filtration systems still supply the main growth for export markets in Magnetic Technologies. Asia is key to this growth and had good repeat sales during 2013 in the automotive manufacturing sector in China. India and Thailand have established representation and opportunities with global manufacturing companies in their respective territories will provide the next raft of sales potential for 2014.

The challenge in Asia will be to build a sustainable and regular sales pattern. The larger "Capital Expenditure" level Filtration system sales with a typically long gestation period therefore need to be balanced with regular distribution sales of the basic filter product.

At our North American distribution operation, Eclipse Tools North America ("ETNA"), sales activity (especially large capital spend but also general distribution business) in both Canada and the USA started to soften in January/ February, 2013 and dramatically declined over the summer months. This was most notably felt in our sales of large filtration equipment.

Markets remain weak and to grow sales and profitability in the coming year, ETNA intends to secure new business through the introduction of new products, revive Magnetic Filtration sales, expand sales of the Eclipse Blue Range and target capital equipment sales for our Precision Measuring range.

CONSUMER ELECTRONICS DIVISION (ALFORD INDUSTRIES)

Sales revenues for the year ended 30 September 2013 increased 13.5% over the previous financial year and achieved a profit before tax of HK$11.6 million.

The global economic environment remained challenging throughout fiscal 2013, especially in the electronics manufacturing industries. Material costs were relatively stable during the period, however several key components rose in price because of serious market shortages. Renminbi appreciation continued during the period and a further gentle uptrend in the coming year is expected.

Both labour cost and manufacturing overhead in China keep rising. This made both recruitment and retention of workers one of the major operational issues and Alford implemented a retention programme that accelerated the timing of the increase in workers' minimum wages in March 2013 by two months.

Despite all of these challenges, management has continued to mitigate cost pressure by further automation, product optimization and process improvement. We have managed our operating costs diligently and have maintained a lean company structure so as to retain our competitiveness over rival manufacturers.

Baby monitors still represent the biggest portion of total sales revenue with the bulk of those sales exported to USA and Canada. Expansion of the sales network was achieved in this fiscal year with sales being made to South America, the Middle East as well as to other Asian countries. Currently we are now exporting to more than twenty countries in the world.

Going forward, it is anticipated that North America will remain our principal export market where baby monitoring products are widely accepted as a necessity. Sales into this sector are enhanced by our supply agreement with an internationally recognised brand.

Our principal product range of baby monitors was expanded by the launch of a pet monitor series in July 2013 and further customer expansion strategies were also realised during the year via baby monitoring and security products.

It is expected that competition in the baby monitor market will increase when several key brands enter the market next year. We anticipate that pricing pressures will intensify in quarter two of fiscal 2014 when these new entrants become more active. Alford must therefore implement strict cost control and outsourcing programmes to minimise labour and overhead costs to retain their lead EMS manufacturer role in the baby monitor field. Additionally, product range expansion in the pet monitor and pet training system markets are seen as routes for further sales expansion in the next fiscal year and as a means to support current profitability levels.

BRANDS

Significant emphasis within the Group's operations is focused on branding and brands strategy, principally through Spear & Jackson and its subsidiaries.

Spear & Jackson has held leading brand names in its core business since 1760. These include Eclipse, WHS Tyzack, Elliott Lucas and Spear & Jackson. Robert Sorby is a recognised specialist in marketing its wood turning tools. In France, our gardening and agricultural tools brand, Forges de Lavieu, is backed by over 100 years of quality design and manufacturing excellence.

In the Precision Measurement division, the Moore & Wright brand has been recognised for over 100 years for its traditional craftsmanship while the Bowers name has been at the forefront of international precision measuring equipment for over 50 years. The 2010 acquisition of Baty added another long-standing, quality name to the existing portfolio of brands.

Eclipse Magnetics is a recognised brand name in the UK manufacturing industry because of its long history of supplying quality magnetic tools and magnetic applications.

LIQUIDITY AND CASH RESOURCES

The Group's net cash position at 30 September 2013, together with the prior year comparatives, is summarised as follows:

	2013 HK$million	2012 HK$million
Cash and cash equivalents and pledged bank deposits	**187.6**	156.3
Less: Interest-bearing bank borrowings and obligations under finance leases	**(74.0)**	(76.7)
Net cash	**113.6**	79.6
Total equity	**455.9**	381.9
Ratio of interest-bearing bank borrowings and obligations under finance leases to total equity	**16.23%**	20.08%

The working capital position of the Group remains healthy. At 30 September 2013, the liquidity ratio (ratio of current assets to current liabilities) was 219% (2012 – 213%). It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash generated from operating activities was HK$57.2 million (2012 – HK$70.5 million). Contributing to the decreased 2013 cash inflow were higher pension contributions paid into the UK Retirement Benefit Plan (HK$19.1 million in 2013 compared to HK$12.2 million in 2012), working capital increases of HK$26.8 million and restructuring costs paid of HK$4.3 million, offset by higher levels of operating profit.

CASH FLOW FROM INVESTING ACTIVITIES

The 2013 net cash inflow from investing activities amounted to HK$1.2 million (2012 – HK$7.8 million outflow). Included in the inflow is a HK$3.7 million dividend received from our associate undertaking and HK$5.0 million in relation to the release of pledged bank deposits, offset by HK$7.8 million of property, plant and equipment purchases. The 2012 outflow included HK$8.1 million of property, plant and equipment purchases, HK$2.0 million in relation to the purchase of available-for-sale financial assets and a HK$2.7 million dividend receivable from the associate undertaking.

CASH FLOW FROM FINANCING ACTIVITIES

The net cash outflow from financing activities amounted to HK$21.8 million (2012 – HK$48.3 million), which includes HK$14.8 million of dividends paid. The 2012 comparative includes HK$32.0 million in relation to net decreases in bank borrowings and HK$4.9 million in relation to the payment of an interim dividend.

CAPITAL EXPENDITURE

Capital expenditure in the year, financed by internal resources and credit facilities, amounted to HK$10.3 million (2012 – HK$17.4 million).

TREASURY MANAGEMENT

During the year, there was no material change in the Group's funding and treasury policy. The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business.

For exchange risk management, the Group adopted cautious financial measures to manage and minimise the exchange risk exposure and, in this regard, the Group endeavoured to match the currencies of sales with those of purchases in order to neutralise the effect of currency exposure.

It is the Group's policy not to engage in speculative activities. The management continues to actively monitor foreign exchange exposure to minimise the impact of adverse currency movements.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

For the year under review, sales to the largest customer and the five major customers accounted for 14% and 32%, respectively, of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 9% and 21%, respectively, of total purchases for the year.

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

EMPLOYEES

At 30 September 2013, the Group employed 591 executive and clerical staff and 1,672 factory workers. These numbers have decreased in the year as the Group has implemented various restructuring initiatives in certain of its trading operations.

The remuneration of such staff and workers is determined by overall guidelines within the relevant industries. The Group has also adopted certain bonus programs, share option schemes, pension provision, medical and personal accident insurance and other employee welfare and benefit programs for its various categories of employees. Awards, under award programs, are determined annually based on certain criteria which relate to the performance of employees, individually, or to business divisions.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with employees.

The Group benefited from a motivated workforce and is fully committed to investing in the growth and development of its people. The Group organises training sessions in many disciplines, including SAP, for the benefit of its staff on a worldwide basis to upgrade their skills.

PROSPECTS AND STRATEGIES

Building on the strong trading performance of fiscal 2012, further significant profit improvements were delivered in the current year, with the star performers being the Contract Manufacturing, Magnetic Technologies and Precision Measurement divisions.

Notably, a key feature of these results was the fact that, the Consumer Electronics division aside, sales revenues, overall, were flat year on year and the increase in profitability was generated by manufacturing efficiencies and specific cost reduction initiatives. Of particular significance was the performance of our PRC-based hacksaw blade manufacturing operation. In fiscal 2012, this operation encountered high scrap levels and labour inefficiencies but these problems were successfully addressed and profitability increased as a result.

Steady earnings growth has been achieved over the last four financial years and this has established a sustainable profit and cash flow base that will be a key component in supporting the Group's future growth and development strategies. It is clear, however, that to continue to secure increases in profitability, top line growth must be targeted.

In looking at ways to drive future growth and earnings opportunities, two important points need to be considered. Firstly, UPI has a significant amount of its business footprint in Europe which is a slow growth area. Secondly, our largest operation, Spear & Jackson, has a huge underfunded pension liability which consumes a very high percentage of its cash flow. Low gilt yields have driven up the plan's liabilities and introduced unwelcome volatility into not only the measurement of UPI's consolidated net assets but also, moving forward, the amounts that will have to be contributed by the Company to support the UK defined benefit pension plan.

The Group continues to benefit from zero gearing and net cash generated in the year was HK$34.0 million. This inflow is stated after the inclusion of approximately HK$23.5 million of payments made to the UK defined benefit pension plan in annual contributions and to the UK Pension Protection Fund in respect of annual levies. Given the increase in the pension deficit, these amounts are therefore highly likely to increase.

Putting the European-centric profile of the business and the pension issues together, these two items are an impediment on UPI's growth prospects and the Company's Board of Directors is actively looking at ways to address this issue. When new management came into UPI in June 2010, the aims were to strengthen the balance sheet and to return all continuing divisions to profitability. Those immediate goals have both been accomplished and now is an appropriate time for UPI to consider developing a fresh chapter by implementing new strategies to bring better benefits to shareholders in the future.

In last year's Annual Report we reported a sluggish trading environment for our businesses and there has been little change in world economic conditions in the intervening twelve months. Entering 2014, the global economic landscape is far from certain and it is clear that fragile consumer and industry confidence and softening demand are affecting a number of our operations. We are therefore likely to face continuing margin pressures as a result of labour rate increases, manpower shortages and general cost increases, together with a slowing of orders.

We believe, however, that the Group's diverse portfolio of companies with their strong asset base backed by sound cash flow will help to shield the Group from the worst effects of any adverse market changes. Assuming no significant shift in market conditions or in the Group's strategic direction, we can again see modest growth for UPI in fiscal 2014.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance practices which comply not only with the letter of the regulations, but also with the intent of the regulations, in order to enhance corporate performance and accountability. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. Throughout the year ended 30 September 2013, the Company complied with all applicable code provisions of the CG Code, except for the following deviation:

Under the code provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term. Under the code provision A.4.2 of the CG Code, every Director should be subject to retirement by rotation at least once every three years. Currently, Mr. Ramon Sy Pascual and Dr. Wong Ho Ching, Independent Non-executive Directors, are appointed for a one-year term until the next Annual General Meeting ("AGM"), while other Non-executive Directors are not appointed for a specific term. However, as all Directors are subject to retirement by rotation at least once every three years at each AGM and any new Director appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following AGM of the Company (in the case of an addition to the Board), and they will be eligible for re-election at the meeting under the Bye-Laws of the Company, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are on terms no less exacting than those in the CG Code.

The corporate governance practices adopted by the Company are summarised below:

BOARD OF DIRECTORS

The Board of the Company (the "Board") comprises ten Directors, with five Executive Directors, one Non-executive Director and four Independent Non-executive Directors.

On 14 May 2013, Mr. Anthony Lee and Ms. Kelly Lee were appointed as Non-executive Directors of the Company and Mr. Lan Yen-Po was appointed as an Independent Non-executive Director of the Company.

On 24 June 2013, Mr. Chan Kin Sang and Mr. Liu Ka Lim resigned as Non-executive Directors of the Company. On the same date, Ms. Kelly Lee was re-designated as an Executive Director of the Company.

On 10 October 2013, Mr. Robert Barry Machinist resigned as an Independent Non-executive Director of the Company.

On 6 November 2013, Ms. Hu Gin Ing was appointed as an Independent Non-executive Director of the Company.

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 of the Board, Mr. David Howard Clarke, 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, Mr. Henry Woon-Hoe Lim, is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

Mr. Anthony Lee is the younger brother of Ms. Kelly Lee.

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

During the year, all Directors have received regular updates on the changes to and developments in the relevant laws and regulations applicable to Directors. Additionally, training has been attended by all Directors covering a broad range of topics including updates on accounting reporting standards and discussions about retirement benefit obligations.

During the year, the Company Secretary has taken no less than 15 hours of relevant professional training requirement.

The Board has a balance of skills and experience appropriate for the requirements of the businesses of the Group. All Directors have 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 year ended 30 September 2013, the Board met the requirements of the Listing Rules relating to the appointment of at least three Independent Non–executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has 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 is satisfied that Dr. Wong Ho Ching and Mr. Ramon Sy Pascual, who have been independent non-executive Directors since 1994 and 2003, respectively, are persons of integrity and stature and are independent in character and judgment.

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 previous meeting are prepared and circulated to all the Directors in reasonable time.

The attendance records of the Directors for Board and Committee meetings for the year ended 30 September 2013 are set out below:

	No. of meetings attended/No. of meetings held				
Directors	**Full Board**	**Audit Committee**	**NCGC Committee**	**Remuneration Committee**	**AGM**
Executive Directors:					
Mr. David Howard Clarke *(Chairman)*	6/6	N/A	N/A	N/A	1/1
Mr. Simon Hsu Nai-Cheng *(Executive Vice-Chairman)*	6/6	N/A	4/4	2/2	1/1
Mr. Henry Woon-Hoe Lim *(Chief Executive Officer)*	6/6	N/A	N/A	N/A	1/1
Mr. Patrick John Dyson *(Chief Financial Officer)*	6/6	N/A	N/A	N/A	1/1
Ms. Kelly Lee (re-designated from Non-executive Director on 24 June 2013)	2/2	N/A	N/A	N/A	N/A
Non-executive Directors:					
Mr. Chan Kin Sang (resigned on 24 June 2013)	4/5	N/A	N/A	N/A	1/1
Mr. Liu Ka Lim (resigned on 24 June 2013)	5/5	N/A	N/A	N/A	1/1
Mr. Anthony Lee (appointed on 14 May 2013)	2/2	N/A	N/A	N/A	N/A
Ms. Kelly Lee (appointed on 14 May 2013 and re-designated to Executive Director on 24 June 2013)	0/0	N/A	N/A	N/A	N/A
Independent Non-executive Directors:					
Dr. Wong Ho Ching	5/6	4/5	4/4	2/2	1/1
Mr. Ramon Sy Pascual	5/6	5/5	N/A	2/2	1/1
Mr. Robert Barry Machinist (resigned on 10 October 2013)	6/6	5/5	4/4	N/A	1/1
Mr. Lan Yen-Po (appointed on 14 May 2013)	2/2	N/A	N/A	N/A	N/A
Number of meetings held during the year from 1 October 2012 to 30 September 2013	**6**	**5**	**4**	**2**	**1**

AUDIT COMMITTEE

The Audit Committee was established pursuant to the Company's Bye-Laws and the Listing Rules. Its major duties are to assist 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.

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee comprises three Non-executive Directors, all of whom are Independent Non-executive Directors (within the meaning of the Listing Rules) ("INED"). The Chairman of the Audit Committee during the year ended 30 September 2013 was Mr. Robert Barry Machinist, an INED, who has appropriate experience in financial matters.

During the year ended 30 September 2013, the composition of the Audit Committee was as follows: Mr. Robert Barry Machinist (Chairman of the Audit Committee), Dr. Wong Ho Ching, and Mr. Ramon Sy Pascual. Mr. Robert Barry Machinist resigned as Chairman of the Audit Committee on 10 October 2013. Following his resignation, Ms. Hu Gin Ing was appointed as Chairman of the Committee on 6 November 2013.

The Audit Committee holds meetings at least four times a year, in particular in connection with the release of the annual and interim results of the Group and at such other times as the Audit Committee may determine.

The Audit Committee meets and holds discussions with senior management on the Company's interim and annual financial reports, discusses the audit approach and significant audit and accounting issues with the external auditors at least twice a year, including the accounting principles and practices adopted by the Group, internal controls and financial reporting matters. The Committee meets at least twice a year with the external auditors in the absence of the Executive Directors. The Committee also reviews the appointment of auditors for audit and non-audit related services, and their fees.

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 meets at least twice per annum, and at other times as required.

The Committee comprises three Directors who, in the reasonable opinion of the Board, are able to exercise independent judgment in discharging their duties as a Remuneration Committee member.

The Remuneration Committee comprises: Mr. Ramon Sy Pascual (Chairman of the Remuneration Committee), INED, Dr. Wong Ho Ching, INED and Mr. Simon Hsu Nai-Cheng, Executive Director.

During the year, the Remuneration Committee reviewed and recommended to the Board the current compensation of Directors and senior management and made recommendations in line with the Group's remuneration policy, which seeks to provide fair market remuneration, in form and value, to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure overall comparability and competitiveness with the market, but are largely based on the individual's knowledge, capability, responsibilities and performance, and are also determined by reference to the profits and performance of the relevant Group company.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE ("NCGC")

The NCGC 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 NCGC 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.

During the year ended 30 September 2013, the NCGC Committee comprised Dr. Wong Ho Ching (Chairman of the NCGC Committee), INED, Mr. Robert Barry Machinist, INED, and Mr. Simon Hsu Nai-Cheng, Executive Director. On 10 October 2013, Mr. Robert Barry Machinist resigned as member of the Committee. On 6 November 2013, Ms. Hu Gin Ing was appointed as a member of the Committee.

The NCGC Committee meets at least twice a year and reviews and recommends the composition of Board Committees, nominates members of each committee and evaluates the performance of each Director and Board committee (other than NCGC members and NCGC Committee), and the performance of the Board as a whole. The criteria for the Committee to select and recommend candidates for directorship include the candidate's skill, knowledge and experience in relevant areas, the number of directorships of listed companies held by the candidate, the time commitment required, and whether the candidate can demonstrate a level of competence and integrity required for the position of Director.

The Board has also reviewed the Company's corporate governance policies and practices, training and continuing professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the related written employee guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Board is also characterised by significant diversity, in terms of gender, nationality, professional background and skills.

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 of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year under review.

Employees who are likely to be in possession of inside information about the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code. No incident of non- compliance of the guidelines by the employees was noted by the Company.

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 year ended 30 September 2013. The internal control system is designed to ensure proper maintenance of accounting records and reliability of financial reporting, ensure 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 year, 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 are 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 year.

AUDITOR'S REMUNERATION

The Company's auditor is BDO Limited. The remuneration paid and payable to BDO Limited in respect of audit services and non-audit services for the year ended 30 September 2013 amounted to approximately HK$3,532,000 and HK$2,270,000, respectively.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the accounts for the year ended 30 September 2013. The auditor of the Company acknowledges its reporting responsibilities on the financial statements for the year ended 30 September 2013 as set out in the Independent Auditor's Report on pages 44 and 45.

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.

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 on the Group. All key information such as announcements, annual and interim reports 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 1903-05, 19/F Nan Fung Tower, 173 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 office in Hong Kong at Unit 1903-05, 19/F Nan Fung Tower, 173 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 publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at Unit 1903-05, 19/F Nan Fung Tower, 173 Des Voeux Road Central.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

DIRECTORS' REPORT

The Board of Directors (the "Directors") is pleased to present its report and the audited consolidated financial statements for the year ended 30 September 2013.

PRINCIPAL ACTIVITIES

United Pacific Industries Limited ("United Pacific Industries", "UPI", or the "Company") is a diversified investment holding company. The principal operations of the Company and its subsidiaries (the "Group") are set out on pages 13 to 17 of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2013 are set out in the consolidated income statement on page 46 and the accompanying notes to the consolidated financial statements.

FINANCIAL SUMMARY

A financial summary of the Group is set out on pages 146 and 147.

SHARE CAPITAL

Details of the Company's share capital are set out in note 35 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 52.

At 30 September 2013, the Company's reserves, for distribution purposes, showed a surplus of HK$59,140,000 comprising an accumulated loss of HK$11,771,000 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 account 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.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Mr. David Howard Clarke *(Chairman)*
Mr. Simon Hsu Nai-Cheng *(Executive Vice-chairman)*
Mr. Henry Woon-Hoe Lim *(Chief Executive Officer)*
Mr. Patrick John Dyson *(Chief Financial Officer)*
Ms. Kelly Lee (re-designated from Non-executive Director to Executive Director on 24 June 2013)

Non-executive Directors:

Mr. Anthony Lee (appointed on 14 May 2013)
Ms. Kelly Lee (appointed on 14 May 2013, re-designated as Executive Director on 24 June 2013)
Mr. Chan Kin Sang (resigned on 24 June 2013)
Mr. Liu Ka Lim (resigned on 24 June 2013)

Independent Non-executive Directors:

Dr. Wong Ho Ching
Mr. Ramon Sy Pascual
Mr. Lan Yen-Po (appointed on 14 May 2013)
Ms. Hu Gin Ing (appointed on 6 November 2013)
Mr. Robert Barry Machinist (resigned on 10 October 2013)

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 ("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"), Mr. Henry Woon-Hoe Lim, Mr. Patrick John Dyson, Mr. Ramon Sy Pascual (Mr. "Pascual") and Dr. Wong Ho Ching ("Dr. Wong") will retire as Directors at the forthcoming Annual General Meeting ("AGM"). All of them, being eligible, will offer themselves for re-election.

In accordance with Bye-Law 115 of the Company's Bye-Laws, Mr. Anthony Lee, Ms. Kelly Lee, Mr. Lan Yen-Po and Ms. Hu Gin Ing hold office until the forthcoming AGM. All of them, being eligible, will offer themselves for re-election. All other Directors will continue in office.

Dr. Wong, who was re-elected as an Independent Non-executive Director at the last AGM for a one year term until the next AGM, will retire at the AGM, and being eligible, offers himself for re-election pursuant to Bye-Law 111(A) of the Bye-Laws. As Dr. Wong has been an Independent Non-executive Director since 1994, the re-election of Dr. Wong is subject to a separate resolution to be approved by the shareholders in compliance with Code Provision A.4.3 of the CG Code. Notwithstanding that Dr. Wong has served the Company continuously since 1994, the Board is satisfied that Dr. Wong is a person of integrity and stature and independent in character and judgment. He is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgment. Consequently, the Board recommends the re-election of Dr. Wong as an Independent Non-executive Director at the AGM.

Mr. Pascual, who was re-elected as an Independent Non-executive Director at the last AGM for a one year term until the next AGM, will also retire at the AGM, and being eligible, offer himself for re-election pursuant to Bye-Law III(A) of the Bye-Laws.

As Mr. Pascual has been an Independent Non-executive Director since 2003, his re-election is subject to a separate resolution to be approved by the Shareholders in compliance with code provision A.4.3 of the CG Code. Notwithstanding that Mr. Pascual has served the Company continuously since 2003, the Board is satisfied that Mr. Pascual is a person of integrity and stature, and independent in character and judgment. He is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgment. Consequently, the Board recommends the re-election of Mr. Pascual as an Independent Non-executive Director at the AGM.

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.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 30 September 2013, the interests of the Directors of the Company and their associates in the shares, underlying shares comprised in options and debentures 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 of Hong Kong Limited (the "SEHK") 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, to be notified to the Company and the SEHK, were as follows:

Long Positions

(a) Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of ordinary Shares held	Percentage interest in the Company's issued share capital
Mr. Anthony Lee	Beneficial owner	281,313,309	27.92%
Mr. David Howard Clarke	Interest in a controlled corporation (Note)	11,581,200	1.15%
Mr. Simon Hsu Nai-Cheng	Beneficial owner	11,397,606	1.13%
Mr. Patrick John Dyson	Beneficial owner	2,028,191	0.20%
Mr. Henry Woon-Hoe Lim	Beneficial owner	1,026,000	0.10%

Note: These shares are held by GSB Holdings, Inc. ("GSBH"). Mr. David Howard Clarke has a controlling 61.4% equity interest in Great South Beach Improvement Co. which has a beneficial interest in the entire issued share capital of GSBH.

(b) Share options of the Company

Name of directors	Capacity	Number of options held	Number of underlying shares	Percentage interest in the Company's issued share capital
Mr. David Howard Clarke	Beneficial owner	6,000,000	6,000,000	0.60%
Mr. Simon Hsu Nai-Cheng	Beneficial owner	4,500,000	4,500,000	0.45%
Mr. Henry Woon-Hoe Lim	Beneficial owner	3,000,000	3,000,000	0.30%

Other than as disclosed above, and except for nominee shares in certain subsidiaries held in trust for the Group at 30 September 2013, neither the Directors nor any of their associates, had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2013, so far as the Directors are aware, no shareholder (other than Directors whose interests are disclosed above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) Pursuant to a special general meeting of the Company held in April 1994, the Company adopted an executives' share option scheme (the "1994 Scheme") for the primary purpose of providing incentives to the Executive Directors and eligible employees of the Company and its subsidiaries. According to the 1994 Scheme, the Board of Directors of the Company is authorised, at any time within ten years after the adoption date of the 1994 Scheme, to grant options to eligible participants to subscribe for shares in the Company at a subscription price equal to the higher of the nominal value of the shares and an amount, to be determined by a committee administering the 1994 Scheme, which is not less than 80% of the average of the closing prices of the shares on the SEHK on the five trading days immediately preceding the date of the options are offered to the participant.

The details of the exercise price and the number of options outstanding during the year which have been granted to the Directors of the Company and employees of the Group under the 1994 Scheme, adjusted for capital changes in 2009, are as follows:

			Number of Option Shares		
Name	Date of Grant	Exercise Price HK$	Outstanding at 1.10.2012	Exercised during the year	Outstanding at 30.9.2013
Mr. Simon Hsu Nai-Cheng	23.7.2003	0.286	3,773,165	3,773,165	–

All the options granted have vested and have been exercised during the year. No options were cancelled or lapsed under the 1994 Scheme during the year.

(b) At a special general meeting of the Company held on 30 August 2004, a new share option scheme was adopted (the "2004 Scheme"). The Board is authorised to grant options to eligible Executive Directors and employees of the Company and its subsidiaries (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 "Stock Limit"). The Stock 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 2.14% of the Company's shares in issue.

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.

On 18 June 2012, the company granted 13,500,000 share options to certain Executive Directors under the share option scheme of the Company adopted on 30 August 2004. These options entitle the grantees to subscribe for a total of 13,500,000 new ordinary shares with a nominal value of HK$0.10 per share in the share 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 three equal tranches on the first, second and third anniversary of the date of the grant.

The details of the exercise price and number of options outstanding during the year which have been granted to the Directors of the Company and employees of the Group under the 2004 Scheme, adjusted for capital changes in 2008 and 2009, are as follows:

Name	Date of Grant	Exercise Price per share HK$	Outstanding at 1.10.2012	Exercised during the year	Lapsed during the year	Outstanding at 30.9.2013
Mr. David Howard Clarke	28.9.2004	0.193	1,030,331	(1,030,331)	–	–
	20.12.2004	0.198	875,780	(875,780)	–	–
	18.6.2012	0.313	6,000,000	–	–	6,000,000
Mr. Simon Hsu Nai-Cheng	28.9.2004	0.193	4,121,320	(4,121,320)	–	–
	20.12.2004	0.198	3,503,121	(3,503,121)	–	–
	18.6.2012	0.313	4,500,000	–	–	4,500,000
Mr. Henry Woon-Hoe Lim	18.6.2012	0.313	3,000,000	–	–	3,000,000
			23,030,552	(9,530,552)	–	13,500,000
Other employees	28.9.2004	0.193	412,131	(412,131)	–	–
	20.12.2004	0.198	350,313	(350,313)	–	–
			23,792,996	(10,292,996)	–	13,500,000

The options granted on 28 September 2004 and 20 December 2004 are vested for a period of three years immediately after the date of grant by one-third on each anniversary and are fully vested on 27 September 2007 and 19 December 2007, respectively. Options granted on those dates are exercisable subject to the vesting conditions stated above but not exceeding ten years from the date of grant.

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

For details of the above share option schemes, please refer to note 36 to the consolidated financial statements.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries 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 year.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the outstanding but unvested share options as set out above, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 30 September 2013 and there has been no exercise of convertible securities, options, warrants or similar rights during the year.

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

The Company has not purchased, sold or redeemed any of the Company's listed securities during the year. Pantronics Holdings Limited, a subsidiary undertaking of the Company, sold 1,072,000 of the Company's ordinary shares of HK$0.10 each ("Treasury Shares") in the year under review.

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

For the year under review, sales to the largest customer and the five major customers accounted for 14% and 32%, respectively, of total revenues for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 9% and 21%, respectively, of total purchases for the year.

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

EMOLUMENT POLICY

The emolument policy of Group 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. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 36 to the consolidated financial statements.

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 year under review up to the date of this 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 30 to 36.

CONFIRMATION OF 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

BDO Limited was appointed as auditor of the Group on 14 December 2010 to fill a casual vacancy occasioned by the resignation of Grant Thornton Hong Kong ("GTHK"). The reason for the change of auditor was due to a merger of the practices of GTHK with BDO Limited, the member firm of the global BDO network.

BDO Limited has expressed its willingness to continue in office and will seek re-election as auditor of the Company at the forthcoming AGM.

On behalf of the Board

DAVID HOWARD CLARKE
CHAIRMAN
Hong Kong, 9 December 2013

INDEPENDENT AUDITOR'S REPORT

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 (together "the Group") set out on pages 46 to 145, which comprise the consolidated and company statements of financial position as at 30 September 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies 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 judgement, 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 state of affairs of the Company and of the Group as at 30 September 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number: P04434
Hong Kong, 9 December 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**1,480,767**	1,468,610
Cost of sales		**(1,039,831)**	(1,030,994)
Gross profit		**440,936**	437,616
Other income	6	**7,530**	4,354
Interest income	7	**12,395**	11,796
Selling and distribution costs		**(226,918)**	(223,534)
Administrative costs		**(133,383)**	(144,058)
Restructuring costs	8	**(3,916)**	(3,284)
Finance costs	9	**(3,345)**	(3,921)
Share of results of an associate	21	**6,922**	4,452
Realised exchange differences on the liquidation of a subsidiary undertaking recycled from other comprehensive income		**1,186**	600
Cash flow hedge recycled from other comprehensive income		**(839)**	1,361
Profit before tax	10	**100,568**	85,382
Income tax charge	12	**(27,518)**	(24,808)
Profit for the year		**73,050**	60,574
Attributable to Owners of the Company		**73,050**	60,574
Earnings per share	15		
Basic		**7.42 cents**	6.20 cents
Diluted		**7.42 cents**	6.18 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**73,050**	60,574
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Recognition of actuarial gains/(losses) on defined benefit pension plan, net of tax	**15,917**	(99,724)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of foreign operations	**(2,759)**	9,856
Cash flow hedge loss recognised in equity	**(351)**	(839)
Cash flow hedge recycled to the income statement	**839**	(1,361)
Deficit on revaluation of available-for-sale financial assets	**(681)**	(113)
Realised exchange differences on the liquidation of a subsidiary undertaking recycled to the income statement	**(1,186)**	(600)
Other comprehensive income for the year, net of tax	**11,779**	(92,781)
Total comprehensive income for the year attributable to the Owners of the Company	**84,829**	(32,207)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**177,694**	187,854
Prepaid land lease payments under operating leases	17	**459**	494
Goodwill	18	**2,419**	2,432
Other intangible assets	19	**75**	164
Interest in an associate	21	**10,052**	7,007
Available-for-sale financial assets	22	**1,921**	2,593
Deferred tax assets	34	**48,005**	72,203
		240,625	272,747
Current assets			
Inventories	23	**289,815**	272,735
Trade and other receivables	24	**295,593**	281,915
Pledged bank deposits	26	**–**	5,000
Cash and cash equivalents	27	**187,565**	151,357
		772,973	711,007
Current liabilities			
Trade and other payables	28	**266,297**	251,911
Interest-bearing bank borrowings – amounts due within one year	29	**63,020**	57,103
Obligations under finance leases – amounts due within one year	30	**6,112**	8,127
Provisions	31	**3,860**	4,121
Derivative financial instruments	25	**351**	2,874
Tax payable		**13,478**	9,020
		353,118	333,156
Net current assets		**419,855**	377,851
Total assets less current liabilities		**660,480**	650,598

	Note	**2013**	2012
		HK$'000	HK$'000
Non-current liabilities			
Interest-bearing bank borrowings – amounts due after one year	29	**–**	2,400
Obligations under finance leases – amounts due after one year	30	**4,847**	9,104
Retirement benefit obligations	33	**189,627**	245,217
Deferred tax liabilities	34	**10,140**	11,973
		204,614	268,694
Net assets		**455,866**	381,904
Capital and reserves			
Share capital	35	**100,744**	99,338
Reserves	37(a)	**355,122**	282,566
Total equity attributable to Owners of the Company		**455,866**	381,904

The consolidated financial statements on pages 46 to 145 were approved and authorised for issue by the Board of Directors on 9 December 2013 and are signed on its behalf by:

DAVID HOWARD CLARKE
DIRECTOR

PATRICK JOHN DYSON
DIRECTOR

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**295**	377
Investment in subsidiaries	20	**97,802**	97,802
Available-for-sale financial assets	22	**1,194**	1,875
		99,291	100,054
Current assets			
Trade and other receivables	24	**595**	647
Amounts due from subsidiaries	20	**220,351**	216,766
Cash and cash equivalents		**18,641**	26,762
		239,587	244,175
Current liabilities			
Trade and other payables	28	**7,441**	6,859
Amounts due to subsidiaries	20	**127,261**	128,987
		134,702	135,846
Net current assets		**104,885**	108,329
Total assets less current liabilities		**204,176**	208,383
Net assets		**204,176**	208,383
Capital and reserves			
Share capital	35	**100,744**	99,338
Reserves	37(b)	**103,432**	109,045
Total equity attributable to Owners of the Company		**204,176**	208,383

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium* HK$'000	Treasury share reserve* HK$'000	Share option reserve* HK$'000	Other reserve* HK$'000	Capital redemption reserve* HK$'000	Capital reserve* HK$'000	Trans-lation reserve* HK$'000	Hedging reserve* HK$'000	Investment revaluation reserve* HK$'000	Accum-ulated profits* HK$'000	Total HK$'000
At 1 October 2011	99,185	40,050	(5,365)	528	–	1,442	19,870	(62,342)	1,361	–	323,842	418,571
Dividends paid (note 13)	–	–	–	–	–	–	–	–	–	–	(4,887)	(4,887)
Exercise of share options	153	145	–	–	–	–	–	–	–	–	–	298
Share-based compensation expense	–	–	–	129	–	–	–	–	–	–	–	129
Transactions with Owners	153	145	–	129	–	–	–	–	–	–	(4,887)	(4,460)
Profit for the year	–	–	–	–	–	–	–	–	–	–	60,574	60,574
Other comprehensive income:												
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	–	9,856	–	–	–	9,856
Cash flow hedges – changes in fair value recognised in the year (note 25)	–	–	–	–	–	–	–	–	(839)	–	–	(839)
Cash flow hedges recycled to the income statement (note 25)	–	–	–	–	–	–	–	–	(1,361)	–	–	(1,361)
Realised exchange differences on the liquidation of a subsidiary undertaking recycled to the income statement	–	–	–	–	–	–	–	(600)	–	–	–	(600)
Deficit on revaluation of available-for-sale financial assets	–	–	–	–	–	–	–	–	–	(113)	–	(113)
Recognition of actuarial losses on defined benefit pension plan, net of tax	–	–	–	–	–	–	–	–	–	–	(99,724)	(99,724)
Total comprehensive income for the year	–	–	–	–	–	–	–	9,256	(2,200)	(113)	(39,150)	(32,207)
At 30 September 2012	99,338	40,195	(5,365)	657	–	1,442	19,870	(53,086)	(839)	(113)	279,805	381,904

	Share capital HK$'000	Share premium* HK$'000	Treasury share reserve* HK$'000	Share option reserve* HK$'000	Other 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	Accumulated profits* HK$'000	Total HK$'000
At 30 September 2012	**99,338**	**40,195**	**(5,365)**	**657**	**–**	**1,442**	**19,870**	**(53,086)**	**(839)**	**(113)**	**279,805**	**381,904**
Dividends paid (note 13)	–	–	–	–	–	–	–	–	–	–	(14,777)	(14,777)
Exercise of share options	1,406	2,211	–	(528)	–	–	–	–	–	–	–	3,089
Share-based compensation expense	–	–	–	384	–	–	–	–	–	–	–	384
Sale of treasury shares	–	–	397	–	40	–	–	–	–	–	–	437
Transactions with Owners	1,406	2,211	397	(144)	40	–	–	–	–	–	(14,777)	(10,867)
Profit for the year	–	–	–	–	–	–	–	–	–	–	73,050	73,050
Other comprehensive income:												
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	–	(2,759)	–	–	–	(2,759)
Cash flow hedges – changes in fair value recognised in the year (note 25)	–	–	–	–	–	–	–	–	(351)	–	–	(351)
Cash flow hedges recycled to the income statement (note 25)	–	–	–	–	–	–	–	–	839	–	–	839
Realised exchange differences on the liquidation of a subsidiary undertaking recycled to the income statement	–	–	–	–	–	–	–	(1,186)	–	–	–	(1,186)
Deficit on revaluation of available-for-sale financial assets	–	–	–	–	–	–	–	–	–	(681)	–	(681)
Recognition of actuarial gains on defined benefit pension plan, net of tax	–	–	–	–	–	–	–	–	–	–	15,917	15,917
Total comprehensive income for the year	–	–	–	–	–	–	–	(3,945)	488	(681)	88,967	84,829
At 30 September 2013	**100,744**	**42,406**	**(4,968)**	**513**	**40**	**1,442**	**19,870**	**(57,031)**	**(351)**	**(794)**	**353,995**	**455,866**

* The total of reserves at 30 September 2013 is HK$355,122,000 (2012 – HK$282,566,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities:			
Profit before tax		**100,568**	85,382
Adjustments for:			
Interest income		**(1,432)**	(957)
Interest on interest-bearing bank borrowings and overdrafts		**2,655**	3,122
Interest on obligations under finance leases		**690**	799
Interest credit on retirement benefit obligations		**(10,963)**	(10,839)
Retirement benefit plan expenses		**3,497**	2,940
Share of results of an associate		**(6,922)**	(4,452)
Gain on disposal of property, plant and equipment		**–**	(34)
Amortisation of other intangible assets		**165**	390
Depreciation of property, plant and equipment		**20,609**	20,405
Amortisation of prepaid land lease payments under operating leases		**35**	35
(Reversal of impairment loss)/impairment loss on trade receivables		**(597)**	161
Impairment loss on inventories		**3,304**	243
Cash flow hedge recycled to the income statement		**839**	(1,361)
Share-based compensation expenses		**384**	129
Realised exchange differences on the liquidation of a subsidiary undertaking recycled to the income statement		**(1,186)**	(600)
Restructuring costs charged to the income statement		**3,916**	3,284
Operating cash flows before movements in working capital		**115,562**	98,647
(Increase)/decrease in inventories		**(24,534)**	7,720
Increase in trade and other receivables		**(18,363)**	(26,669)
Increase in trade and other payables		**16,124**	13,877
Restructuring costs paid		**(4,328)**	(3,654)
Employer contributions to the defined benefit pension plan		**(19,112)**	(12,218)
Net cash generated from operations		**65,349**	77,703
Income tax paid		**(8,161)**	(7,249)
Net cash generated from operating activities		**57,188**	70,454

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(7,787)**	(8,071)
Interest received		**1,440**	957
Proceeds from disposal of property, plant and equipment		**–**	44
Dividend received from an associate		**3,737**	2,737
Deferred contingent consideration paid for the acquisition of a subsidiary		**(1,101)**	(1,503)
Release of pledged bank deposits		**5,000**	–
Purchase of intangible assets		**(84)**	–
Purchase of available-for-sale financial assets		**–**	(1,967)
Net cash generated from/(used in) investing activities		**1,205**	(7,803)
Cash flows from financing activities:			
Principal repayment of obligations under finance leases		**(8,467)**	(7,803)
Interest paid on interest-bearing bank borrowings and bank overdrafts		**(2,977)**	(3,122)
Interest paid on obligations under finance leases		**(690)**	(799)
Net cash inflow/(outflow) in trust receipts and export loans		**1,227**	(3,557)
Repayment of bank borrowings		**(2,400)**	(38,792)
Dividends paid	13	**(14,777)**	(4,887)
New bank borrowings raised		**–**	18,367
Proceeds from exercise of share options		**3,089**	298
Increase/(decrease) in invoice discounting facility		**2,791**	(8,054)
Sale of treasury shares		**437**	–
Net cash used in financing activities		**(21,767)**	(48,349)
Net increase in cash and cash equivalents		**36,626**	14,302
Effect of foreign exchange rates		**(1,760)**	1,208
Cash and cash equivalents at 1 October		**138,139**	122,629
Cash and cash equivalents at 30 September		**173,005**	138,139
Analysis of the balance of cash and cash equivalents:			
Cash and cash equivalents	27	**187,565**	151,357
Bank overdrafts	29	**(14,560)**	(13,218)
		173,005	138,139

Details of major non-cash transactions are set out in note 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. 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 "HKEx"). 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. Its subsidiaries are principally engaged in: 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"). These five business segments are the basis upon which the Group reports its primary segment information. Details of the principal activities of the Company's subsidiaries are set out in note 20.

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

The consolidated financial statements for the current period cover the twelve months ended 30 September 2013.

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 ("HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the HKEx (the "Listing Rules").

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 October 2012.

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

The Group has concluded that the adoption of the new and revised HKFRSs, to the extent that they are relevant to the Group, have had no significant impact on the Group's results of operations and financial position.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle [(1)]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [(2)]
Amendments to HKAS 36	Recoverable Amount Disclosure for Non-financial Assets [(2)]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities [(1)]
HKFRS 9	Financial Instruments [(3)]
HKFRS 10	Consolidated Financial Statements [(1)]
HKFRS 12	Disclosure of Interests in Other Entities [(1)]
HKFRS 13	Fair Value Measurement [(1)]
HKAS 27 (2011)	Separate Financial Statements [(1)]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [(1)]
HKAS 19 (2011)	Employee Benefits [(1)]
Amendments to HKFRS 1	Government Loans [(1)]

Notes:

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements contain amendments to four standards which are applicable to the Group as follows:

(i) *HKAS 1 Presentation of Financial Statements*

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) *HKAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) *HKAS 32 Financial Instruments: Presentation*

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances, these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) *HKAS 34 Interim Financial Reporting*

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment needs to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that 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.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". This change may result in more plans being classified as long-term employee benefit plans that will need to be accounted for in a similar way to defined benefit plans as detailed in note 33 to these financial statements. HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs. This could lead to later recognition of voluntary termination benefits in some cases.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. Based on the Directors' preliminary assessment, when the Group applies the amendments to HKAS 19 for the first time for the year ending 30 September 2014, profit after tax for the year ended 30 September 2013 would be reduced by HK$21,206,000, the other comprehensive income for that year would be increased by HK$17,999,000 and the net assets at 30 September 2012 would be increased by HK$21,896,000. The increase in net assets of HK$18,689,000 at 30 September 2013 would be reflected in both the retirement benefit obligation and deferred tax asset at that date.

This net effect reflects a number of adjustments: (a) recognition of expected return on plan assets in other comprehensive income; (b) deducting costs relating to the management of plan assets from the return on plan assets and recognising other administrative costs as period costs when incurred and a decrease in the net pension deficit; (c) immediate recognition of past service cost in profit or loss and an increase in the net pension deficit; and (d) reversal of the difference between the gain arising from the expected rate of return on pension plan assets and the discount rate through profit or loss.

3. 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 2.

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities, 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 judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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 30 September each year.

Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

The results of subsidiaries acquired or disposed of during the year are included in the income statement 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.

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination 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 income statement 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.

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.

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

Business combinations *(Continued)*

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.

Goodwill

Goodwill arising on the acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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.

The result 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 income statement.

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.

3. 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 accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

(d) Royalty income from the use of certain brand names and patents, is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Property, plant and equipment

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

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.

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.

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 income statement.

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 income statement during the financial period in which they are incurred.

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

Other intangible assets

Intangible assets include externally acquired intellectual property rights and purchased goodwill. They are initially recognised at cost. After initial recognition, they are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of one to ten years. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the intellectual property rights to which it relates. All other expenditure is expensed as 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 income statement.

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 classed as 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.

3. 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, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income statement 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 affect 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 losses 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.

3. 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 income statement. Any impairment loss on available-for-sale financial assets is recognised in the income statement. 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 income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

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 losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in the income statement 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.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are 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 income statement.

3. 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 borrowings 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 accumulated 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.

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 income statement.

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 income statement.

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

Financial instruments *(Continued)*

Derivative financial instruments and hedging

The Group uses derivative financial instruments (forward foreign exchange contracts) to hedge its risks associated with foreign currency fluctuations.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income. The ineffective portion of any gain or loss is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from other comprehensive income and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from other comprehensive income and recognised in the income statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised.)

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from other comprehensive income and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedge forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in the income statement.

Derivative financial instruments that do not qualify for hedge accounting are classified as held-for-trading and carried at fair value, with changes in fair value included in the income statement. Trading derivatives are classified as a current asset or liability.

Any gains or losses arising from changes in the fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

3. 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 income statement 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

3. 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 reflect 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 income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement 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.

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 income statement, 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.

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

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 income statement 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 income statement 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. Goodwill arising on the acquisitions of foreign operation before 1 April 2005 has been translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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 losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

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

Leases *(Continued)*

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rentals are credited to the income statement in the accounting period in which they are earned.

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 income statement.

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 income statement 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 Group'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 income statement as they become payable in accordance with the rules of the central pension scheme.

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 contributions are charged to the income statement as they become payable in accordance with the rules of the separate schemes.

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

Retirement benefits costs *(Continued)*

The Group's UK subsidiary company, Spear & Jackson Limited operates a defined benefit retirement benefit plan covering certain of the employees in its UK based subsidiaries. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in other comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

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 income statement 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 accumulated 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 income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement 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.

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

Related parties

For the purposes of these financial statements:

(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).

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.

3. 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.

The Group's principal segments for internal reporting purposes are: the contract manufacture, 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"). These five business segments are the basis upon which the Group reports its primary segment information.

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.

4. 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.

Income taxes

The Group is required to recognise a provision for income taxes based upon the taxable income and temporary differences for each of the tax jurisdictions in which it operates and for all discrete reportable income streams within those jurisdictions. This process requires a calculation of taxes payable and an analysis of temporary differences between the book and tax bases of all assets and liabilities, including various accruals, allowances, depreciation and amortisation. The tax effect of these temporary differences and the estimated tax benefit arising from the Group's tax net operating losses are reported as deferred tax assets and liabilities in the consolidated statement of financial position.

The Group has approximately thirty income streams within its subsidiary companies for which individual income tax computations are required. Certain of these income streams have taxable losses brought forward from earlier periods that are available for set off against current period earnings arising within those streams. Aggregating these individual income tax calculations derives the income tax charge or credit that appears in the Group's consolidated financial statements.

Because of the streamed approach that is applied to the Group's earnings for the purpose of calculating its overall taxation liability, significant movements in the effective rate of income tax can arise despite consolidated pre-tax earnings remaining constant between one reporting period and the next. Factors giving rise to such fluctuations include:

(a) Periodic variations in the geographical location of earnings. For example, losses incurred in any of the UK subsidiaries in a period may be set off against profits arising in other UK entities in the same period. Where individual UK profit streams are in excess of UK losses, all the losses can be absorbed. If the UK taxable losses exceed UK taxable profits the excess losses cannot, however, be surrendered to non-UK companies. A situation may therefore arise whereby a reduction in the level of profitability of the UK subsidiaries from one reporting period to the next could be matched by an increase in earnings in, say, the French affiliate. Although the overall total of consolidated pre-tax earnings in the two periods remains unaltered, a higher effective tax charge may result as a consequence of excess UK tax losses arising in the second period, which cannot be offset against the French earnings. The French earnings thus remain unsheltered and attract taxation at the local statutory rate. The excess UK losses may not give rise to a taxation credit if a carry forward of the losses as a deferred tax asset cannot be justified through doubts concerning their ultimate utilisation against future profits and a higher period tax charge will follow.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Income taxes *(Continued)*

(b) Variations in the amount of expenses not allowed to be treated as a deduction for income tax purposes. The level of such permanently disallowable items can vary substantially period to period as a result, for example, of the incidence of substantial one-off legal and professional fees incurred on non-trading items.

(c) Higher or lower levels of profit arising in entities having the benefit of trading losses which have not been capitalised as a deferred tax asset because of doubts concerning their short term realisation against future profits.

The Company has recorded significant deferred tax assets in its current and prior year consolidated statements of financial position. A review of all available positive and negative evidence is undertaken by the Group at the end of each reporting period to determine the likelihood of realising the deferred tax benefits which potentially arise on its property, plant and equipment, the UK pension defined benefit plan, accruals and allowances, inventories and tax loss carry forwards.

Such reviews consider the available positive and negative evidence, and comprise all those factors believed to be relevant, including the Group's recent operating results and its expected future profitability, including the impact of its manufacturing restructuring strategies. Based on these reviews, the Group can then determine whether there is a reasonable expectation that it will generate sufficient future taxable income such that its gross deferred tax assets relating to property, plant and equipment, the UK pension defined benefit plan, accruals and allowances and inventories are likely to be realised.

The Group will continue to review the recoverability of its deferred tax assets and, based on such periodic reviews, the Group could recognise a change in the valuation allowance relating to its deferred tax assets in the future should, for example, estimates of forecast taxable income be reduced or other favourable or adverse events occur.

Provisions

The Group recognises provisions based on the best estimate of the expenditure required to settle the present obligation at the end of each reporting period which is the amount that the Group would pay to settle the obligation at the end of each reporting period or to transfer it to a third party at that time. The estimates of the outcome and the financial effect are determined by the judgement of the management of the Company, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the end of each reporting period. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various estimation methods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Foreign currency translation

The functional currency of each of the Group's foreign operations is the local currency. The consolidated financial statements of the Group are denominated in Hong Kong Dollars.

Changes in exchange rates between UK Sterling, the Euro, the Chinese Yuan, the New Zealand Dollar, the Australian Dollar, the US Dollar and the Hong Kong Dollar will affect the translation of the UK, French, Chinese, New Zealand, Australian and American subsidiaries' financial results into Hong Kong Dollars for the purposes of reporting the consolidated financial results.

The process by which each foreign subsidiary's financial results are translated into Hong Kong Dollars is as follows: income statement accounts are translated at average monthly exchange rates for the period; statement of financial position asset and liability accounts are translated at the end of each reporting period exchange rates; and equity accounts are translated at historical exchange rates.

The Hong Kong Dollar statement of financial position and income statement financial data could therefore be subject to material fluctuations year on year as a result of significant movements in the cross rate between the HK Dollar and the various source functional rates used in the consolidation.

Translation adjustments arising from the use of differing exchange rates from period to period are included in the translation reserve in the other comprehensive income. Management has decided not to hedge against the impact of exposures giving rise to these translation adjustments as such hedges may impact upon the Company's cash flow compared to the translation adjustments which do not affect cash flow in the medium term.

Retirement benefit costs

The Group operates a contributory defined benefit plan covering certain of its employees in the UK based subsidiaries of Spear & Jackson Limited.

Company pension contributions to the Plan are determined by the Trustees of the Plan after consultation with the Plan's actuary with the agreement of the principal employer and the UK Pension Regulator. Contribution levels are set with the intention of eliminating the past service deficit in accordance with relevant regulatory requirements. The Company's funding policy with respect to the Plan is to contribute annually the maximum affordable amount with the intention of clearing the deficit over the shortest period possible and in accordance with applicable UK law and pension regulations. In addition to cash contributions made into the Plan, a charge has been executed in favour of the Plan representing 50% of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, England (note 39).

The Group's annual contributions for the year ended 30 September 2013 amounted to £1.5 million Sterling (approximately HK$19.1 million) (2012 – £1.1 million (approximately HK$12.2 million)).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Retirement benefit costs *(Continued)*

In accordance with the current Schedule of Contributions, from 1 April 2013 the annual rate of contribution will be £2.1 million (approximately HK$26.0 million) and this will increase each year at a rate of 4.2% for the remainder of the recovery period, currently estimated to be 17 years.

These contributions are based on the recovery of a deficit of £24.5 million (approximately HK$303 million) shown by the triennial actuarial valuation at 5 April 2010. The latest triennial valuation at 5 April 2013 is still to be finalised but the draft valuation shows a significantly increased deficit which will require the agreement of a revised contribution schedule incorporating increased annual pension contributions from the Company.

This revised contribution schedule will also be subject to UK Pension Regulatory approval and may be liable to revision and amendment in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of the Plan's investments and liabilities and the financial strengths and cash flow requirements of the Plan's sponsoring employers.

The above contribution schedule is subject to amendment should current economic and company circumstances change. Revisions to the assumptions used to measure liabilities or movements in the market value of the Plan's investments may cause the carrying value of the Plan's deficit to move significantly and, with it, the amount of annual contributions that the Group is required to put into the Plan.

The Plan's assets are invested primarily in equity securities and fixed-income government and corporate securities. At present, the Plan has pension liabilities that exceed its assets. Under applicable law, the Group is required to make cash contributions to an underfunded pension plan to the extent necessary to comply with minimum funding requirements imposed by regulatory demands. The amount of such cash contributions is based on an actuarial valuation of the Plan.

A number of statistical and other factors which attempt to anticipate future events are used by the actuaries in calculating the expense and liability related to the Plan. These factors include assumptions about the discount rate, and expected return on the Plan's assets as determined by the Group, within certain guidelines, and in conjunction with the Group's actuarial consultants and auditor. Our actuarial consultants also use subjective factors such as withdrawal and mortality rates to estimate the expense and liability related to these Plans. The actuarial assumptions used by the Group may differ significantly, either favourably or unfavourably, from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants.

The funding status of the Plan can therefore alter as a result of changes in the actuarial assumptions used, changes in market conditions and a number of other factors. The Group cannot provide assurance that the value of the Plan's assets, or the investment returns on those assets, will continue to be sufficient in the future. It is therefore possible that the Group may be required to make significant additional cash contributions to the Plan which would reduce the cash available for other business requirements, or that the Group will have to recognise a significant pension liability adjustment which would decrease the net assets of the Group.

The use of different assumptions may have a significant impact on the measurement of the income statement pension expense and the statement of financial position pension liability that are to be recognised in the Group's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Retirement benefit costs *(Continued)*

Certain of these assumptions have judgemental aspects. There is, therefore, the potential for a range of acceptable values to be available for several of the assumptions at any time, all of which could be justified and considered appropriate for the purposes of compiling the necessary disclosures under HKAS 19.

The range of possible acceptable assumptions reflects, inter alia, degrees of optimism and caution that the actuaries can build into their assumption models concerning certain macro and micro economic conditions and other demographic factors. Further, because of the constantly evolving nature of such economic and demographic factors, assumptions will not remain constant over time but will move to reflect changes in the principal calculation drivers that underpin them.

The following sensitivity table illustrates the impact on the Group's consolidated statement of financial position and the amounts charged against the Group's earnings in respect of HKAS 19 pension expense as a result of making changes in certain of the key assumptions used in calculating the assets and liabilities of the pension plan:

	Impact on 2014 Pre-Tax Pension Expense HK$	Impact on 30 September 2013 Pension Deficit HK$
Change in assumption		
25 basis point decrease in discount rate	**+$1.5 million**	+$53.9 million
25 basis point increase in discount rate	**-$1.5 million**	-$57.7 million
25 basis point increase in inflation assumption	**+$0.81 million**	+$17.6 million
25 basis point decrease in inflation assumption	**-$0.81 million**	-$16.3 million
Increase mortality assumption by one year	**+$ 2.80 million**	+$57.7 million
Decrease mortality assumption by one year	**-$ 2.80 million**	-$57.7 million

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of judgement and estimates of future cash flows expected to arise for the cash generating units and suitable discount rates in order to calculate the present value.

5. REVENUE AND SEGMENT INFORMATION

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

The Group's principal segments for internal reporting purposes are: the contract manufacture, 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"). These five business segments are the basis upon which the Group reports its primary segment information.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue, which is also the Group's turnover, represents the total invoiced value of goods supplied less discounts and returns.

	Contract Manufacturing HK$'000	Tools HK$'000	Precision Measurement HK$'000	Magnetic Technologies HK$'000	Consumer Electronics HK$'000	Total HK$'000
For the year ended 30 September 2013						
Revenue						
External customers	325,245	615,222	182,111	131,907	226,282	1,480,767
Inter-segment sales	–	1,666	4,303	358	–	6,327
	325,245	616,888	186,414	132,265	226,282	1,487,094
Profit before tax						
Segment profit	27,474	22,550	29,461	24,069	11,708	115,262
Restructuring (costs)/credits	(541)	(2,491)	851	–	–	(2,181)
Share of results of an associate	–	–	–	6,922	–	6,922
Realised exchange differences on the liquidation of a subsidiary undertaking recycled from other comprehensive income	1,186	–	–	–	–	1,186
Net finance costs	6	2,337	(131)	–	(124)	2,088
	28,125	22,396	30,181	30,991	11,584	123,277
Assets						
Segment assets	178,066	429,327	193,349	124,914	124,008	1,049,664
Liabilities						
Segment liabilities	84,982	378,013	82,165	36,725	65,394	647,279
Other information						
Additions of property, plant and equipment	1,958	1,866	2,171	378	881	7,254
Depreciation of property, plant and equipment	2,199	3,702	2,198	85	2,322	10,506
Amortisation of other intangible assets	–	12	90	63	–	165
Amortisation of prepaid land lease payments under operating leases	35	–	–	–	–	35
(Reversal of impairment loss)/impairment loss on trade receivables	(1,009)	289	205	(92)	10	(597)
Impairment loss/(reversal of impairment loss) on inventories	1,897	897	392	156	(1,320)	2,022

Inter-segment sales are charged at prevailing market rates.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Contract Manufacturing HK$'000	Tools HK$'000	Precision Measurement HK$'000	Magnetic Technologies HK$'000	Consumer Electronics HK$'000	Total HK$'000
For the year ended 30 September 2012						
Revenue						
External customers	355,405	606,943	181,206	125,685	199,371	1,468,610
Inter-segment sales	–	2,036	4,425	1,521	–	7,982
	355,405	608,979	185,631	127,206	199,371	1,476,592
Profit before tax						
Segment profit	31,347	2,921	29,619	22,789	8,246	94,922
Restructuring (costs)/credits	–	(1,035)	(2,795)	546	–	(3,284)
Share of results of an associate	–	–	–	4,452	–	4,452
Net finance costs	(242)	1,458	(148)	–	(139)	929
	31,105	3,344	26,676	27,787	8,107	97,019
Assets						
Segment assets	170,122	397,284	151,677	104,252	98,131	921,466
Liabilities						
Segment liabilities	85,994	358,631	41,590	52,277	47,493	585,985
Other information						
Additions of property, plant and equipment	4,629	5,948	3,157	955	889	15,578
Depreciation of property, plant and equipment	2,776	7,664	3,245	882	2,289	16,856
Amortisation of other intangible assets	–	–	367	23	–	390
Amortisation of prepaid land lease payments under operating leases	35	–	–	–	–	35
Impairment loss/(reversal of impairment loss) on trade receivables	202	(199)	277	106	(225)	161
Impairment loss/(reversal of impairment loss) on inventories	86	(534)	(3,276)	1,376	2,591	243

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	2013 HK$'000	2012 HK$'000
Reportable segment revenues	1,487,094	1,476,592
Elimination of inter-segment revenues	(6,327)	(7,982)
Total revenue	1,480,767	1,468,610

	2013 HK$'000	2012 HK$'000
Reportable segment profit	123,277	97,019
Cash flow hedge recycled from other comprehensive income	(839)	1,361
Realised exchange differences on the liquidation of a subsidiary undertaking recycled from other comprehensive income	–	600
Unallocated corporate net finance credits	6,962	6,946
Unallocated corporate costs	(27,097)	(20,544)
Unallocated corporate restructuring costs	(1,735)	–
Profit before tax	100,568	85,382

	2013 HK$'000	2012 HK$'000
Reportable segment assets	1,049,664	921,466
Deferred tax assets	48,005	72,203
Goodwill	2,419	2,432
Other intangible assets	75	164
Interest in an associate	10,052	7,007
Available-for-sale financial assets	1,921	2,593
Consolidation and Group assets	(98,538)	(22,111)
Total assets	1,013,598	983,754

	2013 HK$'000	2012 HK$'000
Reportable segment liabilities	647,279	585,985
Deferred tax liabilities	10,140	11,973
Consolidation and Group liabilities	(99,687)	3,892
Total liabilities	557,732	601,850

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's continuing operations are mainly located in Mainland China, Hong Kong, the United Kingdom ("UK"), the United States of America ("USA"), France and Australia. The following provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:

Revenue by geographical market

	2013	2012
	HK$'000	HK$'000
The People's Republic of China (the "PRC")		
Mainland China	**45,084**	29,066
Hong Kong (place of domicile)	**8,655**	32,528
	53,739	61,594
USA	**377,085**	399,599
UK	**347,064**	318,356
France	**103,533**	104,313
Australia	**225,957**	217,859
Others	**373,389**	366,889
	1,480,767	1,468,610

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

One customer contributed 14% (HK$206,180,000 – Consumer Electronics) of the Group's total revenue in the year ended 30 September 2013. Two customers contributed 10% (HK$146,879,000 – Tools) and 11% (HK$161,913,000 – Consumer Electronics), respectively, of the Group's total revenue in the year ended 30 September 2012.

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:

	2013	2012
	HK$'000	HK$'000
UK	**128,937**	134,235
Mainland China	**42,083**	40,929
France	**15,229**	16,094
Australia	**2,682**	4,235
Hong Kong	**1,614**	1,961
Others	**154**	497
	190,699	197,951

6. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Property rental income	**1,211**	1,297
Gain on disposal of property, plant and equipment	**–**	34
Royalty income	**2,567**	1,457
Others	**3,752**	1,566
	7,530	4,354

7. INTEREST INCOME

	2013 HK$'000	2012 HK$'000
Interest earned on bank deposits and balances	**1,432**	957
Interest credit on retirement benefit obligations (note 33)	**10,963**	10,839
	12,395	11,796

8. RESTRUCTURING COSTS

	2013 HK$'000	2012 HK$'000
Manufacturing reorganisation (note 31)	**4,861**	1,934
Onerous lease rentals (note 31)	**(945)**	1,350
	3,916	3,284

The manufacturing reorganisation costs in the year relate to retrenchment costs in the Group's UK subsidiaries and the relocation of certain sourcing operations in the PRC. Manufacturing reorganisation costs in the prior year relate to the relocation of the warehouse and production operations of one of the Group's UK subsidiaries.

Onerous lease rental costs and credits relate to changes in estimates of the present value of the future lease payments that the Group is presently obligated to make under non-cancelable onerous operating lease contracts.

9. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Interest on interest-bearing bank borrowings and overdrafts wholly repayable within five years	**2,655**	3,122
Interest on obligations under finance leases	**690**	799
	3,345	3,921

10. PROFIT BEFORE TAX

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

	2013	2012
	HK$'000	HK$'000
Labour and related costs:		
Directors' remuneration (note 11)	**9,703**	8,472
Staff salaries, allowances and welfare	**158,617**	150,015
Defined contribution plans (note 32)	**4,476**	4,646
Provident fund contributions (note 32)	**5,491**	6,159
Mandatory provident fund obligations (note 32)	**756**	700
Defined benefit retirement plan charge (note 33)	**3,497**	2,940
Direct labour costs	**99,361**	93,199
	281,901	266,131
Other items:		
Amortisation of lease payments under operating leases	**35**	35
Auditors' remuneration	**5,965**	6,011
Exchange losses	**1,305**	3,865
Depreciation of property, plant and equipment	**20,609**	20,405
Amortisation of other intangible assets	**165**	390
(Reversal of impairment loss)/impairment loss on trade receivables	**(597)**	161
Impairment loss on inventories	**3,304**	243
Minimum lease payments in respect of rented premises	**12,349**	14,231
Cost of inventories recognised as expenses	**1,039,831**	1,030,994
Gain on disposal of property, plant and equipment	**–**	(34)
Cash flow hedge recycled from other comprehensive income	**839**	(1,361)
Restructuring costs	**3,916**	3,284

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 12 (2012 – 9) directors were as follows:

For the year ended 30 September 2013

	Fees HK$'000	Basic salaries and allowances HK$'000	Share-based compen-sation expenses HK$'000	Bonuses HK$'000	Benefits in kind HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive Directors:							
Mr. David H Clarke	–	775	171	686	–	–	1,632
Mr. Henry W Lim	–	2,754	85	729	–	15	3,583
Mr. Simon N Hsu	–	480	128	515	–	15	1,138
Mr. Patrick J Dyson	–	1,291	–	218	137	91	1,737
Ms. Kelly Lee	–	146	–	–	–	3	149
Non-executive Directors:							
Dr. Wong Ho Ching, Chris*	250	–	–	–	–	–	250
Mr. Ramon S Pascual*	250	–	–	–	–	–	250
Mr. Robert B Machinist*	250	–	–	–	–	–	250
Mr. Chan Kin Sang	250	–	–	–	–	–	250
Mr. Liu Ka Lim	250	–	–	–	–	–	250
Ms. Kelly Lee	26	–	–	–	–	–	26
Mr. Anthony Lee	94	–	–	–	–	–	94
Mr. Lan Yen-Po*	94	–	–	–	–	–	94
	1,464	5,446	384	2,148	137	124	9,703

* *Independent Non-executive Directors*

With effect from 14 May 2013, Ms. Kelly Lee and Mr. Anthony Lee were appointed as Non-executive Directors. On the same date, Mr. Lan Yen-Po was appointed as an Independent Non-executive Director.

On 24 June 2013, Ms. Kelly Lee was re-designated as an Executive Director.

With effect from 24 June 2013, Messrs. Chan Kin Sang and Liu Ka Lim tendered their resignations as Non-executive Directors.

With effect from 10 October 2013, Mr. Robert B Machinist tendered his resignation as an Independent Non-executive Director.

None of the Directors waived any emoluments during the year.

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

Directors' emoluments *(Continued)*

For the year ended 30 September 2012

	Fees HK$'000	Basic salaries and allowances HK$'000	Share-based compen-sation expenses HK$'000	Bonuses HK$'000	Benefits in kind HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive Directors:							
Mr. David H Clarke	–	776	57	624	–	–	1,457
Mr. Henry W Lim	–	2,676	29	663	–	13	3,381
Mr. Simon N Hsu	–	480	43	468	–	13	1,004
Mr. Patrick J Dyson	–	1,285	–	149	115	91	1,640
Non-executive Directors:							
Dr. Wong Ho Ching, Chris*	198	–	–	–	–	–	198
Mr. Ramon S Pascual*	198	–	–	–	–	–	198
Mr. Robert B Machinist *	198	–	–	–	–	–	198
Mr. Chan Kin Sang	198	–	–	–	–	–	198
Mr. Liu Ka Lim	198	–	–	–	–	–	198
	990	5,217	129	1,904	115	117	8,472

* *Independent Non-executive Directors*

None of the Directors waived any emoluments during the year.

The management considers that the Directors of the Company are the key management of the Group.

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

Employees' emoluments

The five highest paid individuals of the Group included 3 Directors (2012 – 2), details of whose emoluments are set out above. The emoluments of the 2 (2012 – 3) highest paid employees, other than the Directors of the Company, were as follows:

	2013	2012
	HK$'000	HK$'000
Salaries and other benefits	**4,400**	5,152
Expenses of retirement benefit plans	**268**	228
	4,668	5,380

Emoluments of these employees were within the following bands:

	Number	
	2013	2012
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**–**	3
HK$2,000,001 – HK$2,500,000	**2**	–
	2	3

Emoluments of the Executive Directors and senior management

The emoluments paid or payable to the Executive Directors and senior management were within the following bands:

	Number	
	2013	2012
Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**4**	8
HK$1,500,001 – HK$2,000,000	**4**	5
HK$2,000,001 – HK$2,500,000	**2**	–
HK$2,500,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–
	13	16

12. INCOME TAX CHARGE

The income tax charge for the year comprises:

	2013 HK$'000	2012 HK$'000
Current income tax – Hong Kong:		
Provision for the year	**3,390**	409
Under provision in respect of prior years	**–**	760
	3,390	1,169
Current income tax – Overseas:		
Provision for the year:		
Australia	**1,487**	3,107
United Kingdom	**276**	1,878
Mainland China	**4,864**	5,505
Canada	**1,393**	1,714
United States	**34**	(36)
France	**481**	597
New Zealand	**297**	298
	8,832	13,063
Deferred tax (note 34)	**15,296**	10,576
Income tax charge for the year	**27,518**	24,808

(a) Hong Kong profits tax is calculated at 16.5 % (2012 – 16.5%) on the estimated assessable profits for the year. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

12. INCOME TAX CHARGE *(Continued)*

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

	2013 HK$'000	2012 HK$'000
Profit before tax	**100,568**	85,382
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	**(25,110)**	(22,110)
Tax effect of expenses not deductible for tax purposes	**(6,731)**	(3,765)
Tax effect of income not taxable for tax purposes	**3,454**	1,342
Tax effect of losses not recognised	**(443)**	(3,716)
Utilisation of tax losses previously not recognised	**4,612**	8,580
Over/(under) provision in respect of prior years	**1,994**	(2,179)
Decrease in recoverable amount of UK deferred tax assets (note c)	**(4,953)**	(3,080)
Others	**(341)**	120
Income tax charge for the year	**(27,518)**	(24,808)

(c) The majority of the Group's deferred tax assets relate to temporary differences originating in its UK subsidiaries. Such deferred tax balances have been provided at 20% (2012 – 23%). Legislation formally enacted during the year has had the effect of reducing the effective tax rate from 23% to 20% from April 2014. Included in the HK$15,296,000 deferred charge for the year is a charge of HK$4,953,000 to reflect this change in tax rates (2012 – HK$3,080,000 reflecting a change of rates from 25% to 23%).

(d) On 16 March 2007, the PRC promulgated the Law of the PRC on Corporate Income Tax ("the New Law"). On 6 December 2007, the State Council of the PRC issued Implementation Corporate Regulations of the New Law. Pursuant to the New Law and Implementation Regulations, the corporate income tax rate for domestic and foreign invested enterprises was unified at 25% from 1 January 2008. There was a transitional period for the PRC's subsidiaries that were entitled to preferential tax treatments granted by the relevant tax authorities. The PRC subsidiaries originally subject to a corporate income tax rate lower than 25% have been gradually transitioned to the new unified rate of 25% within five years after 1 January 2008.

13. DIVIDENDS

Dividends declared and paid during the year:

	2013	2012
	HK$'000	HK$'000
Final dividend relating to the year ended 30 September 2012 declared and paid of 1.0 HK cent per ordinary share	**9,942**	–
Interim dividend relating to the year ended 30 September 2013 declared and paid of 0.5 HK cents per ordinary share	**5,037**	–
Interim dividend relating to the year ended 30 September 2012 declared and paid of 0.5 HK cents per ordinary share	**–**	4,887
Gross dividend	**14,979**	4,887
Less dividend received by a subsidiary undertaking holding Company Treasury Shares	**(202)**	–
	14,777	4,887

The Board does not recommend the payment of a final dividend for the year ended 30 September 2013 (2012 – 1.0 HK cent per ordinary share).

At a Board Meeting held on 14 May 2013, the Directors approved the payment of an interim dividend of HK$5,037,216 (0.5 HK cents per ordinary share) for the six month period ended 31 March 2013. This interim dividend was distributed on 15 July 2013 to shareholders whose names were recorded in the Register of Members of the Company as at the close of business on 5 July 2013.

At a Board Meeting held on 11 December 2012, the Directors approved the payment of a final dividend of HK$9,941,394 (1.0 HK cent per ordinary share) for the year ended 30 September 2012. This final dividend was approved by shareholders at the Annual General Meeting held on 26 March 2013 and was paid on 18 April 2013 to shareholders whose names were recorder in the Register of Members of the Company as at the close of business on 8 April 2013.

At a Board Meeting held on 24 May 2012, the Directors approved the payment of an interim dividend of HK$4,886,761 (0.5 HK cents per ordinary share) for the six month period ended 31 March 2012. This interim dividend was distributed on 20 June 2012 to shareholders whose names were recorded in the Register of Members of the Company as at the close of business on 12 June 2012.

14. PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated profit of HK$73,050,000 (2012 – HK$60,574,000) attributable to the Owners of the Company, a profit of HK$7,980,000 (2012 – HK$8,793,000) has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to Owners of the Company of HK$73,050,000 (2012 – HK$60,574,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 984,269,710 (2012 – 977,669,792).

For diluted earnings per share, a weighted average number of shares of 984,703,825 (2012 – 980,629,508) has been used.

The calculations are as follows:

(i) Weighted average number of ordinary shares

	2013 Number	2012 Number
Issued ordinary shares at 1 October	**993,376,993**	991,852,107
Effect of share options exercised (note a)	**4,768,838**	317,685
Treasury Shares	**(13,876,121)**	(14,500,000)
Weighted average number of ordinary shares at 30 September	**984,269,710**	977,669,792
Basic earnings per share (HK cents)	**7.42**	6.20

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

	2013 Number	2012 Number
Issued ordinary shares at 1 October	**993,376,993**	991,852,107
Effect of share options exercised (note a)	**4,768,838**	317,685
Effect of deemed issue of shares under the Company's share option scheme	**434,115**	2,959,716
Treasury Shares	**(13,876,121)**	(14,500,000)
Weighted average number of ordinary shares at 30 September	**984,703,825**	980,629,508
Diluted earnings per share (HK cents)	**7.42**	6.18

Note:

(a) Relates to the share options exercised under the Company's share option scheme during the years ended 30 September 2013 and 30 September 2012.

16. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost					
At 1 October 2011	170,354	74,851	23,330	101,832	370,367
Additions	118	4,131	5,932	7,258	17,439
Disposals	–	(30)	(5,467)	(610)	(6,107)
Currency realignment and others	4,006	1,103	778	1,080	6,967
At 30 September 2012	174,478	80,055	24,573	109,560	388,666
Additions	**553**	**4,017**	**2,857**	**2,835**	**10,262**
Disposals	**–**	**(85)**	**(3,707)**	**(207)**	**(3,999)**
Currency realignment and others	**2,299**	**732**	**(735)**	**415**	**2,711**
At 30 September 2013	**177,330**	**84,719**	**22,988**	**112,603**	**397,640**
Accumulated depreciation, amortisation and impairment					
At 1 October 2011	26,531	60,541	11,383	85,900	184,355
Provided for the year	4,985	4,667	6,067	4,686	20,405
Disposals	–	(30)	(5,467)	(603)	(6,100)
Currency realignment and others	567	498	307	780	2,152
At 30 September 2012	32,083	65,676	12,290	90,763	200,812
Provided for the year	**4,928**	**4,489**	**6,156**	**5,036**	**20,609**
Disposals	**–**	**(85)**	**(3,707)**	**(207)**	**(3,999)**
Currency realignment and others	**2,331**	**879**	**491**	**(1,177)**	**2,524**
At 30 September 2013	**39,342**	**70,959**	**15,230**	**94,415**	**219,946**
Carrying values					
At 30 September 2013	**137,988**	**13,760**	**7,758**	**18,188**	**177,694**
At 30 September 2012	142,395	14,379	12,283	18,797	187,854

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

COMPANY

	Furniture, fixtures and equipment HK$'000
Cost	
At 1 October 2012	491
Additions	**17**
At 30 September 2013	**508**
Accumulated depreciation	
At 1 October 2012	114
Provided for the year	**99**
At 30 September 2013	**213**
Carrying values	
At 30 September 2013	**295**
At 30 September 2012	377

The above items of 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 the shorter
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	20% – 25%
Plant and machinery	10% – 33⅓%

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

The carrying value of the properties shown above mainly comprises:

	2013	2012
	HK$'000	HK$'000
Properties held outside Hong Kong that are:		
Freehold	**122,319**	125,383
Held under medium term leases	**15,474**	16,675
	137,793	142,058

Additions in the year include HK$2,475,000 (2012 – HK$9,368,000) (note 38) in relation to assets acquired under finance leases for which there is no cash outflow included in the consolidated statement of cash flows.

The net book value of furniture, fixtures and equipment, motor vehicles and plant and machinery of HK$13,760,000 (2012 – HK$14,379,000), HK$7,758,000 (2012 – HK$12,283,000) and HK$18,188,000 (2012 – HK$18,797,000) includes amounts of HK$5,152,000 (2012 – HK$5,694,000), HK$7,821,000 (2012 – HK$11,848,000) and HK$1,504,000 (2012 – HK$1,676,000) respectively, in respect of assets held under finance leases (note 30).

The net book value of the Group's UK freehold properties at 30 September 2013 is approximately HK$107,000,000 (2012 – HK$110,000,000) over which there is a first fixed charge of approximately HK$63,000,000 (2012 – HK$65,000,000). Additionally, land and buildings in the UK, with a carrying value of HK$44,000,000 (2012 – HK$45,000,000) have been pledged in favour of the James Neill Pension Plan (note 33).

17. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

GROUP

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:

	2013 **HK$'000**	2012 HK$'000
At 1 October	**494**	529
Amortisation	**(35)**	(35)
At 30 September	**459**	494

18. GOODWILL

GROUP

	2013 **HK$'000**	2012 HK$'000
At 1 October	**2,432**	2,345
Currency realignment	**(13)**	87
At 30 September	**2,419**	2,432

Goodwill is attributable to the acquisition of Baty International Limited ("Baty"), a company incorporated in the United Kingdom and engaged in the design, manufacturing and procurement of precision measuring instruments, which was acquired on 10 March 2010, through the Company's UK-based subsidiary, Bowers Group Limited.

The consideration for the acquisition, excluding costs, amounted to HK$10,854,000, comprising HK$6,886,000 in cash and deferred contingent consideration capped at HK$3,968,000, payable over a maximum of four years. The fair value of assets at the acquisition date was HK$8,602,000 resulting in goodwill on the acquisition of a subsidiary of HK$2,252,000.

18. GOODWILL *(Continued)*

In the current year, deferred contingent consideration of HK$1,101,000 (2012 – HK$1,503,000) has been paid.

The recoverable amount of the goodwill arising on the acquisition has been tested for impairment based on value in use calculations, covering a three-year forecast period, for the relevant cash generating unit. The key assumptions used were as follows: discount rate of 4.75%; growth rate of 2%; and cash flows, gross margins and net profits determined by the management of Baty based on past performance and expectations for market development.

Based on the result of impairment tests carried out and, since the recoverable amount of the cash-generating units is higher than its carrying value, the Directors consider that the carrying value at the reporting date is not impaired.

19. OTHER INTANGIBLE ASSETS

GROUP

	Intellectual property rights HK$'000	**Purchased goodwill HK$'000**	**Other HK$'000**	**Total HK$'000**
Carrying amount at 1 October 2011	462	97	–	559
Amortisation	(367)	(23)	–	(390)
Currency realignment	6	(11)	–	(5)
Carrying amount at 30 September 2012	101	63	–	164
Additions	**–**	**–**	**84**	**84**
Amortisation	**(90)**	**(63)**	**(12)**	**(165)**
Currency realignment	**(11)**	**–**	**3**	**(8)**
Carrying amount at 30 September 2013	**–**	**–**	**75**	**75**

20. INTERESTS IN SUBSIDIARIES

COMPANY

	2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	**97,802**	97,802
Amounts due from subsidiaries (note a)	**220,351**	216,766
Amounts due to subsidiaries (note b)	**127,261**	128,987

Notes:

(a) Loans to subsidiary undertakings are unsecured, interest-free and repayable on demand.

(b) Except for loans from subsidiary undertakings of approximately HK$10,000,000 (2012 – HK$10,000,000) and HK$3,325,000 (2012 – HK$4,055,000) which are interest-bearing at rates of 5% per annum, the amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of the principal subsidiaries are as follows:

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Alford Industries Limited	Hong Kong	Ordinary HK$2,000,000	–	100%	Design and distribution of consumer electronic products
Foshan Shunde Alford Electronics Co. Ltd.	PRC*	Registered capital HK$22,074,000	–	100%	Manufacture and design of consumer electronic products
Bowers Equipment Shanghai Co. Limited	PRC*	Registered capital RMB4,026,000	–	100%	Manufacture, quality control and distribution of metrology products
Baty International Ltd.	UK	Ordinary £1,819,915	–	100%	Assembly and distribution of precision measuring equipment
Bowers Group Limited	UK	Ordinary £59,500	–	100%	Investment holding
Bowers Metrology Limited	UK	Ordinary £100	–	100%	Manufacture and distribution of precision measuring equipment
CV Instruments Limited	UK	Ordinary £100	–	100%	Assembly and distribution of precision measuring equipment

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Eclipse Magnetics Limited	UK	Ordinary £80,000	–	100%	Procurement, manufacture and sale of permanent magnets, magnetic work holding systems and other associated products
Eclipse Tools Manufacturing Company Limited	PRC*	Registered capital US$3,000,000	–	100%	Manufacture of hacksaws, hacksaw blades and other industrial hand tools
Eclipse Tools North America, Inc.	Canada	Ordinary Can $100	–	100%	Distributor of magnets and magnetic products, hand and and garden tools and metrology products
James Neill Holdings Limited	UK	Ordinary £25	–	100%	Investment holding
Moore & Wright Limited	UK	Ordinary £1	–	100%	Procurement, distribution and sale of micrometers and other precision measuring tools
Neill Tools Limited	UK	Ordinary £100	–	100%	Procurement, distribution and sale of hacksaw blades, engineers' cutting tools and other industrial hand tools
Pantene Global Holdings Limited	Hong Kong	Ordinary HK$5,000,000	100%	–	Investment holding in Hong Kong
Pantene Industrial Co. Limited	Hong Kong	Ordinary HK$10,000	–	100%	Sale and distribution of rechargeable battery products
Rise Up International Limited	British Virgin Islands	Ordinary US$1	100%	–	Investment holding in Hong Kong
Robert Sorby Limited	UK	Ordinary £1	–	100%	Manufacture and sale of specialist woodworking tools
Societé Neill France SA	France	Ordinary Euro 198,184	–	100%	Investment holding

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Proportion of ownership interest held by the Company Indirectly	Principal activities
Spear & Jackson (Australia) Pty Limited	Australia	Ordinary AU$4,640,000	–	100%	Procurement, marketing and sale of group tools and externally sourced related products
Spear & Jackson France SA	France	Ordinary Euro 1,300,000	–	100%	Marketing and sale of lawn and garden tools and other related products
Spear & Jackson (UK) Limited	UK	Ordinary £100	–	100%	Procurement and sale of garden, agricultural and contractors' hand tools, woodsaws and builders' tools
Spear & Jackson Group Limited	UK	Ordinary £700,001	–	100%	Investment holding
Spear & Jackson Holdings Limited	UK	Ordinary £25	–	100%	Investment holding
Spear & Jackson Limited	UK	Ordinary £100	–	100%	Investment holding
Spear & Jackson (New Zealand) Limited	New Zealand	Ordinary NZ$400,000	–	100%	Marketing and sale of group hand and garden tools and other related products
Shenzhen Pantai Electronic Co. Ltd.	PRC*	Registered capital US$1,700,000	–	100%	Manufacture and sale of electronic products

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

Unless otherwise specified under "Principal activities", the above subsidiaries operate principally in their respective places of incorporation or registration.

The above list includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year 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 30 September 2013 or at any time during the year (2012 – Nil).

21. INTEREST IN AN ASSOCIATE

GROUP

	2013 HK$'000	2012 HK$'000
At 1 October	7,007	5,504
Currency realignment	(140)	(212)
Share of profit before tax for the year	9,232	5,952
Share of tax for the year	(2,310)	(1,500)
Dividends received	(3,737)	(2,737)
At 30 September	**10,052**	7,007

The Group had an interest in the following associate:

Name of entity	Form of business structure	Place of registration	Principal place of operation	Nominal value of registered capital	Proportion of nominal value 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 in respect of the Group's associate is set out below:

	2013 HK$'000	2012 HK$'000
Total assets	69,612	58,467
Total liabilities	(29,403)	(30,439)
Net assets	**40,209**	28,028
Share of an associate's net assets	**10,052**	7,007
Revenue	**182,022**	165,692
Profit for the year after tax	**27,688**	17,808
Share of results of an associate (net of tax)	**6,922**	4,452

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP

	2013 HK$'000	2012 HK$'000
Unlisted equity investments (note a)		
Equity securities	**727**	718
Listed investments (note b)		
Equity securities	**5,801**	5,801
Less: Impairment losses	**(3,813)**	(3,813)
Less: Change in fair value recognised in other comprehensive income	**(794)**	(113)
	1,194	1,875
Total	**1,921**	2,593

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

	2013 HK$'000	2012 HK$'000
At 1 October	**2,593**	705
Additions	**–**	1,967
Currency realignment	**9**	34
Change in fair value recognised in other comprehensive income	**(681)**	(113)
At 30 September	**1,921**	2,593

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

COMPANY

	2013 **HK$'000**	2012 HK$'000
Listed investments (note b)		
Equity securities	**5,801**	5,801
Less: Impairment losses	**(3,813)**	(3,813)
Less: Change in fair value recognised in other comprehensive income	**(794)**	(113)
	1,194	1,875

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

	2013 **HK$'000**	2012 HK$'000
At 1 October	**1,875**	–
Additions	**–**	1,967
Currency realignment	**–**	21
Change in fair value recognised in other comprehensive income	**(681)**	(113)
At 30 September	**1,194**	1,875

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Notes:

(a) The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the United States of America, France and India, respectively. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so wide that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity securities above, are Baty France SARL ("BFL") and Bipico Industries (Tools) Private Limited ("BITPL").

An 11% stake in BFL, a company incorporated and operating in France, was acquired on the acquisition of Baty International Limited in March 2010. It has a carrying amount of HK$88,000 (2012 – HK$87,000).

BITPL is a company incorporated and operating in India, with a carrying amount of HK$639,000 (2012 – HK$631,000). The investment represents a 30% holding of the issued ordinary share capital of BITPL. BITPL is not regarded as an associate of the Group because the Group has less than one-fifth of the voting power of BITPL under arrangements with other investors, the Group has no right to appoint directors of BITPL and the Group does not possess the ability to exercise significant influence over the company.

(b) This represents the Group's investment in the shares of Jed Oil Inc (Symbol: JDO), a Canada-based company quoted on the AMEX, which has been fully impaired.

In addition to the listed and unlisted securities above, the Company holds an investment in the shares of Climax International Company Limited ("CICL"), a company incorporated in Bermuda with its shares listed on the HKEx, representing a holding of approximately 0.25% (2012 – 0.25%) of the issued share capital of CICL as at 30 September 2013.

In the opinion of the Directors, because of the low volume of transactions in the market for CICL's shares, it is difficult to dispose of the entire shares in the market. Hence, the fair value of CICL's shares held by the Group is estimated to be HK$Nil (2012 – HK$Nil).

23. INVENTORIES

GROUP

	2013	2012
	HK$'000	HK$'000
Raw materials	**58,829**	53,105
Work in progress	**25,131**	25,642
Finished goods	**205,855**	193,988
	289,815	272,735

The carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK$289,815,000 (2012 – HK$272,735,000). Impairment losses of HK$3,304,000 were recognised in the financial statements for the year ended 30 September 2013 (2012 – HK$243,000).

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**278,766**	274,506	**–**	–
Less: Impairment provisions	**(7,698)**	(9,959)	**–**	–
Trade receivables – net	**271,068**	264,547	**–**	–
Prepayments and other receivables	**24,525**	17,368	**595**	647
	295,593	281,915	**595**	647

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

GROUP

	2013	2012
	HK$'000	HK$'000
0 – 60 days	**249,687**	236,125
61 – 90 days	**13,839**	16,742
91 – 120 days	**10,422**	9,964
Greater than 120 days	**4,818**	11,675
	278,766	274,506

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.

The Group allows credit periods ranging from 30 to 120 days (2012 – 30 to 120 days) to its trade customers depending on their credit status and geographical location. The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

GROUP

	2013	2012
	HK$'000	HK$'000
At 1 October	**9,959**	14,310
Impairment losses recognised	**772**	652
Impairment losses reversed	**(1,369)**	(491)
Currency realignment	**36**	157
Uncollectible amounts written off	**(1,700)**	(4,669)
At 30 September	**7,698**	9,959

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, based on due date, that were past due as at the reporting date but not impaired, is as follows:

GROUP

	2013	2012
	HK$'000	HK$'000
91 – 120 days	**7,017**	7,722
Greater than 120 days	**698**	4,069
	7,715	11,791

Trade receivables that are past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company 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.

25. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP

	2013 **HK$'000**	2012 HK$'000
Derivative financial liabilities:		
Forward foreign exchange contracts – cash flow hedges (note a)	**351**	839
Forward foreign exchange contracts – held-for-trading (note b)	**–**	2,035
	351	2,874

The fair values for the above contracts have been estimated using relevant market exchange and interest rates.

Notes:

(a) The Group uses forward foreign exchange contracts to mitigate exposure arising from forecast inventory purchases in US Dollars. All US Dollar forward foreign exchange contracts have been designated as hedging instruments in cash flow hedges in accordance with HKAS 39.

(b) The Group enters into significant medium term currency exposures that are not expected to be off-set by other currency transactions. They are considered to be part of an economic hedge arrangement but have not been formerly designated. The forward foreign exchange contracts relate primarily to forward purchases of US dollars and Euros and the cash flows are expected to occur before March 2014.

The cash flows are expected to occur between 1 and 6 months from 30 September 2013 and primarily relate to inventory purchases. The amount recognised in other comprehensive income and in equity during the year was a HK$351,000 charge (2012 – HK$839,000 charge) and this will be transferred to the income statement in the same year that the associated inventory impacts profit and loss (i.e when it is sold or impaired). The amount transferred to the income statement during the year was a HK$839,000 charge (2012 – HK$1,361,000 credit).

26. PLEDGED BANK DEPOSITS

At 30 September 2012, deposits amounting to HK$5,000,000 were pledged to secure trust receipt and export invoices financing facilities (notes 29 and 39) and were therefore classified as current assets.

The deposits carried interest at prevailing market rate and at 30 September 2012, the Directors considered that the carrying value of the amount at the reporting date approximates to its fair value.

Pledged time deposits earned 0.1% interest per annum during the year to 30 September 2012 and had a maturity of 1 month.

The pledged deposits were released during the year to 30 September 2013.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term bank deposits carrying interest at prevailing market rates. The Directors consider that the carrying value of the deposits at the reporting date approximate to their fair value.

Included in bank and cash balances of the Group are bank balances denominated in Renminbi ("RMB") of HK$38,791,000 (2012 – HK$14,842,000) placed with banks in 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.

28. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**157,756**	154,738	**–**	–
Accruals and other payables	**108,541**	97,173	**7,441**	6,859
	266,297	251,911	**7,441**	6,859

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

GROUP

	2013	2012
	HK$'000	HK$'000
0 – 60 days	**124,098**	111,425
61 – 90 days	**23,490**	22,758
Greater than 90 days	**10,168**	20,555
	157,756	154,738

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

29. INTEREST-BEARING BANK BORROWINGS

GROUP

	2013 HK$'000	2012 HK$'000
Bank borrowings (all secured) comprise:		
Bank overdrafts	**14,560**	13,218
Export invoices/loan financing	**17,946**	16,720
Invoice discounting	**28,114**	24,765
HKSAR Government-backed bank loans	**2,400**	4,800
Total overdrafts and bank borrowings	**63,020**	59,503
Bank borrowings are repayable as follows:		
Within one year or on demand	**63,020**	57,103
More than one year, but not exceeding two years	**–**	2,400
	63,020	59,503
Less: Amounts due within one year shown under current liabilities	**(63,020)**	(57,103)
Amounts due after one year shown under non-current liabilities	**–**	2,400

The HKSAR Government-backed loan, which is all denominated in Hong Kong Dollars, carries a fixed interest rate of 4.5% (2012 – loans carried fixed interest rates ranging from 4.5% to 7.0%) per annum and is repayable in monthly installments within one year.

The bank borrowings which are denominated in Hong Kong Dollars, US Dollars and Sterling, carry variable interest rates linked to the relevant prime rates and fixed interest rates applicable to the country in which the facility has been taken out.

The effective interest rates on the Group's floating rate borrowings range from 2.5% to 5.0% (2012 – 2.5% to 6.0%) 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 to their carrying values.

Refer to note 39 for details of pledged assets.

30. OBLIGATIONS UNDER FINANCE LEASES

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

GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases:				
Within one year	**6,478**	8,805	**6,112**	8,127
In the second to fifth years inclusive	**5,011**	9,536	**4,847**	9,104
	11,489	18,341	**10,959**	17,231
Less: Future finance charges	**(530)**	(1,110)	**–**	–
Present value of lease obligations	**10,959**	17,231	**10,959**	17,231
Less: Amount due for settlement within one year shown under current liabilities			**(6,112)**	(8,127)
Amount due for settlement after one year shown under non-current liabilities			**4,847**	9,104

During the year, the Group has acquired certain motor vehicles, computer equipment and plant and equipment under finance leases with lease terms ranging from 2 to 4 years (2012 – 2 to 4 years). Interest rates underlying all obligations under finance lease are fixed at their respective contract rates ranging from 3.3% to 7.0% (2012 – 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. The fair values of the Group's finance lease obligations, determined by the present value of the estimated future cash flows discounted using the prevailing market rate at the reporting date, approximate to their carrying values.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 16).

31. PROVISIONS

GROUP

	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1 October 2011	1,859	243	2,102
Utilisation of provision	(304)	(1,075)	(1,379)
Provision for the year	1,350	1,934	3,284
Currency realignment	107	7	114
At 30 September 2012	3,012	1,109	4,121
Utilisation of provision	**–**	**(4,328)**	**(4,328)**
(Reversal)/provision for the year	**(945)**	**4,861**	**3,916**
Currency realignment	**113**	**38**	**151**
At 30 September 2013	**2,180**	**1,680**	**3,860**

	2013 HK$'000	2012 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**3,860**	4,121

The onerous contract provisions represent the estimated present value of the future lease payments that the Group is presently obligated to make under non-cancelable operating lease contracts, less revenue expected to be earned on those leases, including estimated future sub-lease revenue and applicable dilapidations payable thereon, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The leases have now expired.

The manufacturing reorganisation costs in the year relate to retrenchment costs in the Group's UK subsidiaries and the relocation of certain sourcing operations in the PRC. Manufacturing reorganisation costs in the prior year relate to the relocation of the warehouse and production operations of one of the Group's UK subsidiaries.

32. 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. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. For the year ended 30 September 2013, the retirement benefit scheme contributions charged to the consolidated income statement amounted to HK$786,000 (2012 – HK$726,000) (note 10), 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 Group'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 year ended 30 September 2013 was HK$5,491,000 (2012 – HK$6,159,000) (note 10). 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 year ended 30 September 2013 was HK$4,540,000 (2012 – HK $4,710,000) (note 10).

33. RETIREMENT BENEFIT OBLIGATIONS

The Group operates 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 are based on years of service and compensation history. The Plan's assets are held separately from the assets of the Group and are administered by the Plan's trustees and are managed professionally.

The latest formal actuarial valuation of the Plan was carried out at 5 April 2013 by JLT, the actuarial advisors to the Plan. Negotiations are continuing between the Company and the Trustees of the Plan to agree the valuation. This draft 2013 valuation has been updated to 30 September 2013, by KPMG LLP, the Company's actuarial advisors, for the purposes of this Annual Report.

The Group's annual contributions for the year ended 30 September 2013 amounted to £1.5 million (approximately HK$19.1 million) (2012 – £1.1 million (approximately HK$12.2 million)).

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

In accordance with the current Schedule of Contributions, from 1 April 2013 the annual rate of contribution will be £2.1 million (approximately HK$26.0 million) and this will increase each year at a rate of 4.2% for the remainder of the recovery period, currently estimated to be 17 years.

These contributions are based on the recovery of a deficit of £24.5 million (approximately HK$303 million) shown by the triennial actuarial valuation at 5 April 2010. The latest triennial valuation at 5 April 2013 is still to be finalised but the draft valuation shows a significantly increased deficit which will require the agreement of a revised contribution schedule incorporating increased annual pension contributions from the Company.

This revised contribution schedule will also be subject to UK Pension Regulatory approval and may be liable to revision and amendment in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of the Plan investments and liabilities and the financial strengths and cash flow requirements of the Plan's sponsoring employers.

In addition to cash contributions made to the Plan, a second legal charge has been executed in favour of the Plan representing 50% of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, England (note 39).

Furthermore, in connection with the renegotiation of the employer's contribution schedule relating to the annual payments to be made by the participating employers of the Plan, guarantees have been provided by Spear & Jackson Limited and Bowers Group Limited, UK subsidiaries of the Group, to secure certain obligations ("the guaranteed obligations") relative to the Plan in the event of a contribution default by any of the participating companies or in certain other circumstances.

The guaranteed obligations represent all present and future obligations (actual or contingent) of each participating employer to make payments to the Plan up to a maximum amount that is equal to the lowest non-negative amount which, when added to the assets of the Plan, would result in the Plan being at least 105% funded on the date on which any liability under the guarantee crystallised based on an actuarial valuation of the Plan carried out on that date.

The principal financial assumptions used in the updated actuarial valuations at 30 September 2013 and 30 September 2012 for the purpose of the accounting disclosures in this annual report were as follows:

	2013	2012
Long term rate of increase in pensionable salaries (note a)	**0.00%**	0.00%
Rate of increase of benefits in payment (note b)	**3.30%**	2.40%
Rate of increase of benefits in payment (note c)	**2.20%**	1.60%
Discount rate	**4.60%**	4.30%
Inflation assumption (Retail Prices Index ("RPI"))	**3.40%**	2.40%
Inflation assumption (Consumer Prices Index ("CPI")) (note d)	**2.40%**	1.70%
Expected return on equities	**7.85%**	6.95%
Expected return on bonds	**4.60%**	4.30%
Expected return on diversified corporate bonds	**6.85%**	5.95%
Expected return on cash	**0.50%**	0.50%
Expected return on property	**4.60%**	4.30%
Expected return on insurance policies	**4.60%**	4.30%

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

Notes:

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

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

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

(d) 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 expected return on assets assumption has been derived by considering the appropriate return for each of the main asset classes. The yields assumed on bond type investments are based on published redemption yields at the reporting date. The assumed return on equities reflects an assumed allowance for the out-performance of these asset classes over UK Government bonds in the long-term. The rates of return are shown net of investment manager expenses. The expected return on property is based upon funds being invested in properties with high quality tenants for which the income stream is bond-like, and the return is expected to be similar to a portfolio of high quality corporate bonds.

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

The amount recognised in the consolidated statement of financial position in respect of the Plan for the current year and the previous four years is as follows:

	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of Plan assets:					
Equities	**828,748**	825,534	720,195	720,782	598,215
Bonds	**301,054**	143,170	324,117	378,404	505,992
Diversified corporate bonds	**57,631**	181,055	–	–	–
Property	**154,018**	146,926	136,425	130,906	–
Cash	**15,580**	2,634	1,920	1,685	60,458
Insurance policies	**9,902**	10,082	10,268	12,066	14,099
	1,366,933	1,309,401	1,192,925	1,243,843	1,178,764
Present value of funded obligations	**(1,556,560)**	(1,554,618)	(1,325,145)	(1,423,147)	(1,368,316)
Net liabilities recognised	**(189,627)**	(245,217)	(132,220)	(179,304)	(189,552)

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

Amounts recognised in the consolidated income statement in respect of the Plan are as follows:

	2013 **HK$'000**	2012 HK$'000
Current service cost	**3,497**	2,940
Expected return on assets	**(73,863)**	(79,484)
Interest cost	**62,900**	68,645
Net pension credit	**(7,466)**	(7,899)

The current service cost charge is included in the employee benefits expense caption in the consolidated income statement. The net interest receivable is included in the interest income caption in the consolidated income statement.

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

	2013 **HK$'000**	2012 HK$'000
At 1 October	**1,554,618**	1,325,145
Currency realignment	**(7,180)**	51,041
Current service cost	**3,497**	2,940
Utilisation of expense reserve	**(3,260)**	(1,552)
Interest cost	**62,900**	68,645
Member contributions	**1,760**	1,952
Benefit payments	**(75,192)**	(69,120)
Actuarial losses	**19,417**	175,567
At 30 September	**1,556,560**	1,554,618

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

	2013 **HK$'000**	2012 HK$'000
At 1 October	**1,309,401**	1,192,925
Currency realignment	**(2,788)**	46,324
Employer contributions	**19,112**	12,218
Member contributions	**1,760**	1,952
Expected return on assets	**73,863**	79,484
Benefit payments	**(75,192)**	(69,120)
Actuarial gains	**40,777**	45,618
At 30 September	**1,366,933**	1,309,401

The actual return on the Plan's assets was a gain of approximately HK$114,640,000 (2012 – HK$125,102,000).

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The amount, before tax, recognised in the consolidated statement of comprehensive income is as follows:

	2013 HK$'000	2012 HK$'000
Actuarial gain/(loss)	**21,360**	(129,949)

The cumulative amount of actuarial gains recognised in the consolidated statement of comprehensive income, before tax, is HK$5,153,000 (2012 – HK$16,207,000 loss).

The history of experience adjustments is as follows:

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Present value of defined benefit obligation	**(1,556,560)**	(1,554,618)	(1,325,145)	(1,423,147)	(1,368,316)
Fair value of Plan assets	**1,366,933**	1,309,401	1,192,925	1,243,843	1,178,764
Deficit	**(189,627)**	(245,217)	(132,220)	(179,304)	(189,552)
Experience gain adjustment on Plan liabilities	**–**	–	31,910	–	–
Experience gain/(loss) adjustment on Plan assets	**40,777**	45,618	(66,794)	52,248	93,111

The actuarial valuation showed that the market value of the Plan's assets at 30 September 2013 was HK$1,366,933,000 (2012 – HK$1,309,401,000) and that the actuarial value of these assets represented 88% (2012 – 84%) of the benefits that had accrued to members. The shortfall of HK$189,627,000 (2012 – HK$245,217,000) is subject to variation as, going forward, assumptions and investment conditions may change. The current deficit and any future liabilities, as calculated by the Plan actuary, will be cleared in accordance with current UK pension's legislation and after consultation and agreement between the Trustees and the Company.

34. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised and the movements thereon during the current and prior year.

	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 2011	11,617	(13,148)	33,052	6,538	1,227	39,286
(Charged) / credited to consolidated income statement (note 12)	(2,147)	1,892	(7,254)	(2,623)	(444)	(10,576)
Recognition of actuarial losses on defined benefit pension plan in other comprehensive income	–	–	30,225	–	–	30,225
Currency realignment	852	(717)	375	685	100	1,295
At 30 September 2012	10,322	(11,973)	56,398	4,600	883	60,230
(Charged) / credited to consolidated income statement (note 12)	**(1,687)**	**1,808**	**(11,656)**	**(3,074)**	**(687)**	**(15,296)**
Recognition of actuarial gains on defined benefit pension plan in other comprehensive income	**–**	**–**	**(5,443)**	**–**	**–**	**(5,443)**
Currency realignment	**(125)**	**25**	**(1,372)**	**(122)**	**(32)**	**(1,626)**
At 30 September 2013	**8,510**	**(10,140)**	**37,927**	**1,404**	**164**	**37,865**

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2013 HK$'000	2012 HK$'000
Deferred tax assets	**48,005**	72,203
Deferred tax liabilities	**(10,140)**	(11,973)
	37,865	60,230

The majority of the Group's deferred tax assets relate to temporary differences originating in its UK subsidiaries. Such deferred tax balances have been provided at 20% (2012 – 23%). Legislation formally enacted during the year has had the effect of reducing the effective tax rate from 23% to 20% from April 2014. Included in the HK$15,296,000 charge for the year is a charge of HK$4,953,000 to reflect this change in tax rates (2012 - HK$3,080,000 reflecting a change of rates from 25% to 23%).

34. DEFERRED TAX *(Continued)*

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, capital losses, other temporary differences and other tax credits available for offset against future profits, analysed as follows:

	2013	2012
	HK$'000	HK$'000
Unused tax losses	**328,231**	344,195
Capital losses	**120,464**	121,127
Other temporary differences	**49,494**	45,943
Other tax credits	**414,123**	417,058
	912,312	928,323

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits 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 proportion of these unrecognised tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits principally arise in Hong Kong, UK, and France and can be carried forward indefinitely.

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 and associate established in Mainland China in respect of earnings generated from 1 January 2008.

As at 30 September 2013 and 30 September 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group'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. The aggregate amount of temporary differences associated with investment in subsidiaries in Mainland China, for which deferred tax liabilities have not been recognised at 30 September 2013, totaled approximately HK$5,350,000 (2012 – HK$3,809,000).

35. SHARE CAPITAL

Ordinary shares of HK$0.10 each

	2013		2012	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Authorised:				
At 1 October and 30 September	**1,500,000,000**	**150,000,000**	1,500,000,000	150,000,000
Issued and fully paid:				
At 1 October	**993,376,993**	**99,337,699**	991,852,107	99,185,210
Share Options exercised (note)	**14,066,161**	**1,406,616**	1,524,886	152,489
At 30 September	**1,007,443,154**	**100,744,315**	993,376,993	99,337,699

Note:

Refer to note 36 for details of share options exercised.

36. SHARE OPTIONS

(a) Pursuant to a special general meeting of the Company held in April 1994, the Company adopted an executives' share option scheme (the "1994 Scheme") for the primary purpose of providing incentives to the Executive Directors and eligible employees of the Company and its subsidiaries. According to the 1994 Scheme, the Board of Directors of the Company is authorised, at any time within ten years after the adoption date of the 1994 Scheme, to grant options to eligible participants to subscribe for shares in the Company at a subscription price equal to the higher of the nominal value of the shares and an amount, to be determined by a committee administering the 1994 Scheme, which is not less than 80% of the average of the closing prices of the shares on the HKEx on the five trading days immediately preceding the date of the options are offered to the participant.

The total number of shares in respect of which options may be granted under the 1994 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 25% of the maximum number of shares that may be issued pursuant to the 1994 Scheme without prior approval from the Company's shareholders.

The offer of a grant of share options under the 1994 Scheme may be accepted within 21 days from the date of the offer together with the payment of nominal consideration of HK$1 in total by the grantee. The exercise period shall be determined by the Board of Directors but not exceeding 10 years from the date of grant.

Share options granted under the 1994 Scheme are fully vested immediately at the date of grant. Options granted to a participant lapse if the participant ceases to be an eligible participant pursuant to the 1994 Scheme before the options are vested or exercised.

	Date of grant	**Exercisable period**	**Exercise price HK$**
1994 Scheme	23.7.2003	23.7.2003 – 22.7.2013	0.286

The number of options outstanding which have been granted to the Directors of the Company under the 1994 Scheme were as follows:

	Outstanding at 1 October 2012	**Exercised during the year**	**Outstanding at 30 September 2013**
Mr. Simon N Hsu	3,773,165	(3,773,165)	–

36. SHARE OPTIONS *(Continued)*

(b) At a special general meeting of the Company held on 30 August 2004, a new 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.

36. SHARE OPTIONS *(Continued)*

(b) *(Continued)*

The movements in the number of share options under the 2004 Scheme during the year are as follows:

	Date of grant	Exercise price HK$	Outstanding at 1 October 2012	Granted during the year (note a)	Exercised during the year (note b)	Lapsed during the year	Outstanding at 30 September 2013
Directors	28.9.2004	0.193	5,151,651	–	(5,151,651)	–	**–**
	20.12.2004	0.198	4,378,901	–	(4,378,901)	–	**–**
	18.6.2012	0.313	13,500,000	–	–	–	**13,500,000**
			23,030,552	–	(9,530,552)	–	**13,500,000**
Other employees	28.9.2004	0.193	412,131	–	(412,131)	–	**–**
	20.12.2004	0.198	350,313	–	(350,313)	–	**–**
			23,792,996	–	(10,292,996)	–	**13,500,000**

	Date of grant	Exercise price HK$	Outstanding at 1 October 2011	Granted during the year (note a)	Exercised during the year	Lapsed during the year	Outstanding at 30 September 2012
Directors	28.9.2004	0.193	5,151,651	–	–	–	5,151,651
	20.12.2004	0.198	4,378,901	–	–	–	4,378,901
	18.6.2012	0.313	–	13,500,000	–	–	13,500,000
			9,530,552	13,500,000	–	–	23,030,552
Other employees	28.9.2004	0.193	1,236,393	–	(824,262)	–	412,131
	20.12.2004	0.198	1,050,937	–	(700,624)	–	350,313
			11,817,882	13,500,000	(1,524,886)	–	23,792,996

The options granted on 28 September 2004 and 20 December 2004 are vested for a period of three years immediately after the date of grant by one-third on each anniversary and are fully vested on 27 September 2007 and 19 December 2007, respectively. Options granted on those dates are exercisable after one year but not exceeding ten years from the date of grant subject to the vesting conditions stated above.

36. SHARE OPTIONS *(Continued)*

(b) *(Continued)*

Notes:

(a) On 18 June 2012, the Company granted 13,500,000 options to Directors of the Company under the share option scheme of the Company adopted on 30 August 2004. 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.

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, included within Directors' emoluments, of HK$384,000 were charged to the income statement for the year ended 30 September 2013 (2012 – HK$129,000).

(b) The weighted average share price at the date of the exercise of the share options exercised during the year was HK$0.571 (2012 – HK$0.327).

(c) As at 30 September 2013, 13,500,000 (2012 – 27,566,161) share options are exercisable and the weighted average remaining life for those outstanding share options is 3,181 days (2012 – 2,063 days).

37. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for both the current and prior years are presented in the consolidated statement of changes in equity on pages 51 and 52 of the financial statements.

Share premium account

The application of the share capital account is governed by Sections 48B and 49H of the Hong Kong Companies Ordinance.

The movement on the share premium account is as follows:

	2013 **HK$'000**	2012 HK$'000
At 1 October	**40,195**	40,050
Exercise of share options (note a)	**1,683**	145
At 30 September	**41,878**	40,195

Note:

(a) The following share options were exercised during the year ended 30 September 2013:

Date	**Number of options exercised**	**Excercise price HK$**	**Share premium HK$'000**	**Closing price prior to exercise HK$**
March 2013	**412,131**	**0.193**	**38**	**0.38**
March 2013	**350,313**	**0.198**	**34**	**0.38**
May 2013	**1,030,331**	**0.193**	**96**	**0.47**
May 2013	**875,780**	**0.198**	**86**	**0.47**
June 2013	**3,773,165**	**0.286**	**702**	**0.60**
June 2013	**4,121,320**	**0.193**	**384**	**0.60**
June 2013	**3,503,121**	**0.198**	**343**	**0.60**
	14,066,161		**1,683**	

The following share options were exercised during the year ended 30 September 2012:

Date	Number of options exercised	Excercise price HK$	Share premium HK$'000	Closing price prior to exercise HK$
July 2012	412,131	0.193	39	0.285
July 2012	350,312	0.198	34	0.285
August 2012	412,131	0.193	38	0.37
August 2012	350,312	0.198	34	0.37
	1,524,886		145	

37. RESERVES *(Continued)*

(a) GROUP *(Continued)*

Treasury Share Reserve

During the year ended 30 September 2010 the Group obtained at nil cost 14,500,000 of its own HK$0.10 shares with a value of HK$5,365,000. The relevant shares are available for resale and have been included in a Treasury Share Reserve, shown as a component of Capital and Reserves. During the year the Group disposed of 1,072,000 treasury shares in the Company for sale proceeds of HK$437,000. This resulted in a gain on the disposal of treasury shares of HK$40,000 which has been taken to other reserves.

The movements in the Treasury Share Reserve are as follows:

	2013		2012	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Treasury shares				
At 1 October	**14,500,000**	**5,365**	14,500,000	5,365
Sold during the year	**(1,072,000)**	**(397)**	—	—
At 30 September	**13,428,000**	**4,968**	14,500,000	5,365

Other Reserve

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

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 income statement over the remaining vesting period, with a corresponding adjustment to share options 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 accumulated profits.

37. RESERVES *(Continued)*

(a) GROUP *(Continued)*

Capital Reserve

The capital reserve represents a capital reserve arising on a 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 the income statement 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.

37. RESERVES *(Continued)*

(b) COMPANY

	Share premium HK$'000	Treasury share reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000	Contribution surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2011	40,050	(5,365)	528	1,442	–	–	70,911	(8,678)	98,888
Profit for the year	–	–	–	–	–	–	–	8,793	8,793
Deficit on revaluation of available-for-sale financial assets	–	–	–	–	(113)	–	–	–	(113)
Dividends paid	–	–	–	–	–	–	–	(4,887)	(4,887)
Sale of treasury shares (note a)	–	5,365	–	–	–	725	–	–	6,090
Share-based compensation expense	–	–	129	–	–	–	–	–	129
Exercise of share options	145	–	–	–	–	–	–	–	145
	145	5,365	129	–	(113)	725	–	3,906	10,157
At 30 September 2012	40,195	–	657	1,442	(113)	725	70,911	(4,772)	109,045
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,980**	**7,980**
Deficit on revaluation of available-for-sale financial assets	**–**	**–**	**–**	**–**	**(681)**	**–**	**–**	**–**	**(681)**
Dividends paid (note b)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,979)**	**(14,979)**
Share-based compensation expense	**–**	**–**	**384**	**–**	**–**	**–**	**–**	**–**	**384**
Exercise of share options	**2,211**	**–**	**(528)**	**–**	**–**	**–**	**–**	**–**	**1,683**
	2,211	**–**	**(144)**	**–**	**(681)**	**–**	**–**	**(6,999)**	**(5,613)**
At 30 September 2013	**42,406**	**–**	**513**	**1,442**	**(794)**	**725**	**70,911**	**(11,771)**	**103,432**

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

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

37. RESERVES *(Continued)*

(b) COMPANY *(Continued)*

The contribution surplus represents the difference between the book values of the underlying assets of one of the Company's subsidiaries, Pantronics Holdings Limited, 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 accumulated 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.

Notes:

(a) During the year ended 30 September 2012, the Company transferred 14,500,000 of its own shares with a nominal value of HK$0.10 each, which it had obtained at nil cost with a value of HK$5,365,000 in the year ended 30 September 2010, to Pantronics Holdings Limited, a subsidiary undertaking incorporated in the British Virgin Islands, at a consideration of HK$6,090,000. This resulted in a capital gain on disposal of treasury shares of HK$725,000 which has been taken to other reserve.

(b) See note 13 for details of dividend payments.

38. MAJOR NON-CASH TRANSACTIONS

During the year, 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$2,475,000 (2012 – HK$9,368,000) (note 16).

39. PLEDGE OF ASSETS

At the reporting date, the banking facilities of the UK subsidiaries of Spear & Jackson Limited and Bowers Group Limited (the "UK Group") comprise a £6,500,000 Sterling (approximately HK$81,500,000) composite facility comprising confidential invoice discounting and an overdraft. This facility is secured by certain trade receivables in the UK trading operations of the UK Group, by fixed and floating charges on the assets and undertakings of the UK Group and its trading subsidiaries and by a first fixed charge on the Group's freehold properties in the United Kingdom. The amount drawn down under the confidential invoice facility at 30 September 2013 was HK$28,114,000 (2012 – HK$24,765,000) which is secured against trade debts of the same amount in the applicable UK Group's trading subsidiaries. The amount drawn down under the overdraft facility at 30 September 2013 was HK$10,529,000 (2012 – HK$8,431,000). The net book value of the Group's UK freehold properties at 30 September 2013 is approximately HK$107,000,000 (2012 – HK$110,000,000) over which there is a first fixed charge of approximately HK$63,000,000 (2012 – HK$65,000,000).

During the year to 30 September 2008, in accordance with UK pension regulatory requirements, a pension contribution schedule was agreed between the Group and the Trustees of the James Neill Pension Plan covering contributions payable to the Plan. As part of this agreement, the Group executed a second charge in favour of the Plan representing 50% (approximately HK$44,000,000) (2012 – HK$45,000,000) of the value of the Group's UK freehold land and buildings at Atlas Way, Sheffield (notes 16 and 33).

Other borrowings in the Group's Hong Kong and PRC subsidiaries of approximately HK$24,377,000 (30 September 2012 – HK$26,307,000), comprising overdrafts of HK$4,031,000 (30 September 2012 – HK$4,787,000), Hong Kong Government-backed loans of HK$2,400,000 (30 September 2012 – HK$4,800,000) and export and import loans of HK$17,946,000 (30 September 2012 – HK$16,720,000) have been secured by unlimited cross guarantees provided by the Company and certain Hong Kong and PRC trading subsidiaries and by Company corporate guarantees. In addition, at 30 September 2012, the Group had pledged bank deposits of HK$5,000,000 (note 26) to certain banks to secure credit facilities granted by those banks to the extent of approximately HK$10,000,000.

Included within cash and cash equivalents is approximately HK$1,000,000 (30 September 2012 – HK$482,000) and included within other receivables is approximately HK$3,745,000 (30 September 2012 – HK$1,269,000) representing RMB deposits placed with banks in Mainland China for bills payable and custom's guarantees.

40. RECONCILIATION OF INCREASE IN CASH AND CASH EQUIVALENTS TO MOVEMENT IN NET CASH

	Note	**2013** **HK$'000**	2012 HK$'000
Net increase in cash and cash equivalents for the year		**36,626**	14,302
Effect of foreign exchange rates		**(1,760)**	1,208
Net movement in cash and cash equivalents		**34,866**	15,510
Repayment of bank borrowings		**2,400**	38,792
New bank borrowings raised		**–**	(18,367)
(Increase)/decrease in the invoice discounting facility		**(2,791)**	8,054
Net cash (inflow)/outflow from export loans		**(1,227)**	3,557
Others		**715**	(3,390)
Net cash at the beginning of the year		**79,623**	35,467
Net cash at the end of the year		**113,586**	79,623
Represented by:			
Pledged bank deposits	26	**–**	5,000
Cash and cash equivalents	27	**187,565**	151,357
Interest-bearing bank borrowings – amounts due within one year	29	**(63,020)**	(57,103)
Obligations under finance leases – amounts due within one year	30	**(6,112)**	(8,127)
Interest-bearing bank borrowings – amounts due after one year	29	**–**	(2,400)
Obligations under finance leases – amounts due after one year	30	**(4,847)**	(9,104)
		113,586	79,623

41. CONTINGENT LIABILITIES

The Group is, from time to time, subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to personal injury claims, customer contract matters, employment claims and environmental matters.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits, the Directors of the Company believe that the aggregate amount of such liabilities, if any, in excess of amounts accrued, will not have a material adverse effect on the consolidated financial position or results of operations of the Group.

42. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$24,377,000 (2012 – HK$23,385,000) with respect to general banking facilities granted to certain subsidiaries of the Company. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loan and facilities. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was not probable that the repayments of any loans or facilities would be in default.

43. CAPITAL COMMITMENTS

GROUP

	2013 **HK$'000**	2012 HK$'000
Committed but not contracted for:		
Property, plant and equipment	**2,381**	1,891

COMPANY

As at 30 September 2013 and 2012, the Company did not have any significant capital commitments.

44. OPERATING LEASE COMMITMENTS

The Group as Lessee

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

	2013	2012
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**9,989**	10,579
In the second to fifth years inclusive	**12,732**	12,266
Over five years	**15,217**	16,575
	37,938	39,420

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 83 years (2012 – 1 to 84 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.

In respect of non-cancellable operating lease commitments, the following liabilities have been recognised:

	2013	2012
	HK$'000	HK$'000
Onerous lease contracts (note 31)		
Within one year	**2,180**	3,012

44. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as Lessor

At the reporting date, the Group had contracted with tenants for the following minimum lease payments:

	2013 HK$'000	2012 HK$'000
Within one year	**77**	77
In the second to fifth years inclusive	**307**	309
Over five years	**5,176**	5,314
	5,560	5,700

Operating lease income represents the rentals receivable by the Group for certain of its leased properties under sub-lease agreements. The leases run for an initial period of 1 to 83 years (2012 – 1 to 84 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 tenants.

The Company as Lessee

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

	2013 HK$'000	2012 HK$'000
Operating leases which expire:		
Within one year	**787**	1,118
In the second to fifth years inclusive	**–**	838
	787	1,956

Operating lease payments represent rentals payable by the Company for its office premises. The lease runs for an initial period of 3 years and expires in June 2014. The lease does not contain any contingent rentals.

45. RELATED PARTY TRANSACTIONS

Eclipse Magnetics Limited, a subsidiary undertaking of United Pacific Industries Limited, purchases manufactured products directly from Ningbo Hi-tech Assemblies Co. Ltd. ("Ningbo Hi-tech"), a company in which it has a 25% interest (note 21). In the year ended 30 September 2013, goods to the value of approximately HK$28,833,000 (2012 – HK$21,614,000) were purchased from Ningbo Hi-tech. At 30 September 2013 the amount payable to Ningbo Hi-tech was approximately HK$4,520,000 (2012 – HK$1,264,000).

The Group operates 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 Plan"). The Group pays contributions to the Plan each year according to a schedule of contributions agreed between the Plan trustees and the Group. Full details of the contributions paid by the Group to the Plan during the year are disclosed in note 33.

Other than the emoluments paid to the Directors of the Company, as disclosed in note 11, who are also considered as the key management of the Group and the points referred to above, the Group has not entered into any other related party transactions.

46. FINANCIAL RISK MANAGEMENT AND POLICIES

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price 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 value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal operating subsidiaries carry out their operations in the PRC (including Hong Kong), the UK, France, Australasia and Canada. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the selling and purchase of products. As a consequence of the various trading activities, certain trade receivables and borrowings of the Group are denominated in foreign currencies. While the Group has no formal hedging policy, it does seek to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency exposure risks.

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

Foreign currency risk *(Continued)*

The Group's foreign currency risk is mainly concentrated on the fluctuation of the US Dollar against the Pound Sterling, Australian Dollar and the RMB and the fluctuation of the Euro against Pound Sterling.

	2013 Group		**2013 Company**	
	Euro	**US$**	**Euro**	**US$**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Trade receivables	**6,802**	**15,190**	**–**	**–**
Cash and cash equivalents	**1,287**	**–**	**–**	**–**
Trade payables	**(1,109)**	**(33,852)**	**–**	**–**
Borrowings	**–**	**(14,599)**	**–**	**–**
Gross exposure arising from recognised financial assets and liabilities	**6,980**	**(33,261)**	**–**	**–**
Notional amounts of forward foreign exchange contracts	**–**	**(34,057)**	**–**	**–**

	2012 Group		2012 Company	
	Euro	US$	Euro	US$
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	7,730	2,878	–	–
Cash and cash equivalents	3,138	–	–	–
Trade payables	(1,273)	(21,320)	–	–
Borrowings	–	(11,283)	–	–
Gross exposure arising from recognised financial assets and liabilities	9,595	(29,725)	–	–
Notional amounts of forward foreign exchange contracts	11,650	(71,257)	–	–

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

Foreign currency risk *(Continued)*

The following table details the Group's sensitivity to a 5% increase or decrease in relation to the above currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The positive figures represent an increase in the profit for the year where the Renminbi yuan strengthens against the US dollar; an increase in profit where Pound sterling strengthens against the US dollar; an increase in profit where Australian dollar strengthens against the US dollar and a decrease in profit where Pound sterling strengthens against the Euro. For a 5% weakening of the various currencies, there would be an equal and opposite impact on the profit and loss account.

	2013 **HK$'000**	2012 HK$'000
Pound sterling to US dollar	**933**	777
Australian dollar to US dollar	**374**	426
Renminbi yuan to US dollar	**356**	283
Pound sterling to Euro	**349**	(480)

Interest rate risk

The Group's exposure to interest rate risk relates principally to its interest-bearing bank borrowings. The interest-bearing bank borrowings have floating and fixed interest rates and in the main are denominated in Hong Kong Dollars, Pound Sterling and US Dollars. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 29. At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate profile and will consider appropriate hedging measures in the future which may be necessary.

The net interest credit experienced by the Group is HK$9.1 million (2012 – HK$7.9 million net interest credit). If there were a 1% increase/(decrease), the net interest credits/costs would increase/(decrease) by approximately HK$2.2 million (2012 – HK$1.5 million).

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments as disclosed in note 22. Certain of those investments are publicly quoted equities and are subject to variations in value. However, they represent a small percentage of the Group's net assets and the risk is minimal.

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.

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

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 30 September 2013, trade receivables of HK$108,193,000 (2012 – HK$95,639,000) 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 losses are made for irrecoverable amounts. Additionally, in certain markets, specific export guarantee insurance is taken out to minimise any credit rate risk. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced. 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.

As at 30 September 2013, the maximum exposure to credit risk in respect of financial guarantees issued by the Company was HK$24,377,000 (2012 – HK$23,385,000) which represented the maximum amount the Company could be required to pay if the guarantees were called on.

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 and the Company'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.

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

Liquidity risk *(Continued)*

At 30 September 2013

GROUP

	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	157,756	–	157,756	157,756
Accruals and other payables	108,541	–	108,541	108,541
Interest-bearing bank borrowings	63,079	–	63,079	63,020
Obligations under finance leases	6,478	5,011	11,489	10,959
Provisions for onerous contracts	2,180	–	2,180	2,180
	338,034	5,011	343,045	342,456
Derivative financial liabilities:				
Gross settled forward foreign exchange contracts:				
– cash inflow	33,593	–	33,593	
– cash outflow	(33,242)	–	(33,242)	
	351	–	351	

COMPANY

	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:				
Accruals and other payables	7,441	–	7,441	7,441
Amounts due to subsidiaries	127,261	–	127,261	127,261
	134,702	–	134,702	134,702
Issued financial guarantee contracts:				
Maximum amount guaranteed (note 42)	24,377	–	24,377	–

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

Liquidity risk *(Continued)*

At 30 September 2012

GROUP

	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	154,738	–	154,738	154,738
Accruals and other payables	97,173	–	97,173	97,173
Interest-bearing bank borrowings	57,270	2,459	59,729	59,503
Obligations under finance leases	8,805	9,536	18,341	17,231
Provisions for onerous contracts	3,012	–	3,012	3,012
	320,998	11,995	332,993	331,657
Derivative financial liabilities:				
Gross settled forward foreign exchange contracts:				
– cash inflow	82,907	–	82,907	
– cash outflow	(80,061)	–	(80,061)	
	2,846	–	2,846	

COMPANY

	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:				
Accruals and other payables	6,859	–	6,859	6,959
Amounts due to subsidiaries	128,987	–	128,987	128,987
	135,846	–	135,846	135,946
Issued financial guarantee contracts:				
Maximum amount guaranteed (note 42)	23,385	–	23,385	–

46. 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:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and receivables:				
Cash and cash equivalents	**187,565**	151,357	**18,641**	26,762
Pledged bank deposits	**–**	5,000	**–**	–
Trade and other receivables	**295,593**	281,915	**595**	647
Amounts due from subsidiaries	**–**	–	**220,351**	216,766
Available-for-sale financial assets	**1,921**	2,593	**1,194**	1,875
	485,079	440,865	**240,781**	246,050

Financial liabilities:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities measured at amortised cost:				
Trade and other payables	**266,297**	251,911	**7,441**	6,859
Interest-bearing bank borrowings	**63,020**	59,503	**–**	–
Obligations under finance leases	**10,959**	17,231	**–**	–
Provision for onerous contracts	**2,180**	3,012	**–**	–
Amounts due to subsidiaries	**–**	–	**127,261**	128,987
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	**351**	2,874	**–**	–
	342,807	334,531	**134,702**	135,846

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

Fair value measurements recognised in the statement of financial position

The fair value of forward foreign exchange contracts are determined using quoted market exchange rates at the end of the reporting period.

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.

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

Fair value measurements recognised in the statement of financial position (Continued)

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:

	2013 Group				2012 Group			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets:								
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	–	–	–	–
Available-for-sale investments								
– Listed	**1,194**	**–**	**–**	**1,194**	1,875	–	–	1,875
Total	**1,194**	**–**	**–**	**1,194**	1,875	–	–	1,875
Liabilities:								
Forward foreign exchange contracts	**–**	**351**	**–**	**351**	–	2,874	–	2,874
	–	**351**	**–**	**351**	–	2,874	–	2,874
Net fair value	**1,194**	**(351)**	**–**	**843**	1,875	(2,874)	–	(999)

	2013 Company				2012 Company			
Assets:								
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	–	–	–	–
Available-for-sale investments								
– Listed	**1,194**	**–**	**–**	**1,194**	1,875	–	–	1,875
Net fair value	**1,194**	**–**	**–**	**1,194**	1,875	–	–	1,875

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.

Derivatives

The fair value of derivatives is estimated using market interest rates as disclosed in note 25 to the financial statements.

47. 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 and obligations under finance leases less cash and cash equivalents and pledged bank deposits. Total capital represents total equity, as shown in the consolidated statement of financial position.

	2013 **HK$'000**	2012 HK$'000
Total net debt	**N/A**	N/A
Total capital	**455,866**	381,904
Gearing ratio	**N/A**	N/A

FINANCIAL SUMMARY

RESULTS

	Years ended 30 September				
	2009	2010	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	962,622	1,145,529	1,276,962	1,468,610	**1,480,767**
Cost of sales	(711,786)	(807,472)	(906,164)	(1,030,994)	**(1,039,831)**
Gross profit	250,836	338,057	370,798	437,616	**440,936**
Other income	8,988	18,960	7,204	4,354	**7,530**
Interest income	829	5,618	12,292	11,796	**12,395**
Selling and distribution costs	(167,666)	(191,733)	(219,036)	(223,534)	**(226,918)**
Administrative costs	(63,409)	(100,704)	(104,081)	(144,058)	**(133,383)**
Restructuring costs	(6,779)	(21,047)	(11,135)	(3,284)	**(3,916)**
Other non-operating costs	–	(2,015)	–	–	**–**
Finance costs	(16,454)	(6,915)	(5,573)	(3,921)	**(3,345)**
Share of results of an associate	664	1,959	2,848	4,452	**6,922**
Costs on acquisition of a subsidiary	–	(772)	–	–	**–**
Cash flow hedge recycled from other comprehensive income	–	(1,502)	(2,076)	1,361	**(839)**
Discount on acquisition of a subsidiary	10,616	–	–	–	**–**
Realied exchange differences on the liquidation of a subsidiary undertaking recycled from other comprehensive income	–	–	–	600	**1,186**
Impairment loss on available-for-sale financial assets	(3,813)	–	–	–	**–**
Profit before tax from continuing operations	13,812	39,906	51,241	85,382	**100,568**
Income tax charge	(6,587)	(12,877)	(17,471)	(24,808)	**(27,518)**
Profit for the year from continuing operations	7,225	27,029	33,770	60,574	**73,050**
Net result from discontinued operation	(6,441)	(30,608)	3,979	–	**–**
Profit/(loss) for the year	784	(3,579)	37,749	60,574	**73,050**
Attributable to Owners of the Company	784	(3,579)	37,749	60,574	**73,050**
Dividends paid	7,700	4,924	–	4,887	**14,777**
Earnings per share from continuing and discontinued operations					
Basic	0.09 cents	(0.37 cents)	3.86 cents	6.20 cents	**7.42 cents**
Diluted	N/A	N/A	3.85 cents	6.18 cents	**7.42 cents**
Earnings per share from continuing operations					
Basic	0.86 cents	2.86 cents	3.45 cents	6.20 cents	**7.42 cents**
Diluted	N/A	2.74 cents	3.44 cents	6.18 cents	**7.42 cents**

ASSETS AND LIABILITIES

	At 30 September				
	2009	2010	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	929,614	980,887	918,481	983,754	**1,013,598**
Total liabilities	(559,879)	(629,248)	(499,910)	(601,850)	**(557,732)**
	369,735	351,639	418,571	381,904	**455,866**
Equity attributable to:					
Owners of the Company	369,735	351,639	418,571	381,904	**455,866**

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Mr. David Howard Clarke *(Chairman)*
Mr. Simon Hsu Nai-Cheng *(Executive Vice-chairman)*
Mr. Henry Woon-Hoe Lim *(Chief Executive Officer)*
Mr. Patrick John Dyson *(Chief Financial Officer)*
Ms. Kelly Lee

Non-executive Director:

Mr. Anthony Lee

Independent Non-executive Directors:

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

Audit Committee

Ms. Hu Gin Ing *(Chairman)*
Dr. Wong Ho Ching
Mr. Ramon Sy Pascual

Remuneration Committee

Mr. Ramon Sy Pascual *(Chairman)*
Mr. Simon Hsu Nai-Cheng
Dr. Wong Ho Ching

Nominating and Corporate Governance Committee

Dr. Wong Ho Ching *(Chairman)*
Mr. Simon Hsu Nai-Cheng
Ms. Hu Gin Ing

Chief Financial Officer

Mr. Patrick John Dyson

Registered Office

Clarendon House
Church Street, Hamilton HM 11, Bermuda

Head Office and Principal Place of Business in Hong Kong

Unit 1903-05, 19/F Nan Fung Tower,
173 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

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton HM11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
26/F Tesbury Centre, 28 Queen's Road East,
Hong Kong

Auditor

BDO Limited

Chief Accounting Officer and Chief Taxation Officer

Ms. Alaina Shone

Group Financial Controller (Asia)

Mr. Fung Chow Man, Charles

Company Secretary

Mr. Som Wai Tong, Ivan

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