United Pacific Industries

聯太工業

Stock Code: 176

Interim Report 2014

United Pacific Industries ("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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CHAIRMAN'S STATEMENT

When new management was appointed approximately four years ago our mandate was simple: return United Pacific Industries Limited ("UPI") to profitability and fix the balance sheet by putting the Company in a strong financial position. I have been personally proud of all of our management and employees that everyone worked together and by the end of our Fiscal 2013 both of the objectives had been achieved, and, in fact, exceeded.

Once we had reached our goals it was time to review our businesses. Readers of our recent Annual and Interim Reports will know that we have been concerned about the slow growth and prospects of many of our divisions particularly those in Europe. We have also been very aware of the extensive long term liabilities of these companies, particularly the un-funded pension liabilities. The clearest solution to this difficult situation would be a transformational change to the nature of UPI's businesses by divesting some of the existing businesses, with their liabilities, and acquiring new businesses with better prospects.

On 8 February UPI announced the sale of England-based Spear & Jackson Group and the sale of Pantene Industrial. At the same time we announced the purchase of a 28.8% interest in Taiwan-based Yuji Development Corporation ("Yuji"). The two sales bring substantial cash to our Company and, at the same time, remove from our balance sheet a large un-funded pension liability of HK$190 million and its related annual cash cost of approximately HK$36 million.

It is always more interesting to expand than to contract and the acquisition of an interest in Yuji has brought a business with great growth prospects and potential. Yuji is a majority-owned subsidiary of Lung Yen Life Service Corporation ("Lung Yen") in Taiwan. Lung Yen is the only Taiwan-listed, after-life services provider that is engaged in sales of Columbarium cemetery and pre-paid funeral services. Currently, Yuji manages and sells burial grounds around Taiwan and operates three columbaria towers and four cemeteries across the island. Its earnings contribution to Lung Yen amounted to 8% of total profits in 2012 but this is expected to grow as Yuji expands Lung Yen's nationwide coverage and develops product lines that target the mid-end market which will complement existing Lung Yen products.

As a result of the proposed sale, UPI's interim results reflect an impairment of the Spear & Jackson Group assets of HK$170.3 million as well the costs incurred in connection with the purchase of Yuji and the sale of Spear & Jackson and Pantene of HK$14.3 million. Having taken account of these one-time costs, the loss for the period is HK$144.6 million.

The purchase of Yuji was completed on 8 April and the two dispositions are scheduled to be completed later this month. As a result, it is now appropriate to view UPI in a totally new light; an established company with a new beginning.

When the dispositions have been completed, UPI will be a company with two divisions, no debt and a substantial cash balance. UPI will focus on actively exploring potential investments to enhance shareholder value. As Asia continues to develop and individual wealth increases, the business should go through a long period of improvement and expansion thereby rewarding the companies which manage it well.

David Howard Clarke
Chairman
Hong Kong, 14 May 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

EXPLANATORY FOREWARD

On 8 February 2014, the Company conditionally agreed to the acquisition of a 28.84% investment in Yuji Development Corporation, an after-life services company based in Taiwan, for a purchase consideration of approximately HK$130.7 million (the "Purchase" or the "Acquisition"), and agreed to sell the entire share capital of Pantene Global Holdings Ltd ("PGH") and Pantronics Holdings Ltd ("PHL") for a total consideration of US$25.0 million (the "Disposal"). PGH is the holding company of the Tools, Magnetics Technologies and Precision Measurement divisions and PHL is the holding company of the Contract Manufacturing division.

At a Special General Meeting held on 1 April 2014, independent shareholders of the Company voted in favour of the Acquisition and the Disposal. The Acquisition completed on 8 April 2014 and the Disposal is now expected to conclude on or before 31 May 2014.

Although the Company had entered into the Disposal agreement prior to the reporting date, because of certain conditions associated with the Purchase and Disposal transactions, the divisions of PGH and PHL have not been classified as discontinued operations in the consolidated income statement and their assets and liabilities classified as held for sale in the consolidated statement of financial position.

However, given that the element of the total transaction proceeds allocated to PGH of US$2.5 million is significantly lower than the carrying value of the net assets of PGH at the reporting date, the non-current assets of PGH have been subject to an impairment write down of HK$170.3 million which is shown as a separate item in the consolidated income statement.

Assuming that the Disposal is successfully completed, it is anticipated that the consolidated income statement for the year ending 30 September 2014 will be charged with a further HK$106.2 million representing further write downs, the realisation of accumulated exchange differences less the gain arising on the sale of PHL. This additional charge cannot be recognised in the financial statements for the period ended 31 March 2014.

Additionally, the 2013 comparatives in the consolidated income statement, the consolidated statement of financial position, the consolidated statement of cash flows and related notes to the financial statements have been restated to retrospectively show the impact of the revisions made to HKAS19 ("Employee Benefits") which became effective on 1 October 2013.

Management's Discussion and Analysis covers the results of the divisions of PGH and PHL which are expected to be sold by 31 May 2014 and also that of the retained Consumer Electronics business division, Alford Industries.

FINANCIAL REVIEW

Revenue for the period under review amounted to HK$786.4 million, 8.5% higher than the HK$725.1 million reported for the same period last year.

EBIT, representing operating profits before impairment losses, restructuring, net finance charges and other non-operating one-time costs, of HK$48.1 million is HK$4.1 million higher than the HK$44.0 million reported for the same period last year.

The loss for the period was HK$144.6 million (2013 – profit of HK$23.4 million). The 2014 loss is stated after the inclusion of HK$14.3 million of costs in connection with the acquisition of a 28.84% interest in Yuji Development Corporation and the proposed disposal of PGH and PHL and an impairment write down of the carrying value of PGH of HK$170.3 million.

An analysis of the above results classified between retained operations and those that are to be sold is as follows:

	Six months ended 31 March 2014			Six months ended 31 March 2013		
	Retained operations HK$'000	**Disposal Group HK$'000**	**Total HK$'000**	Retained operation HK$'000	Disposal Group HK$'000	Total HK$'000
Revenue	**155,554**	**630,868**	**786,422**	94,618	630,443	725,061
Cost of sales	**(133,504)**	**(425,406)**	**(558,910)**	(82,942)	(422,545)	(505,487)
Gross profit	**22,050**	**205,462**	**227,512**	11,676	207,898	219,574
Other income	**526**	**3,001**	**3,527**	858	4,153	5,011
Interest income	**46**	**611**	**657**	82	445	527
Selling and distribution costs	**(5,453)**	**(107,858)**	**(113,311)**	(3,214)	(110,932)	(114,146)
Administrative costs	**(14,628)**	**(57,425)**	**(72,053)**	(12,908)	(56,370)	(69,278)
Finance costs	**(205)**	**(5,049)**	**(5,254)**	(333)	(5,744)	(6,077)
Restructuring costs	**–**	**(4,112)**	**(4,112)**	–	(2,950)	(2,950)
Share of results of an associate	**–**	**2,818**	**2,818**	–	3,696	3,696
Cash flow hedge recycled from other comprehensive income	**–**	**(351)**	**(351)**	–	(839)	(839)
Transaction costs associated with the acquisition of an associate and the disposal of subsidiaries	**(7,156)**	**(7,127)**	**(14,283)**	–	–	–
Impairment loss on non-current assets	**–**	**(170,283)**	**(170,283)**	–	–	–
(Loss)/profit before tax	**(4,820)**	**(140,313)**	**(145,133)**	(3,839)	39,357	35,518
Income tax credit/(charge)	**(1,892)**	**2,418**	**526**	(340)	(11,759)	(12,099)
(Loss)/profit for the period	**(6,712)**	**(137,895)**	**(144,607)**	(4,179)	27,598	23,419
EBIT (operating profit prior to charging impairment loss, restructuring costs and transaction costs)	**2,495**	**45,647**	**48,142**	(3,588)	47,606	44,018

DIVISIONAL BUSINESS REVIEW

Challenging market conditions continued to prevail in many of the sectors in which UPI operates. An excellent revenue and earnings performance was delivered by our Consumer Electronics division. This was supported by strong trading results from the Magnetic Technologies and Precision Measurement operations but the overall profitability in the Spear & Jackson divisions was diluted by a significant increase in the pension charge attributable to the UK defined benefit pension plan.

Tools Division

UK Tools

The UK trading environment continues to improve, buoyed by enhanced activity within the housing market which positively impacts on our key trading channels i.e. builders merchants, DIY multiples and garden centres.

In the UK market, sales in the first half of the year were 14.1% ahead of the comparable period in the prior year, principally attributable to increased sales of Predator woodsaws, garden cutting/gifting products and S&J County and S&J Kew ranges.

The good weather in March and April 2014 coincided with the start of the garden season and this has provided confidence to the market. Consequently, the order intake has been very strong in February and March compared to recent years and garden product sales are 20% above the prior year.

Predator woodsaws continue to sell very well, with a leading retailer multiple increasing its monthly volumes significantly. The new S&J County range was rolled-out, as planned, to an independent garden centre chain in February and March across 150 branches. In general, we have directed new product development to products we know will sell well across multi-channel formats including the increasingly important 'online' customers.

Online sales continue to grow very strongly year on year and we have established three new licensing partners within the last 6 months on various outdoor product ranges who will utilise the Spear & Jackson brand on their own product offerings.

The outlook is positive with the full year forecast showing sales 13.6% ahead of 2013. We remain focused on reducing excess inventory and have identified under-performing SKUs which will be discontinued via a managed exit.

In export markets, sales in the first half were 22.9% below the prior year largely due to reduced hacksaw blade sales in the Middle East and Far East.

Overall, the regional trading environment has been mixed.

In the Middle East, the UAE is a key entrepot market for hacksaw blade and other machinery workshop products under the Eclipse brand. Sales have been negatively impacted during the above period due to a combination of subdued market conditions and a carry-over of high inventories from the previous financial year within our importer/wholesaler network. However, we have received significant new hacksaw blade orders for May invoice/shipment, together with other orders for Eclipse and Spear & Jackson branded products which will bring the Middle East numbers significantly back on track, with the indications being positive for a stronger second half performance.

Thailand is a key Far Eastern market for hacksaw blades and other machinery workshop products under the Eclipse brand. Sales have, however, been adversely affected during the period due to a combination of political uncertainty and a carry-over of high inventories from the previous financial year within our importer/wholesaler network. Sales are returning to normal levels and indications are positive for a stronger second half performance.

Sales are performing to budget in Africa and Europe whilst the Americas are outperforming budget due to increased sales to existing markets and some new business gains.

The division has seen the development of new customers in Turkey and Costa Rica plus enhanced sales above expectation in Africa and the Caribbean, which we anticipate will continue in the second half, particularly in Nigeria and South Africa.

Challenges centre around the strengthening pound leading customers to vigorously request price discounts and the flat market conditions in key export markets. Additionally, the continued use of import tariffs by the BRIC countries, in particular, to deny EU exporters such as ourselves access to their markets, is proving problematic.

Despite the sales shortfall in the first half of the year, the full year outlook is more optimistic and we are targeting to exceed last year's export sales performance.

Robert Sorby
For the most part, home markets are enjoying a good year with the major customers reporting encouraging results. Trade shows support this, being on average 15% up on last year.

Our retail outlet, Turners Retreat, is maintaining its rapid improvement. The wholesale business continues to reap major dividends, with European based stockists, in particular, showing considerable gains since the operation started. However, US and Japanese markets continue to struggle to keep up with last year's successes. A fully expected reduction in "Turnmaster" sales compared to the prior year has materialized. Although this shortfall has been recovered on other lines, it has been a constant struggle.

Efforts to improve our performance in the US are underway. A regional representative has been appointed to provide a greater "on the ground" presence. Approximately 2,500 new US end-user names harvested from a partnership with the American magazine, "Fine Woodworking", are anticipated to provide excellent additional customer data and, with it, the potential for US sales drives during the next twelve months and beyond.

Major restructuring of senior management at one of our best performing Australian customers promises to pave the way for future growth in that region. Demonstration visits to major customers in Belgium, Germany and France took place in April with proactive sales visits to other stockists planned into the journey.

The prospects for the remainder of the year continue to look bright. We continue to regain market share. Demonstration visits to the southern hemisphere (South Africa, Australia and New Zealand) are planned where we believe there is good potential for growth. The continued development of North American sales also promises to yield encouraging results.

Spear & Jackson Australia/New Zealand

The Australian division has experienced a particularly difficult first half trading period with a combination of negative factors creating a challenging trading environment.

On a macro level, the Australian retail market showed only minor growth in the period from December 2013 to February 2014 with this trend anticipated to continue. While our major account within the hardware industry continues to gain share and growth through new store openings, the remainder of the sector has experienced a slowdown in retail sales terms.

Specific trading issues can be summarized as follows:

- A 13% devaluation of the Australian dollar which has impacted on gross margin performance;
- The loss of our air product business with a major customer which has created an inconsistent sales pattern while we wait for the allocation of deleted lines to be cleared through the business; and
- A significant downturn in the mining and industrial sectors which has slowed sales to key customers in these sectors.

Partially mitigating the negative impact of the above has been the continued sales growth in the garden digging and masonry categories. In addition, prompt action by management to reduce casual labour costs in the merchandising, warehousing and logistics departments has also helped to offset the slowdown in sales.

New products introduced into the Australian market include trade quality digging (oak & fibreglass) and garden cutting tools, masonry tools Eclipse wrenches, and bow saws.

Looking ahead, it is anticipated that there will be a shortfall in last quarter sales and profit against budget as a result of the loss of air tool sales but this will be offset by the continued growth of the garden tool category. Demand in the manufacturing, industrial and mining industries will remain sluggish due to continued lack of investment.

Retail sales in New Zealand increased 3.90% in the first quarter of fiscal 2014 over the same quarter in the previous year. This was mirrored in our New Zealand operation where sales and profit growth, combined with managed expense controls, have produced a strong first half result, particularly in garden product sales.

It is anticipated that the positive sales and profit performance shown in the first half will continue into the second half of the year.

Spear & Jackson France

In France, market conditions have improved with stronger autumn listings taking trading levels back to where they were two years ago. In particular, pre-season orders from our warehouse customers were strong as their inventory levels were lower than in previous years.

However, the favourable impact of the above was dampened by soft demand from the major retail multiples in the first two months of fiscal 2014 when we deliver our pre-season orders directly to the stores. In general, these stores have suffered from poor sales levels in the preceding months and their cash availability was poor, resulting in 11% revenue reduction compared to the prior year.

As in the UK garden tools business, fine weather conditions in March drove strong sales demand resulting in sales that were up 29% on the prior year.

In terms of costs we have managed to resist price increases from our suppliers as far as possible. It is essential to control such increases as much as possible given the difficulty in passing these on to our customers, particularly on own label, private ranges. Favourable exchange rates have also helped us to control direct costs and maintain margin.

The outlook for the remainder of 2014 is optimistic, although concerns persist about the difficult market conditions in France which could negatively affect our business.

At present, the favourable weather conditions are buoying demand and helping us to achieve strong sales levels. Nevertheless, our customers remain cautious and will commit to only small orders, albeit on a regular basis. This piecemeal sales order pattern does come at a cost, however, as it prevents us from enjoying the processing and logistics cost savings that bigger orders produce.

The company continues to invest in new products in order to stimulate revenues. We will introduce several new products at the main French garden products exhibition which takes place in May.

Magnetic Technologies Division

The Magnetic Technologies division's revenues of HK$77.3 million showed a 14.7% increase compared to the prior year (HK$67.4 million). PBT was HK$14.8 million (2013 – HK$15.5 million), the reduction principally arising from a decrease in the share of profits attributable to its PRC-based associate.

The outstanding revenue performances were in Magnet Materials and Assemblies (MMA) and Boilermag. The Magnet Technologies (MT) area was 7% under budget, however the performance of this sales category can be adversely affected by the amount and timing of project approvals.

There have been good trading conditions for our products throughout the half year. Both home and export markets have performed well with Europe being the main export driver, particularly in Germany where we have two major accounts through which our MMA and MT sales are channelled.

Magnet raw material pricing has remained stable for Alnico and NdFeB. The volatility of pricing with these materials has had an adverse impact on margins in recent years.

The Boilermag product is now in its second year and market acceptance coupled with a newly recruited, highly skilled sales team has almost doubled the sales that were budgeted for in this division.

Sales to Thailand, China and Eastern Europe for Filtration systems have underpinned our growth strategy for this product range. A partnership with an oil company has exciting potential for filtration in Europe.

With regard to new products, we commenced the worldwide launch of the new *Filtramag+* magnetic filters in the period. The *Filtramag+* incorporates a number of unique, high performance features such as Dual Flow Technology™. This ensures that the fluid is exposed to the high intensity magnets for the maximum length of time without affecting flow, resulting in almost 100% removal of ferrous contamination on the first pass.

It is also capable of operating at up to 20 bar pressure. The patented *Filtramag+* also features an optional mesh strainer for removing non-magnetic contamination. This filter has a number of advantages over traditional media in terms of investment payback, reduced environmental impact and production efficiency.

Looking ahead, our forecast for the remainder of the year maintains the current trend with an outperformance over the prior year. We have a number of outstanding project opportunities plus development of future new products to enhance the Boilermag range that will underpin the continued strong sales and profit performance.

In Eclipse Tools North America, sales activity has continued to be slow in all sectors, particularly in Canada, although our quote activity for larger $ capital items is now improving. US sales were 4% below the prior year and Canadian sales were 20% below 2013.

However, unlike the previous twelve months, we now have a pipeline of magnetic filtration quotes which we believe have a greater than 50% chance of success over the coming months. This business is what has been lacking in our results for 12 months now. We expect good results in the coming months as these sales materialize, such that we expect our fiscal 2014 sales to surpass those for the prior year.

Precision Measurement Division

Overall, sales for the half year, on a local currency basis, were 96% of the previous year. The biggest shortfall was in Bowers Shanghai which is running at 70% of last year although we have seen a recent increase in enquiry levels and orders following local exhibitions attended with MTA funding.

In general, the UK sales performance remains strong, although, overall, not exceeding the prior year figures which included some high value capital equipment sales that have yet to materialise in the current year. That said, there are a number of high value projects already running and a further 200+ high quality enquiries generated from the recent MACH Exhibition. The outlook for the UK market is positive for the remainder of 2014.

Export is a mixed bag. Overall we are running at approximately 93% of the prior year but the main problem is in the US where, compared to the prior year, sales performance with our biggest customer is significantly down.

Smaller export accounts are responding very well to the heightened sales support we are now able to offer. Accounts now managed by a newly appointed regional sales manager are running 12% above prior year levels and much of this is new business arising from face to face visits.

Current challenges include the second phase of re-structuring and the associated recruitment required to move forward with our plans to grow. The appointment of a Business Development Manager for our Moore & Wright products will have a positive impact on this brand's sales through both our UK and Shanghai sales hubs but further strengthening is required to achieve our performance aspirations.

Key initiatives include:

- Successful launch of new products at the Control Show (Stuttgart) in May
- Revival of Moore & Wright sales worldwide
- US initiative for Baty/launch of a mobile showroom
- Roll out the new Bowers Group website
- Increased UK sales focus following Camberley recruitments
- Address supplier issues & implement ISO 9000 at Bradford

The outlook for the remainder of 2014 is quite positive, assuming that the required recruitment is completed. UK enquiry levels are high and the market is confident but we need resource to follow up and close this business. Further penetration of developing export markets combined with continued product development remain key. The biggest influence on the remainder of this year will be the sales performance of our biggest export customer. If sales through this account are at last year's levels, Bowers total export performance will exceed the prior year.

Contract Manufacturing Division (Pantene Group)

For the period ended 31 March 2014, Pantene Group's performance was behind that of the same period last year. The six months' revenue figure of HK$152.5 million was approximately 8% lower than that of the same period last year (HK$165.6 million). Profit before tax decreased 10.4% to HK$12.3 million (2013 – HK$13.8 million) with the fall in profit being attributable to the reduced sales and a rise in direct labor rates in China from February 2014 which was only partially compensated by a fall in copper prices in the period.

The decrease in revenues reflected a softening demand from our major customers and a generally weak market environment. The world trading environment remains unpredictable, particularly in the US and Europe, and this instability has been reflected in sales order levels.

A survey showed China's manufacturing downturn eased slightly in April as the decline in new orders and output slowed, although factory activity showed an overall contraction for the fourth straight month. Signs of a slowdown in the first quarter had been evident in a series of economic indicators and new export orders slipped back after a pickup in March, suggesting that the external environment remains difficult for manufacturing in China.

Overall, orders received have reduced across all existing customers although this was mitigated by securing incremental product listings with new customers. Under these circumstances, the Pantene management team has strengthened its proactive sales and marketing activity to target new customers.

Additional focus has been placed on cost savings, labour efficiency, productivity improvement and streamlining operational efficiency to drive better margin and increased earnings. During the period the division has had to bear a significant labour cost increase of 13%, effective from 1 February 2014 and the company will seek to pass this increase on to customers, where possible.

Since September 2013, Pantene's revenues have slowed due to weakening market demand, although the position from March onwards shows signs of improvement. The division's sales team is working proactively on sales and marketing activity to secure new business and customers. In addition, management will focus on the control of cost and expense and will also target further labour efficiencies, ensuring that quality and performance levels are not compromised.

Consumer Electronics Division (Alford Industries)

For the six-month period ended 31 March 2014, sales were HK$155.6 million, an increase of 64.4% compared to the same period of last year (HK$94.6 million). Profit before tax amounted to HK$11.8 million against HK$4.9 million in the prior year.

Sales to our principal customer increased in line with the overall sales growth and three of our older product offerings realised a significant increase compared to the same period of the previous year.

The global economic environment remained challenging during the first half of the fiscal year, and the competition within the electronics manufacturing industry continues to be keen with examples of bankruptcy, shrinkage, mergers and acquisitions all being evident.

Material costs were relatively steady during the period and the tempo of Renminbi appreciation slowed after the Chinese New Year. Labour costs and manufacturing overhead in China maintained an upward trend. Despite these challenges, management continued to mitigate cost pressure through further automation, product optimization and process improvement. Managing our operating costs diligently and maintaining a lean company structure are key points of focus, so that we retain a sustainable competitive edge over our rivals.

Sales revenues reached an exciting level during the first half of fiscal 2014 when the highest ever sales figures in Alford's history were recorded, driven by the sales of five key baby monitor models which accounted for sales of over HK$110 million, representing more than 70% of total sales during the period.

Our product category was extended into the home security sector with the introduction of a new product range during October 2013 and, also during Q1 of fiscal 2014, the launch of the world's first baby monitor with a touchless thermometer function.

The outlook for the remainder of fiscal 2014 is cautious with the competitive market in the baby monitor sector likely to continue. A price cut will be imposed after May 2014 to retain our existing ODM models with our principal customer. In addition, significant OEM product revenues from our principal customer will be shared with a major customer which is expected to pose a serious threat to Q4 sales. To hedge against these negative factors, new hybrid outsourcing measures will be adopted in the second half of the fiscal year which are expected to reduce labour and overhead costs.

The new "Pet Training System" is still undergoing research and development with a launch date envisaged in late Q4 of fiscal 2014 or early in Q1 of fiscal 2015.

OUTLOOK

The trading performances in the six months ended 31 March 2014 delivered by the principal divisions of UPI have been built on the revenue and profit platforms put in place in prior years.

The period has seen the emergence of significant changes to the form and structure of the UPI Group which have either already been put in place after the period end or which are expected to be effected in the short term.

Following shareholder approval on 1 April 2014, the Company acquired, on 8 April 2014, a 28.84% stake in Yuji Development Corporation, a highly profitable funeral services company. We are currently completing the disposal of the Spear & Jackson and Pantene divisions to companies controlled by our Vice Chairman, Simon Hsu, for a combined sales consideration of US$25,000,000.

This disposal will enable the Group to move away from certain low margin operations and also to eliminate earnings and net assets volatility caused by the UK defined benefit pension plan within the Spear & Jackson division.

The sale will provide the Group with funds to explore alternative investment strategies and to build on the growth and profit improvement in the Consumer Electronics division. While recognizing that this will not be easily achieved, management remains focused on securing growth organically and by acquisition, increasing profitability and maintaining tight working capital control so that we continue to deliver value to our shareholders as we enter this new phase in the development of UPI.

LIQUIDITY AND FINANCIAL RESOURCES

As at the reporting date, the Group had cash and cash equivalents of HK$157.0 million (30 September 2013 – HK$173.0 million), comprising bank and cash balances of HK$176.7 million (30 September 2013 – HK$187.6 million) less bank overdrafts of HK$19.7 million (30 September 2013 – HK$14.6 million). Total net cash (i.e. bank and cash balances less all bank and other debt) amounted to HK$63.5 million (30 September 2013 – HK$113.6 million).

The Group's net asset value was HK$312.9 million (30 September 2013 – HK$474.6 million), with a liquidity ratio (ratio of current assets to current liabilities) of 208.0% (30 September 2013 – 218.9%).

At the reporting date, the Group had zero net gearing (30 September 2013 – zero net gearing).

During the period, there was no material change in the Group's funding and treasury policy. As at 31 March 2014, the Group had sufficient levels of banking facilities from its main bankers to finance ongoing working capital requirements.

The Group remains confident that the net cash position will improve further given continuing profitability, the anticipated receipts from the sale of PGH and PHL and management's continued focus on close working capital control.

For exchange risk management, the Group adopted cautious financial measures to manage and minimize exchange risk exposure, and, in this regard, the Group endeavoured to match the currencies in which its sales are denominated with those of its purchases in order to neutralize 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 minimize the impact of adverse currency movements.

CAPITAL EXPENDITURE

Capital expenditure in the period, financed by internal resources and credit facilities, amounted to HK$7.1 million (31 March 2013 – HK$4.1 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2014, total capital commitments amounted to approximately HK$130.7 million (30 September 2013 – HK$2.4 million) and there were no material contingent liabilities (30 September 2013 – HK$nil).

EMPLOYEES

At 31 March 2014, the Group employed approximately 2,205 employees worldwide.

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 employees. The Group organises training sessions in many disciplines, including SAP, for the benefit of its staff on a worldwide basis to upgrade their skills.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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To the Board of Directors of United Pacific Industries Limited
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 55, which comprises the consolidated statement of financial position of United Pacific Industries Limited as of 31 March 2014 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

BDO Limited
Certified Public Accountants

Li Pak Ki
Practising Certificate Number: P01330
Hong Kong, 14 May 2014

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2014

	Notes	Six months ended 31 March	
		2014	2013
		HK$'000	HK$'000
		(unaudited)	(unaudited)
			(restated)
Revenue	3	**786,422**	725,061
Cost of sales		**(558,910)**	(505,487)
Gross profit		**227,512**	219,574
Other income		**3,527**	5,011
Interest income		**657**	527
Selling and distribution costs		**(113,311)**	(114,146)
Administrative costs		**(72,053)**	(69,278)
Finance costs	4	**(5,254)**	(6,077)
Restructuring costs	5	**(4,112)**	(2,950)
Share of results of an associate		**2,818**	3,696
Cash flow hedge recycled from other comprehensive income		**(351)**	(839)
Transaction costs associated with the acquisition of an associate and the disposal of subsidiaries	10	**(14,283)**	–
Impairment loss on non-current assets	11	**(170,283)**	–
(Loss)/profit before tax	6	**(145,133)**	35,518
Income tax credit/(charge)	7	**526**	(12,099)
(Loss)/profit for the period		**(144,607)**	23,419
Attributable to:			
Owners of the Company		**(144,607)**	23,419
(Loss)/earnings per share	9		
Basic		**(14.55) cents**	2.39 cents
Diluted		**(14.55) cents**	2.38 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2014

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
(Loss)/profit for the period	**(144,607)**	23,419
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Recognition of remeasurement on defined benefit pension plan, net of tax	**(20,280)**	39,975
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of foreign operations	**2,238**	(4,077)
Cash flow hedge (loss)/gain recognised in equity	**(361)**	623
Cash flow hedge recycled to the income statement	**351**	839
(Loss)/gain on revaluation of available-for-sale financial assets	**(711)**	215
Impairment of available-for-sale financial assets recycled to the income statement	**1,505**	—
Other comprehensive income for the period, net of tax	**(17,258)**	37,575
Total comprehensive income for the period attributable to the owners of the Company	**(161,865)**	60,994

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	**31 March 2014 HK$'000 (unaudited)**	30 September 2013 HK$'000 (unaudited) (restated)
Non-current assets			
Property, plant and equipment	12	**22,491**	177,694
Prepaid land lease payments under operating leases		**442**	459
Goodwill	13	**–**	2,419
Other intangible assets		**–**	75
Interest in an associate		**–**	10,052
Available-for-sale financial assets		**1,231**	1,921
Deferred tax assets	20	**46,150**	43,330
		70,314	235,950
Current assets			
Inventories		**315,386**	289,815
Trade and other receivables	14	**347,794**	295,593
Cash and bank balances		**176,708**	187,565
		839,888	772,973
Current liabilities			
Trade and other payables	15	**278,849**	266,297
Interest-bearing bank borrowings - amounts due within one year	16	**102,807**	63,020
Obligations under finance leases - amounts due within one year	17	**6,876**	6,112
Provisions	18	**2,030**	3,860
Derivative financial instruments		**813**	351
Tax payable		**12,461**	13,478
		403,836	353,118
Net current assets		**436,052**	419,855
Total assets less current liabilities		**506,366**	655,805

At 31 March 2014

	Notes	**31 March 2014 HK$'000 (unaudited)**	30 September 2013 HK$'000 (unaudited) (restated)
Non-current liabilities			
Obligations under finance leases - amounts due after one year	17	**3,568**	4,847
Retirement benefit obligations	19	**189,904**	166,251
Deferred tax liabilities	20	**–**	10,140
		193,472	181,238
Net assets		**312,894**	474,567
Capital and reserves			
Share capital	21	**100,744**	100,744
Reserves		**212,150**	373,823
Total equity attributable to owners of the Company		**312,894**	474,567

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2014

	Share capital HK$'000	Share premium* HK$'000	Treasury share reserve* HK$'000	Other reserve* HK$'000	Share option reserve* HK$'000	Capital redemption reserve* HK$'000	Capital reserve* HK$'000	Trans-lation reserve* HK$'000 (restated)	Investment valuation reserve* HK$'000	Hedging reserve* HK$'000	Accum-ulated profits* HK$'000 (restated)	Total HK$'000 (restated)
As previously reported												
At 1 October 2012 (audited)	99,338	40,195	(5,365)	–	657	1,442	19,870	(53,086)	(113)	(839)	279,805	381,904
Effect of changes in accounting policy	–	–	–	–	–	–	–	–	–	–	20,896	20,896
Restated	99,338	40,195	(5,365)	–	657	1,442	19,870	(53,086)	(113)	(839)	300,701	402,800
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	–	–	–	(9,941)	(9,941)
Exercise of share options	76	73	–	–	–	–	–	–	–	–	–	149
Share-based compensation expense	–	–	–	–	192	–	–	–	–	–	–	192
Sale of treasury shares	–	–	212	24	–	–	–	–	–	–	–	236
Transactions with owners	76	73	212	24	192	–	–	–	–	–	(9,941)	(9,364)
Profit for the period	–	–	–	–	–	–	–	–	–	–	23,419	23,419
Other comprehensive income:												
Surplus on revaluation of available-for-sale financial assets	–	–	–	–	–	–	–	–	215	–	–	215
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	–	(4,077)	-	-	-	(4,077)
Cash flow hedges - changes in fair value recognised in the period	–	–	–	–	–	–	–	–	–	623	–	623
Cash flow hedge recycled to the income statement	–	–	–	–	–	–	–	–	–	839	–	839
Recognition of remeasurement on defined benefit pension plan, net of tax	–	–	–	–	–	–	–	–	–	–	39,975	39,975
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,077)**	**215**	**1,462**	**63,394**	**60,994**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2014

	Share capital HK$'000	Share premium* HK$'000	Treasury share reserve* HK$'000	Other reserve* HK$'000	Share option reserve* HK$'000	Capital redemption reserve* HK$'000	Capital reserve* HK$'000	Trans-lation reserve* HK$'000 (restated)	Investment valuation reserve* HK$'000	Hedging reserve* HK$'000	Accum-ulated profits* HK$'000 (restated)	Total HK$'000 (restated)
At 31 March 2013 (unaudited)	**99,414**	**40,268**	**(5,153)**	**24**	**849**	**1,442**	**19,870**	**(57,163)**	**102**	**623**	**354,154**	**454,430**
Dividends paid	–	–	–	–	–	–	–	–	–	–	(4,836)	(4,836)
Exercise of share options	1,330	2,138	–	–	(528)	–	–	–	–	–	–	2,940
Share-based compensation expense	–	–	–	–	192	–	–	–	–	–	–	192
Sale of treasury shares	–	–	185	16	–	–	–	–	–	–	–	201
Transactions with owners	1,330	2,138	185	16	(336)	–	–	–	–	–	(4,836)	(1,503)
Profit for the period	–	–	–	–	–	–	–	–	–	–	28,425	28,425
Other comprehensive income:												
Deficit on revaluation of available-for-sale financial assets	–	–	–	–	–	–	–	–	(896)	–	–	(896)
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	–	3,013	–	–	–	3,013
Cash flow hedges - changes in fair value recognised in the period	–	–	–	–	–	–	–	–	–	(974)	–	(974)
Realised exchange differences on the liquidation of a subsidiary undertaking recycled to the income statement	–	–	–	–	–	–	–	(1,186)	–	–	–	(1,186)
Recognition of remeasurement on defined benefit pension plan, net of tax	–	–	–	–	–	–	–	–	–	–	(6,742)	(6,742)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,827**	**(896)**	**(974)**	**21,683**	**21,640**
At 30 September 2013 (unaudited) (restated)	**100,744**	**42,406**	**(4,968)**	**40**	**513**	**1,442**	**19,870**	**(55,336)**	**(794)**	**(351)**	**371,001**	**474,567**
Share-based compensation expense	**-**	**-**	**-**	**-**	**192**	**-**	**-**	**-**	**-**	**-**	**-**	**192**
Transactions with owners	**-**	**-**	**-**	**-**	**192**	**-**	**-**	**-**	**-**	**-**	**-**	**192**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(144,607)**	**(144,607)**
Other comprehensive income:												
Deficit on revaluation of available-for-sale financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(711)**	**-**	**-**	**(711)**
Impairment of available-for-sale financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,505**	**-**	**-**	**1,505**
Exchange differences arising on the translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,238**	**-**	**-**	**-**	**2,238**
Cash flow hedges - changes in fair value recognised in the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(361)**	**-**	**(361)**
Cash flow hedge recycled to the income statement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**351**	**-**	**351**
Recognition of remeasurement on defined benefit pension plan, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(20,280)**	**(20,280)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,238**	**794**	**(10)**	**(164,887)**	**(161,865)**
At 31 March 2014 (unaudited)	**100,744**	**42,406**	**(4,968)**	**40**	**705**	**1,442**	**19,870**	**(53,098)**	**-**	**(361)**	**206,114**	**312,894**

* The total of reserves at 31 March 2014 is HK$212,150,000 (30 September 2013 – HK$373,823,000 (restated)).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2014

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Cash flows from operating activities:		
(Loss)/profit before tax	**(145,133)**	35,518
Adjustments for:		
Interest income	**(657)**	(527)
Interest on interest-bearing bank borrowings and bank overdrafts	**1,303**	1,146
Interest on obligations under finance leases	**266**	398
Cash flow hedge recycled to the income statement	**351**	839
Interest charge on retirement benefit obligations	**3,685**	4,533
Retirement benefit plan expenses	**3,092**	4,044
Share of results of an associate	**(2,818)**	(3,696)
Transaction costs associated with the acquisition of an associate and the disposal of subsidiaries	**14,283**	–
Amortisation of other intangible assets	**–**	63
Impairment loss on non-current assets	**170,283**	–
Impairment of available-for-sale financial assets	**1,505**	–
Depreciation of property, plant and equipment	**10,834**	10,770
Amortisation of prepaid land lease payments under operating leases	**17**	17
Share-based compensation expenses	**192**	192
Restructuring costs charged to the income statement	**4,112**	2,950
Reversal of impairment loss on trade receivables	**(351)**	(401)
Impairment loss on inventories	**1,464**	729
Operating cash flows before movements in working capital	**62,428**	56,575
Increase in inventories	**(23,030)**	(20,165)
Increase in trade and other receivables	**(58,215)**	(25,703)
Increase in trade and other payables	**1,343**	2,429
Restructuring costs paid	**(7,461)**	(2,678)
Employer contributions to the defined benefit pension plan	**(13,333)**	(6,501)
Net cash (used in)/generated from operations	**(38,268)**	3,957
Income tax paid	**(7,550)**	(4,055)
Net cash used in operating activities	**(45,818)**	(98)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2014

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,897)**	(2,964)
Deferred contingent consideration paid for the acquisition of a subsidiary	**–**	(1,101)
Interest received	**268**	497
Release of pledged bank deposits	**–**	5,000
Deposit received regarding the disposal of subsidiaries	**7,764**	–
Transaction costs associated with the acquisition of an associate and the disposal of subsidiaries	**(3,215)**	–
Net cash generated from investing activities	**920**	1,432
Cash flows from financing activities		
Net cash inflow in trust receipts and export loans	**9,361**	2,617
Proceeds from the exercise of share options	**–**	149
Repayments of bank borrowings	**(1,200)**	(1,200)
New bank borrowings raised	**25,637**	15,436
Sale of treasury shares	**–**	236
Interest paid on interest-bearing bank borrowings and bank overdrafts	**(841)**	(1,062)
Principal repayment of obligations under finance leases	**(3,985)**	(4,018)
Interest paid on obligations under finance leases	**(266)**	(398)
Net cash generated from financing activities	**28,706**	11,760
Net (decrease)/increase in cash and cash equivalents (note 24)	**(16,192)**	13,094
Effect of foreign exchange rates	**227**	(1,250)
Cash and cash equivalents at the beginning of the period	**173,005**	138,139
Cash and cash equivalents at the end of the period	**157,040**	149,983
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**176,708**	171,637
Bank overdrafts	**(19,668)**	(21,654)
	157,040	149,983

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 31 March 2014

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 September 2013, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 2 to this interim financial report.

The preparation of the interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense on a year to year basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2013.

2. ADOPTION OF NEW OR REVISED HKFRSs

In the current period, the Group has applied for the first time 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 2013.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
Amendments to HKFRS 1	Government Loans

Except as described below, the Group has concluded that the adoption of the new and revised HKFRSs, to the extent that they are relevant to the Group and which are expected to be reflected in the annual financial statements for the year ending 30 September 2014, would not have a significant impact on the Group's results of operations and financial position.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

HKAS 19 (2011) - Employee Benefits

In the current period, the Group has applied HKAS 19 (2011) and the related retrospective amendments for the first time.

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. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changes the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of the revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

The main changes included:

(a) Past service costs are recognised immediately in profit or loss. Previously, these costs were recognised over the vesting period;

(b) The costs of administering the plan are recognised in profit or loss. Previously, these costs were deducted from the return on plan assets;

(c) The interest income on plan assets determined at the discount rate is recognised in profit or loss. Previously, an expected return on plan assets was recognised in profit or loss; and

(d) The return on plan assets, after deducting interest income, is recognised in other comprehensive income. Previously, the return on plan assets after deducting the expected return was recognised in other comprehensive income.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

HKAS 19 (2011) - Employee Benefits *(Continued)*

The impact of the adoption of the revised HKAS 19 on the Group's financial statements is summarised below:

Consolidated statement of financial position as at 1 October 2012	**As previously reported HK$'000**	**Effect of adopting HKAS 19 (2011) HK$'000**	**As restated HK$'000**
Deferred tax assets	72,203	(6,238)	65,965
Total non-current assets	272,747	(6,238)	266,509
Total assets less current liabilities	650,598	(6,238)	644,360
Retirement benefit obligations	245,217	(27,134)	218,083
Total non-current liabilities	268,694	(27,134)	241,560
Net assets/total equity	381,904	20,896	402,800
Accumulated profits	279,805	20,896	300,701
Consolidated statement of financial position as at 30 September 2013			
Deferred tax assets	48,005	(4,675)	43,330
Total non-current assets	240,625	(4,675)	235,950
Total assets less current liabilities	660,480	(4,675)	655,805
Retirement benefit obligations	189,627	(23,376)	166,251
Total non-current liabilities	204,614	(23,376)	181,238
Net assets/total equity	455,866	18,701	474,567
Translation reserve	(57,031)	1,695	(55,336)
Accumulated profits	353,995	17,006	371,001
Consolidated income statement for the six months ended 31 March 2013			
Retirement benefit plan (credits)/expenses	(3,364)	10,141	6,777
Profit before tax	47,459	(11,941)	35,518
Income tax charge	(14,845)	2,746	(12,099)
Profit for the period	32,614	(9,195)	23,419
Consolidated statement of comprehensive income for the six months ended 31 March 2013			
Recognition of remeasurement on defined benefit plan, net of tax	30,243	9,732	39,975
Exchange differences arising on the translation of foreign operations	(3,099)	(978)	(4,077)
Other comprehensive income for the period, net of tax	28,821	8,754	37,575
Total comprehensive income for the period attributable to owners of the Company	61,435	(441)	60,994

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosure for Non-Financial Assets[1]
HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Annual Improvements 2010-2012 cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 cycle[3]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning or transactions occurring on or after 1 July 2014

3 Effective for annual periods beginning on or after 1 July 2014

The Directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

3. 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 component's performance.

The Group's principal segments for internal reporting purposes are: 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 on which the Group reports its operating segment information.

3. 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.

	Consumer Electronics HK$'000 (unaudited)	Contract Manufacturing HK$'000 (unaudited)	Tools HK$'000 (unaudited)	Precision Measurement HK$'000 (unaudited)	Magnetic Technologies HK$'000 (unaudited)	Total HK$'000 (unaudited)
For the six months ended 31 March 2014						
Revenue						
External customers	155,554	152,463	309,435	93,597	75,373	786,422
Inter-segment revenues	–	–	1,283	2,588	1,900	5,771
	155,554	152,463	310,718	96,185	77,273	792,193
Profit before tax						
Segment profit	11,923	12,145	10,205	13,931	11,963	60,167
Restructuring costs	–	–	(155)	–	–	(155)
Share of results of an associate	–	–	–	–	2,818	2,818
Net finance (costs)/credits	(122)	195	1,086	(38)	–	1,121
Reportable segment profit	11,801	12,340	11,136	13,893	14,781	63,951

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Consumer Electronics HK$'000 (unaudited)	Contract Manufacturing HK$'000 (unaudited)	Tools HK$'000 (unaudited)	Precision Measurement HK$'000 (unaudited)	Magnetic Technologies HK$'000 (unaudited)	Total HK$'000 (unaudited)
For the six months ended 31 March 2013						
Revenue						
External customers	94,618	165,583	305,900	92,255	66,705	725,061
Inter-segment revenues	–	–	721	2,377	742	3,840
	94,618	165,583	306,621	94,632	67,447	728,901
Profit before tax						
Segment profit	4,955	14,513	9,383	15,601	11,762	56,214
Restructuring costs	–	(696)	(234)	(94)	–	(1,024)
Share of results of an associate	–	–	–	–	3,696	3,696
Net finance (costs)/credits	(71)	(44)	1,096	(72)	–	909
Reportable segment profit	4,884	13,773	10,245	15,435	15,458	59,795

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

	Six months ended 31 March	
	2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Reportable segment revenues	**792,193**	728,901
Elimination of inter-segment revenues	**(5,771)**	(3,840)
Total revenue	**786,422**	725,061

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Reportable segment profit	**63,951**	59,795
Unallocated coroprate net finance costs	**(5,719)**	(6,459)
Unallocated corporate costs	**(12,986)**	(15,053)
Cash flow hedge recycled from other comprehensive income	**(351)**	(839)
Unallocated restructuring costs	**(3,957)**	(1,926)
Transaction costs associated with the acquisition of an associate and the disposal of subsidiaries	**(14,283)**	–
Impairment of available-for-sale financial assets	**(1,505)**	–
Impairment loss on non-current assets	**(170,283)**	–
(Loss)/profit before tax	**(145,133)**	35,518

Geographical information

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

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The People's Republic of China (the "PRC")		
Mainland China	**18,219**	18,657
Hong Kong (place of domicile)	**4,227**	10,773
	22,446	29,430
USA	**225,192**	183,202
UK	**201,191**	167,913
France	**60,572**	54,581
Australia	**101,099**	110,598
Others	**175,922**	179,337
	786,422	725,061

4. FINANCE COSTS

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Finance costs comprise:		
Interest on interest-bearing bank borrowings and bank overdrafts wholly repayable within five years	**1,303**	1,146
Interest on obligations under finance leases	**266**	398
Interest on retirement benefit obligations	**3,685**	4,533
	5,254	6,077

5. RESTRUCTURING COSTS

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Restructuring costs comprise:		
Retrenchment costs	**3,264**	2,254
Relocation costs	**–**	696
Other costs	**848**	–
	4,112	2,950

The restructuring costs of HK$4,112,000 in the six months ended 31 March 2014 relate to retrenchment and other costs in the Group's UK subsidiaries.

The restructuring costs of HK$2,950,000 in the six months ended 31 March 2013 relate to retrenchment costs in the Group's UK subsidiaries and the relocation of certain sourcing operations in the PRC.

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Depreciation of property, plant and equipment	**10,834**	10,770
Amortisation of other intangible assets	**–**	63
Amortisation of prepaid land lease payments under operating leases	**17**	17
Reversal of impairment loss on trade receivables	**(351)**	(401)
Impairment loss on inventories	**1,464**	729
Interest income	**(657)**	(527)
Cost of inventories recognised as expense	**558,910**	505,487
Retirement benefit plan charge		
Current service cost	**1,559**	1,952
Administration costs	**1,533**	1,168
Net interest payable	**3,685**	4,533
Cash flow hedge recycled from other comprehensive income	**351**	839
Restructuring costs	**4,112**	2,950

7. INCOME TAX (CREDIT)/CHARGE

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

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Current income tax:		
Hong Kong	**2,102**	2,305
Overseas	**4,400**	5,120
	6,502	7,425
Deferred tax (note 20)	**(7,028)**	4,674
	(526)	12,099

Included in the deferred tax credit for the period is HK$10,262,000 in relation to the reversal of a deferred tax liability on the revaluation of properties. Following the impairment loss on property in the PGH Group of companies (note11), the deferred tax liability on those revalued properties has been reversed.

Hong Kong Profits Tax is calculated at 16.5% (31 March 2013 – 16.5%) on the estimated assessable profit for the period. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the period ended 31 March 2014 (2013 – HK$5,037,216).

At a Board Meeting held on 11 December 2012, the Directors approved the payment of a final dividend of 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.

The final dividend of approximately HK$9,941,341 was paid on 18 April 2013 to shareholders whose names appeared on the Register of Members of the Company as at the close of business on 8 April 2013.

At a Board Meeting held on 14 May 2013, the Directors approved the payment of an interim dividend of 0.5 HK cent per ordinary share for the six months ended 31 March 2013. This interim dividend of approximately HK$5,037,216 was distributed on 15 July 2013 to shareholders whose names appeared on the Register of Members of the Company as at the close of business on 5 July 2013. Included within the dividend of HK$5,037,216 was approximately HK$202,000 distributed to a subsidiary undertaking which, at that time owned Company treasury shares, and which has been deducted from the dividend paid in the consolidated statement of changes in equity.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of HK$144,607,000 (31 March 2013 – profit of HK$23,419,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 994,015,154 shares (31 March 2013 – 979,204,048 shares).

For diluted earnings per share for 31 March 2013, a weighted average number of shares of 984,053,528 has been used.

The basic and diluted loss per share are the same for the six months ended 31 March 2014, as the effect of the share options outstanding at 31 March 2014 was anti-dilutive and was not included in the calculation of the diluted loss per share.

(i) Weighted average number of ordinary shares

	31 March 2014 (unaudited)	31 March 2013 (unaudited) (restated)
Number of issued ordinary shares at 1 October	**1,007,443,154**	993,376,993
Effect of share options exercised (note a)	**–**	41,055
Treasury Shares	**(13,428,000)**	(14,214,000)
Weighted average number of ordinary shares at 31 March	**994,015,154**	979,204,048
Basic (loss)/earnings per share (HK cents)	**(14.55)**	2.39

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

	31 March 2014 (unaudited)	31 March 2013 (unaudited) (restated)
Number of issued ordinary shares at 1 October	**1,007,443,154**	993,376,993
Effect of share options exercised (note a)	**–**	41,055
Effect of deemed issue of shares under the Company's share option scheme	**–**	4,849,480
Treasury Shares	**(13,428,000)**	(14,214,000)
Weighted average number of ordinary shares at 31 March	**994,015,154**	984,053,528
Diluted (loss)/earnings per share (HK cents)	**(14.55)**	2.38

Note:

(a) Relates to the share options exercised under the Company's Share Option Scheme during the period.

10. TRANSACTION COSTS ASSOCIATED WITH THE ACQUISITION OF AN ASSOCIATE AND THE DISPOSAL OF SUBSIDIARIES

On 8 February 2014, the Company entered into a share purchase agreement with Kings Victory Limited ("KVL") and New Wave Capital Limited ("NWC"), for the sale of the entire issued share capital of Pantene Global Holdings Limited ("PGH") and Pantronics Holdings Limited ("PHL"), respectively.

On the same date, the Company entered into an acquisition agreement to purchase 28.84% of the total issued share capital of Yuji Development Corporation ("Yuji"), a company incorporated in accordance with the Laws of Taiwan and engaged in the provision of funeral-related services.

As at 31 March 2014, costs of approximately HK$14,283,000 had been incurred in relation to the acquisition of the associate, Yuji, and the disposal of PGH and PHL.

11. IMPAIRMENT LOSS ON NON-CURRENT ASSETS

As discussed in note 10, on 8 February 2014, the Company entered into a share purchase agreement with Kings Victory Limited ("KVL") and New Wave Capital Limited ("NWC"), for the sale of the entire issued share capital of Pantene Global Holdings Limited ("PGH") and Pantronics Holdings Limited ("PHL"), respectively.

KVL and NWC are companies incorporated in the British Virgin Islands ("BVI") with limited liability and beneficially owned by Mr. Simon Hsu Nai-Cheng, an Executive Director and the Executive Vice-Chairman of the Company.

PGH is the Hong Kong sub-holding company of the Spear & Jackson and Bowers Group of companies, comprising the Tools, Magnetic Technologies and Precision Measurement divisions. PHL is the BVI sub-holding company of the Pantene Group of companies comprising the Contract Manufacturing division.

The Company conditionally agreed to sell the entire issued share capital of PGH and PHL for a total cash consideration of US$25,000,000 (approximately HK$193,922,000) allocated as US$2,500,000 (approximately HK$19,392,000) to PGH and US$22,500,000 (approximately HK$174,530,000) to PHL.

Under the terms of the agreement a deposit of US$1,000,000 (approximately HK$7,764,000) was received prior to 31 March 2014 and the balance of US$24,000,000 (approximately HK$186,158,000) is payable on completion.

The disposal is expected to conclude on or before 31 May 2014.

Being substantial in nature, the Hong Kong Stock Exchange Listing Rules, required that the transactions be approved by the independent shareholders of the Company and this approval was duly obtained at a Special General Meeting held on 1 April 2014.

The acquisition of Yuji was concluded on 8 April 2014.

Although the Company had entered into an agreement to dispose of PGH and PHL prior to the reporting date, the disposal group (including the Tools, Magnetic Technologies, Precision Measurement and Contract Manufacturing divisions) has not been classified as held for sale or as a discontinued operation in these financial statements, because the agreement contained certain conditions which affected the immediate availability for sale of PGH and PHL at the reporting date.

11. IMPAIRMENT LOSS ON NON-CURRENT ASSETS *(Continued)*

However, given that the consideration of US$2,500,000 for PGH and its subsidiaries (collectively the "PGH Group") is significantly lower than its carrying value at the reporting date, the non-current assets of each cash generating unit ("CGU") in the PGH Group have been tested for impairment. The aggregate impairment losses recognised for each class of asset are as follows:

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

The impairment losses have been calculated by comparing the recoverable amount to the carrying value of the PGH Group's net assets at the reporting date. Impairment losses have been allocated to the goodwill and non-current assets of each CGU of the PGH Group as follows:

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

As the impairment required was in excess of the value of the PGH Group's total non-current assets, impairment losses of approximately HK$120,816,000 have not been recognised in these financial statements.

11. IMPAIRMENT LOSS ON NON-CURRENT ASSETS *(Continued)*

Had the disposal of PGH and PHL taken place on 31 March 2014, the net loss on sale (excluding costs) would have been approximately HK$276,474,000, calculated as follows:

	PGH	**PHL**	**Total**
	HK$'000	HK$'000	HK$'000
Carrying value at 31 March 2014	310,491	102,272	412,763
Less: Sales proceeds	(19,392)	(174,530)	(193,922)
	291,099	(72,258)	218,841
Realised exchange differences on the sale of subsidiaries recycled to the income statement	55,153	2,480	57,633
Net loss/(gain) on sale	346,252	(69,778)	276,474

12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment additions in the period amounted to HK$7,085,000 (six months ended 31 March 2013 - HK$4,134,000). The additions in the period include HK$3,188,000 (six months ended 31 March 2013 - HK$1,170,000) in relation to assets acquired under finance leases for which there is no cash flow included in the consolidated statement of cash flows.

13. GOODWILL

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
At 1 October 2013/1 October 2012	2,419	2,432
Currency realignment	72	(13)
Impairment (note 11)	(2,491)	—
At 31 March 2014/30 September 2013	–	2,419

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

The recoverable amount of the goodwill arising on the acquisition has been tested for impairment based on fair value less costs to sell of the relevant cash-generating unit with reference to subsequent selling price (note11).

14. TRADE AND OTHER RECEIVABLES

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
Trade receivables	337,651	278,766
Less : Impairment provisions	(7,426)	(7,698)
Trade receivables - net	330,225	271,068
Prepayments and other receivables	17,569	24,525
	347,794	295,593

14. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
0 - 60 days	**254,671**	249,687
61 - 90 days	**45,244**	13,839
91 - 120 days	**26,853**	10,422
Greater than 120 days	**10,883**	4,818
	337,651	278,766

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

The Group allows credit periods ranging from 30 to 120 days (30 September 2013 – 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.

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

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
At 1 October 2013/1 October 2012	**7,698**	9,959
Impairment losses recognised	**51**	772
Impairment losses reversed	**(402)**	(1,369)
Currency realignment	**122**	36
Uncollectible amounts written off	**(43)**	(1,700)
At 31 March 2014/30 September 2013	**7,426**	7,698

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

14. TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
91-120 days	**26,157**	7,017
Greater than 120 days	**4,187**	698
	30,344	7,715

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

15. TRADE AND OTHER PAYABLES

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
Trade payables	**148,827**	157,756
Accruals and other payables	**130,022**	108,541
	278,849	266,297

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

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
0 - 60 days	**116,941**	124,098
61 - 90 days	**20,623**	23,490
Greater than 90 days	**11,263**	10,168
	148,827	157,756

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

16. INTEREST-BEARING BANK BORROWINGS

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
Bank borrowings due within one year (all secured) comprise:		
Bank overdrafts	**19,668**	14,560
Export invoices/loan financing	**27,308**	17,946
Invoice discounting	**54,631**	28,114
HKSAR Government-backed loans	**1,200**	2,400
Total overdrafts and bank borrowings	**102,807**	63,020

The HKSAR Government-backed loans, which are all denominated in Hong Kong Dollars, carry fixed interest rates of 4.5% per annum (30 September 2013 – 4.5% per annum) and are repayable in monthly instalments over 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% per annum (30 September 2013 – 2.5% to 5.0% per annum).

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

Refer to note 23 for details of pledged assets.

17. OBLIGATIONS UNDER FINANCE LEASES

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

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)	**31 March 2014 HK$'000 (unaudited)**	30 September 2013 HK$'000 (audited)
Amounts payable under finance leases :				
Within one year	**7,101**	6,478	**6,876**	6,112
In the second to fifth years inclusive	**3,821**	5,011	**3,568**	4,847
	10,922	11,489	**10,444**	10,959
Less : Future finance charges	**(478)**	(530)	**–**	–
Present value of lease obligations	**10,444**	10,959	**10,444**	10,959
Less : Amount due for settlement within one year shown under current liabilities			**(6,876)**	(6,112)
Amount due for settlement after one year shown under non-current liabilities			**3,568**	4,847

Interest rates underlying all obligations under finance leases are fixed at their respective contract rates ranging from 3.3% to 7.0% (30 September 2013 – 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 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.

18. PROVISIONS

	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1 October 2012 (audited)	3,012	1,109	4,121
Utilisation of provision	(60)	(2,618)	(2,678)
Provision for the period	–	2,950	2,950
Currency realignment	(202)	(36)	(238)
At 31 March 2013 (unaudited)	2,750	1,405	4,155
Utilisation of provision	60	(1,710)	(1,650)
(Reversal)/provision for the period	(945)	1,911	966
Currency realignment	315	74	389
At 30 September 2013 (audited)	2,180	1,680	3,860
Utilisation of provision	**(514)**	**(4,629)**	**(5,143)**
Provision for the period	**–**	**3,264**	**3,264**
Currency realignment	**41**	**8**	**49**
At 31 March 2014 (unaudited)	**1,707**	**323**	**2,030**

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
Analysed for reporting purposes as:		
Current liabilities	**2,030**	3,860

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 (30 September 2013 – expired).

The manufacturing reorganisation costs in the period relate to retrenchment costs in the Group's UK subsidiaries.

19. RETIREMENT BENEFIT OBLIGATIONS

The Group operates defined contribution retirement benefits schemes and a defined benefit plan. The details of the defined contribution retirement benefit schemes are consistent with those disclosed in the financial statements of the Group for the year ended 30 September 2013. Details of the defined benefit plan are described as below.

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 31 March 2014, by KPMG LLP, the Company's actuarial advisors, for the purposes of this Interim Report.

The Group's annual contributions to the Plan in the two years ended 31 March 2014 were £1.079 million (HK$12.7 million) and £2.1 million (HK$25.9 million), respectively. In accordance with the current schedule of contributions from 1 April 2014 the annual rate of contributions of £2.1 million 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 Plan investments and liabilities and the financial strengths and cash flow requirements of the Plan's sponsoring employers.

In addition to cash contributions made into 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.

Furthermore, in connection with the renegotiation of the employer's contribution scheme 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.

19. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The principal financial assumptions used for the purpose of the actuarial valuations of the Pension Plan at 31 March 2014 and 30 September 2013 are detailed below:

	31 March 2014 (unaudited)	30 September 2013 (audited)
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%**	3.30%
Rate of increase of benefits in payment (note c)	**2.10%**	2.20%
Discount rate	**4.50%**	4.60%
Inflation assumption (Retail Prices Index ("RPI"))	**3.30%**	3.40%
Inflation assumption (Consumer Prices Index ("CPI")) (note d)	**2.30%**	2.40%

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 methodology and criteria underlying the calculation and setting of the assumptions at 31 March 2014 are consistent with those used to determine the comparable assumptions disclosed in the financial statements of the Group for the year ended 30 September 2013.

The amount recognised in the consolidated statement of financial position in respect of the Plan is as follows:

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (unaudited) (restated)
Fair value of Plan assets:		
Equities	**840,557**	828,748
Bonds	**317,794**	301,054
Diversified corporate bonds	**162,847**	57,631
Property	**64,635**	154,018
Cash	**2,892**	15,580
Insurance policies	**10,198**	9,902
	1,398,923	1,366,933
Present value of funded obligations	**(1,588,827)**	(1,533,184)
Net liabilities	**(189,904)**	(166,251)

19. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	Six months ended 31 March	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Current service cost	**1,559**	1,952
Administration costs	**1,533**	1,168
Interest on assets	**(31,183)**	(27,173)
Interest cost	**34,868**	31,706
	6,777	7,653

The current service cost charge and administration costs are included in administrative costs in the consolidated income statement. The net interest payable is included in the interest finance costs caption in the consolidated income statement.

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

		Six months ended	
	31 March	30 September	31 March
	2014	2013	2013
	HK$'000	HK$'000	HK$'000
	(unaudited)	(unaudited)	(unaudited)
		(restated)	(restated)
At the beginning of the period (as originally stated)			1,554,618
Effect of change in accounting policy			(27,134)
At the beginning of the period (as restated)	**1,533,184**	1,445,954	1,527,484
Currency realignment	**45,694**	96,280	(103,334)
Current service cost	**1,559**	1,618	1,952
Administration cost	**1,533**	1,639	1,168
Interest cost	**34,868**	29,993	31,706
Member contributions	**811**	831	929
Benefit payments	**(43,073)**	(35,335)	(39,857)
Actuarial losses/(gains)	**14,251**	(7,796)	25,906
At the end of the period	**1,588,827**	1,533,184	1,445,954

19. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	Six months ended		
	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (unaudited) (restated)	31 March 2013 HK$'000 (unaudited) (restated)
At the beginning of the period	**1,366,933**	1,293,492	1,309,401
Currency realignment	**40,838**	85,671	(88,478)
Employer contributions	**13,333**	12,611	6,501
Member contributions	**811**	831	929
Interest income	**31,183**	25,894	27,173
Benefit payments	**(43,073)**	(35,335)	(39,857)
Return on plan assets (excluding interest)	**(11,102)**	(16,231)	77,823
At the end of the period	**1,398,923**	1,366,933	1,293,492

The actuarial valuation showed that the market value of the Plan's assets at 31 March 2014 was HK$1,398,923,000 (30 September 2013 – HK$1,366,933,000) and that the actuarial value of these assets represented 88% (30 September 2013 - 89%) of the benefits that had accrued to members. The shortfall of HK$189,904,000 (30 September 2013 – HK$166,251,000) 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.

20. DEFERRED TAX

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

	Accelerated accounting depreciation HK$'000	Revaluation of properties HK$'000	Retirement benefit obligations HK$'000 (restated)	Others HK$'000	Tax losses HK$'000	Total HK$'000 (restated)
At 1 October 2012 (audited)	10,322	(11,973)	56,398	4,600	883	60,230
Effect of change in accounting policy	–	–	(6,238)	–	–	(6,238)
At 1 October 2012 (restated)	10,322	(11,973)	50,160	4,600	883	53,992
(Charged)/credited to the consolidated income statement for the period (note 7)	(2,408)	169	264	(1,852)	(847)	(4,674)
Recognition of actuarial gains on defined benefit pension plan in other comprehensive income	–	–	(11,942)	–	–	(11,942)
Currency realignment	(638)	673	(3,416)	(291)	(36)	(3,708)
At 31 March 2013 (unaudited)	7,276	(11,131)	35,066	2,457	–	33,668
(Charged)/credited to the consolidated income statement for the period	721	1,639	(7,391)	(1,222)	160	(6,093)
Recognition of actuarial losses on defined benefit pension plan in other comprehensive income	–	–	1,693	–	–	1,693
Currency realignment	513	(648)	3,884	169	4	3,922
At 30 September 2013 (unaudited)	8,510	(10,140)	33,252	1,404	164	33,190
(Charged)/credited to the consolidated income statement for the period (note 7)	**(1,446)**	**10,414**	**(1,306)**	**(634)**	**–**	**7,028**
Recognition of actuarial losses on defined benefit pension plan in other comprehensive income	**–**	**–**	**5,073**	**–**	**–**	**5,073**
Currency realignment	**230**	**(274)**	**972**	**(73)**	**4**	**859**
At 31 March 2014 (unaudited)	**7,294**	**–**	**37,991**	**697**	**168**	**46,150**

20. DEFERRED TAX *(Continued)*

Included in the credit for the period, is HK$10,262,000 in relation to the reversal of a deferred tax liability on the revaluation of properties. Following the impairment loss on property in the PGH Group of companies (note 11), the deferred tax liability on those revalued properties has been reversed.

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.

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (unaudited) (restated)
Deferred tax assets	**46,150**	43,330
Deferred tax liabilities	**–**	(10,140)
	46,150	33,190

The majority of the Group's deferred tax assets relate to temporary differences originating in its UK subsidiaries. The deferred tax assets and liabilities have been provided at 20% (30 September 2013 – 20%).

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

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
Unused tax losses	**436,382**	328,231
Capital losses	**124,068**	120,464
Other temporary differences	**48,842**	49,494
Other tax credits	**426,513**	414,123
	1,035,805	912,312

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 portion 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, the UK and France and can be carried forward indefinitely.

20. DEFERRED TAX *(Continued)*

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

At 31 March 2014 and 30 September 2013, 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 the 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 investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised at 31 March 2014 was HK$5,870,000 (30 September 2013 – HK$5,350,000).

21. SHARE CAPITAL

(a) Share Capital

	31 March 2014 (unaudited)		30 September 2013 (audited)	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 31 March 2014/ 30 September 2013	**1,500,000,000**	**150,000**	1,500,000,000	150,000
Issued and fully paid:				
At 1 October 2013/ 1 October 2012	**1,007,443,154**	**100,744**	993,376,993	99,338
Share options exercised	**–**	**–**	14,066,161	1,406
At 31 March 2014/ 30 September 2013	**1,007,443,154**	**100,744**	1,007,443,154	100,744

21. SHARE CAPITAL *(Continued)*

(b) Treasury shares

	31 March 2014 (unaudited)		30 September 2013 (audited)	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Treasury shares				
At 1 October 2013/ 1 October 2012	**13,428,000**	**4,968**	14,500,000	5,365
Sold during the period	**–**	**–**	(1,072,000)	(397)
At 31 March 2014/ 30 September 2013	**13,428,000**	**4,968**	13,428,000	4,968

22. MAJOR NON-CASH TRANSACTIONS

During the period, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$3,188,000 (six months ended 31 March 2013 - HK$1,170,000).

23. 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 £7,500,000 Sterling (approximately HK$97,600,000) (30 September 2013 – £6,500,000 (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 other 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 31 March 2014 was HK$54,631,000 (30 September 2013 – HK$28,114,000) which is secured against trade debts of the same amount in the applicable UK Group trading subsidiaries. The amount drawn down under the overdraft facility at 31 March 2014 was HK$15,646,000 (30 September 2013 – HK$10,529,000).

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 (the "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% of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, the UK (note 19).

Other borrowings in the Group's Hong Kong and PRC subsidiaries of approximately HK$32,530,000 (30 September 2013 – HK$24,377,000), comprising HKSAR Government-backed loans of HK$1,200,000 (30 September 2013 – HK$2,400,000), overdrafts of HK$4,022,000 (30 September 2013 – HK$4,031,000) and export and import loans of HK$27,308,000 (30 September 2013 – HK$17,946,000) have been secured by unlimited cross guarantees provided by the Company and certain Hong Kong and PRC trading subsidiaries and by Company corporate guarantees.

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

	Six months ended 31 March 2014 HK$'000 (unaudited)	31 March 2013 HK$'000 (unaudited)
Net (decrease)/increase in cash and cash equivalents	**(16,192)**	13,094
Effect of foreign exchange rates	**227**	(1,250)
Net movement in cash and cash equivalents	**(15,965)**	11,844
Repayment of bank borrowings	**1,200**	1,200
New bank borrowings raised	**(25,637)**	(15,436)
Net cash outflow from export loans	**(9,361)**	(2,617)
Others	**(366)**	5,489
Release of pledged bank deposits	**–**	(5,000)
Net cash at the beginning of the period	**113,586**	79,623
Net cash at the end of the period	**63,457**	75,103

	31 March 2014 HK$'000 (unaudited)	31 March 2013 HK$'000 (unaudited)
Analysis of net cash at 31 March:		
Cash and bank balances	**176,708**	171,637
Interest-bearing bank borrowings - amounts due within one year	**(102,807)**	(81,943)
Interest-bearing bank borrowings - amounts due after one year	**–**	(1,200)
Obligations under finance leases - amounts due within one year	**(6,876)**	(6,901)
Obligations under finance leases - amounts due after one year	**(3,568)**	(6,490)
	63,457	75,103

25. RELATED PARTY TRANSACTIONS

The remuneration of the Directors and other members of key management during the period was as follows:

	Six months ended	
	31 March 2014 HK$'000 (unuadited)	31 March 2013 HK$'000 (unuadited)
Basic salaries and allowances, bonuses and benefits in kind	**3,585**	6,085
Mandatory provident fund contribution	**12**	12
	3,597	6,097

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. For the six months ended 31 March 2014, goods to the value of approximately HK$19,587,000 (31 March 2013 – HK$13,462,000) were purchased from Ningbo Hi-tech.

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 period are disclosed in note 19.

Other than the disclosures above, the Group has not entered into any other related party transactions.

26. 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.

27. CAPITAL COMMITMENTS

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
Committed but not contracted for:		
Property, plant and equipment	–	2,381
Acquisition of an associate (note 29)	130,720	–
	130,720	2,381

28. 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:

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
Operating leases which expire:		
Within one year	7,402	9,989
In the second to fifth years inclusive	10,487	12,732
Over five years	14,311	15,217
	32,200	37,938

Operating lease payments represent rentals payable by the Group for its office properties and factories. The leases run for an initial period of 1 to 82 years (30 September 2013 – 1 to 83 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.

28. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as Lessor

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

	31 March 2014 HK$'000 (unaudited)	30 September 2013 HK$'000 (audited)
Within one year	**79**	77
In the second to fifth years inclusive	**316**	307
Over five years	**5,291**	5,176
	5,686	5,560

Operating lease income represents the rental receivable by the Group for certain of its leased properties under sub-lease agreements. As at 31 March 2014, the leases ran for an initial period of 1 to 82 years (30 September 2013 – 1 to 83 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.

29. EVENTS SINCE THE REPORTING DATE

On 8 February 2014, the Company entered into an acquisition agreement to purchase 28.84% of the total issued share capital of Yuji Development Corporation ("Yuji"), a company incorporated in accordance with the laws of Taiwan and engaged in the provision of funeral related services, for a cash consideration of Taiwanese $513,728,177 (equivalent to approximately HK$130,720,000).

On the same day, the Company and the vendors, a group of forty independent third parties who, in aggregate, owned 28.84% of the total issued share capital of Yuji, entered into a subscription agreement in which the vendors agreed to subscribe and the Company agreed to allot the subscription shares in UPI at the subscription price.

Approximately 56.25% of Yuji's shares are owned by Lung Yen, a company whose shares are listed on the Taiwan Stock Exchange which in turn is controlled by Mr. Lee Shih-Tsung, the father of Ms. Kelly Lee (UPI Executive Director) and Mr. Anthony Lee (UPI Non-executive Director).

The acquisition and the subscription agreement were conditional, amongst others, upon obtaining Independent Shareholder approval at a Special General Meeting ("SGM") of UPI. Independent Shareholder approval was subsequently obtained at a SGM held on 1 April 2014.

The completion of the acquisition and the share subscription took place simultaneously pursuant to the terms of the acquisition agreement and the subscription agreement, respectively, on 8 April 2014.

147,428,134 subscription shares were allotted and issued to the vendors at a subscription price of approximately HK$0.887 per subscription share. The subscription shares were listed on The Stock Exchange of Hong Kong on the same day.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 31 March 2014, 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 of Hong Kong (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 into 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. Simon Hsu Nai-Cheng	Beneficial owner	11,397,606	1.13%
Mr. David Howard Clarke	Interest in a controlled corporation (Note)	10,853,200	1.08%
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. Charke 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 neither the Directors, nor any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 31 March 2014, 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 SFO.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) At a special general meeting of the Company held on 30 August 2004, a share option scheme was adopted (the "2004 Scheme") by the Company in which the Board is authorised to grant options to eligible Directors and employees of the Company and its subsidiaries (the "Group"), to subscribe for shares in the Company.

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

Name	Date of Grant	Exercise Price HK$	Outstanding at 1.10.2013 and 31.3.2014
Mr. David Howard Clarke	18.6.2012	0.313	6,000,000
Mr. Simon Hsu Nai-Cheng	18.6.2012	0.313	4,500,000
Mr. Henry Woon-Hoe Lim	18.6.2012	0.313	3,000,000
			13,500,000

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. The options granted are exercisable subject to the vesting conditions for a period not exceeding ten years up to 17 June 2022.

Other than as disclosed above, at no time during the period under review 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.

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 31 March 2014 and there has been no exercise of convertible securities, options, warrants or similar rights during the period under review.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the period under review.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Throughout the six month period ended 31 March 2014, the Company complied with all applicable provisions of the CG Code except for the following deviation:

Under code provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term. Under 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 AGM 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 period 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 such employees was noted by the Company in the period under review.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors: Ms. Hu Gin Ing (Chairman), Dr. Wong Ho Ching and Mr. Ramon Sy Pascual.

The unaudited interim results for the six months ended 31 March 2014 have been reviewed by the Company's Audit Committee. The information in these interim accounts does not include all of the information required in the annual financial statements.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the unaudited interim consolidated financial statements for the six months ended 31 March 2014.

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 Directors:

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
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Bermuda

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Des Voeux Road Central, Hong Kong
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Websites: www.upi.com.hk, www.irasia.com/listco/hk/upi

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Bermuda Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House, 2 Church Street, Hamilton, HM11,
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 22, Hopewell Centre, 183 Queens 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

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