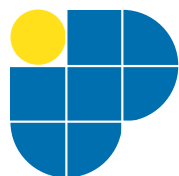


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**United Pacific  
Industries**

United Pacific Industries Limited  
(Incorporated in Bermuda with limited liability)

(Stock Code: 176)

Websites: [www.upi.com.hk](http://www.upi.com.hk)

[www.irasia.com/listco/hk/upi](http://www.irasia.com/listco/hk/upi)

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2014**

### **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 service 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 also 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	Disposal Group	Total	Retained operations	Disposal Group	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)
<b>(Loss)/profit for the period</b>	<b>(6,712)</b>	<b>(137,895)</b>	<b>(144,607)</b>	<b>(4,179)</b>	<b>27,598</b>	<b>23,419</b>
EBIT (operating profit prior to charging impairment loss, restructuring costs and transaction costs)	<u>2,495</u>	<u>45,647</u>	<u>48,142</u>	<u>(3,588)</u>	<u>47,606</u>	<u>44,018</u>

## **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.

### **CORPORATE GOVERNANCE CODE**

The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Throughout the 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 the 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.

## **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.

## **REVIEW BY AUDIT COMMITTEE**

The Audit Committee comprises three Independent Non-executive Directors as follows: 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.

## **PUBLICATION OF INTERIM REPORT**

The 2014 Interim Report will be published on the Company's websites ([www.upi.com.hk](http://www.upi.com.hk) and [www.irasia.com/listco/hk/upi](http://www.irasia.com/listco/hk/upi)) and on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

By Order of the Board  
**United Pacific Industries Limited**  
**DAVID HOWARD CLARKE**  
*Chairman*

Hong Kong, 14 May 2014

*As at the date of this announcement, the Executive Directors of the Company are Mr. David Howard Clarke, Mr. Simon Hsu Nai-Cheng, Mr. Henry Woon-Hoe Lim, Mr. Patrick John Dyson and Ms. Kelly Lee; the Non-executive Director is Mr. Anthony Lee; and the Independent Non-executive Directors are Mr. Ramon Sy Pascual, Dr. Wong Ho Ching, Mr. Lan Yen-Po and Ms. Hu Gin Ing.*

The Board of Directors (“the Board”) of United Pacific Industries Limited (“United Pacific Industries”, “UPI”, or the “Company”, together with its subsidiaries, the “Group”) is pleased to announce its unaudited consolidated results of UPI for the six months ended 31 March 2014 together with the comparative figures for 2013.

**CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 31 MARCH 2014**

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i> <i>(unaudited)</i>	<b>2013</b> <i>HK\$'000</i> <i>(unaudited)</i> <i>(restated)</i>
Revenue	3	786,422	725,061
Cost of sales		<u>(558,910)</u>	<u>(505,487)</u>
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		(5,254)	(6,077)
Restructuring costs		(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	8	(14,283)	—
Impairment loss on non-current assets	9	<u>(170,283)</u>	<u>—</u>
(Loss)/profit before tax	4	(145,133)	35,518
Income tax credit/(charge)	5	<u>526</u>	<u>(12,099)</u>
<b>(Loss)/profit for the period</b>		<u><u>(144,607)</u></u>	<u><u>23,419</u></u>
Attributable to:			
Owners of the Company		<u><u>(144,607)</u></u>	<u><u>23,419</u></u>
<b>(Loss)/earnings per share</b>	7		
Basic		<u><u>(14.55) cents</u></u>	<u><u>2.39 cents</u></u>
Diluted		<u><u>(14.55) cents</u></u>	<u><u>2.38 cents</u></u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 MARCH 2014**

	<b>Six months ended</b>	
	<b>31 March</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>(restated)</i>
<b>(Loss)/profit for the period</b>	(144,607)	23,419
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Recognition of remeasurement on defined benefit pension plan, net of tax	(20,280)	39,975
<b>Items that may be reclassified subsequently to profit or loss:</b>		
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	<u>1,505</u>	<u>—</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>(17,258)</u>	<u>37,575</u>
<b>Total comprehensive income for the period attributable to the owners of the Company</b>	<u>(161,865)</u>	<u>60,994</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2014**

	<i>Notes</i>	<b>31 March 2014</b>	<b>30 September 2013</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i> <i>(restated)</i>
Non-current assets			
Property, plant and equipment		22,491	177,694
Prepaid land lease payments under operating leases		442	459
Goodwill		—	2,419
Other intangible assets		—	75
Interest in an associate		—	10,052
Available-for-sale financial assets		1,231	1,921
Deferred tax assets		<u>46,150</u>	<u>43,330</u>
		<u>70,314</u>	<u>235,950</u>
Current assets			
Inventories		315,386	289,815
Trade and other receivables	10	347,794	295,593
Cash and bank balances		<u>176,708</u>	<u>187,565</u>
		<u>839,888</u>	<u>772,973</u>
Current liabilities			
Trade and other payables	11	278,849	266,297
Interest-bearing bank borrowings - amounts due within one year		102,807	63,020
Obligations under finance leases - amounts due within one year		6,876	6,112
Provisions		2,030	3,860
Derivative financial instruments		813	351
Tax payable		<u>12,461</u>	<u>13,478</u>
		<u>403,836</u>	<u>353,118</u>
Net current assets		<u>436,052</u>	<u>419,855</u>
Total assets less current liabilities		<u>506,366</u>	<u>655,805</u>

	<i>Notes</i>	<b>31 March 2014</b> <i>HK\$'000</i> <i>(unaudited)</i>	<b>30 September 2013</b> <i>HK\$'000</i> <i>(unaudited)</i> <i>(restated)</i>
Non-current liabilities			
Obligations under finance leases - amounts due after one year		3,568	4,847
Retirement benefit obligations		189,904	166,251
Deferred tax liabilities		<u>—</u>	<u>10,140</u>
		<u>193,472</u>	<u>181,238</u>
Net assets		<u>312,894</u>	<u>474,567</u>
Capital and reserves			
Share capital	12	100,744	100,744
Reserves		<u>212,150</u>	<u>373,823</u>
Total equity attributable to owners of the Company		<u>312,894</u>	<u>474,567</u>

## NOTES

### 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	Disclosures 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.

### 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 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 include:

- 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;

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

- 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)

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

	As previously reported HK\$'000	Effect of adopting HKAS 19 (2011) HK\$'000	As restated HK\$'000
<i>Consolidated statement of financial position as at 1 October 2012</i>			
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
<i>Consolidated statement of financial position as at 30 September 2013</i>			
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
<i>Consolidated income statement for the six months ended 31 March 2013</i>			
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
<i>Consolidated statement of comprehensive income for the six months ended 31 March 2013</i>			
Recognition of remeasurement on defined benefit plan, net or 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 <sup>(1)</sup>
Amendments to HKAS 36	Recoverable Amount Disclosure for Non-Financial Assets <sup>(1)</sup>
HKFRS 9	Financial Instruments
HKFRS (Amendments)	Annual Improvements 2010-2012 Cycle <sup>(2)</sup>
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle <sup>(3)</sup>
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions <sup>(3)</sup>

### Notes:

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods or transactions occurring on or after 1 July 2014

<sup>3</sup> 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 pronouncements.

## 3. REVENUE AND SEGMENT INFORMATION

The Groups' 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 review of these components' 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 precision 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.

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

### 3. REVENUE AND SEGMENT INFORMATION (continued)

	Consumer Electronics <i>HK\$'000</i> <i>(unaudited)</i>	Contract Manufacturing <i>HK\$'000</i> <i>(unaudited)</i>	Tools <i>HK\$'000</i> <i>(unaudited)</i>	Precision Measurement <i>HK\$'000</i> <i>(unaudited)</i>	Magnetic Technologies <i>HK\$'000</i> <i>(unaudited)</i>	Total <i>HK\$'000</i> <i>(unaudited)</i>
<b>For the six months ended 31 March 2014</b>						
<b>Revenue</b>						
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
	<u>155,554</u>	<u>152,463</u>	<u>310,718</u>	<u>96,185</u>	<u>77,273</u>	<u>792,193</u>
<b>Profit before tax</b>						
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
<b>Reportable segment profit</b>	<u>11,801</u>	<u>12,340</u>	<u>11,136</u>	<u>13,893</u>	<u>14,781</u>	<u>63,951</u>
<b>For the six months ended 31 March 2013</b>						
<b>Revenue</b>						
External customers	94,618	165,583	305,900	92,255	66,705	725,061
Inter-segment revenues	—	—	721	2,377	742	3,840
	<u>94,618</u>	<u>165,583</u>	<u>306,621</u>	<u>94,632</u>	<u>67,447</u>	<u>728,901</u>
<b>Profit before tax</b>						
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
<b>Reportable segment profit</b>	<u>4,884</u>	<u>13,773</u>	<u>10,245</u>	<u>15,435</u>	<u>15,458</u>	<u>59,795</u>

### 3. REVENUE AND SEGMENT INFORMATION (continued)

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

	<b>Six months ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Reportable segment revenues	792,193	728,901
Elimination of inter-segment revenues	<u>(5,771)</u>	<u>(3,840)</u>
Total revenue	<u><u>786,422</u></u>	<u><u>725,061</u></u>
	<b>Six months ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>(restated)</i>
Reportable segment profit	63,951	59,795
Unallocated corporate 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	<u>(170,283)</u>	<u>—</u>
(Loss)/profit before tax	<u><u>(145,133)</u></u>	<u><u>35,518</u></u>

### 3. REVENUE AND SEGMENT INFORMATION (continued)

#### 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:

	<b>Six months ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
The People's Republic of China (the "PRC")		
Mainland China	18,219	18,657
Hong Kong (place of domicile)	4,227	10,773
	<u>22,446</u>	<u>29,430</u>
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
	<u>786,422</u>	<u>725,061</u>

### 4. (LOSS)/PROFIT BEFORE TAX

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

	<b>Six months ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>(restated)</i>
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	<u>4,112</u>	<u>2,950</u>

## 5. 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	<u>4,400</u>	<u>5,120</u>
	6,502	7,425
Deferred tax	<u>(7,028)</u>	<u>4,674</u>
	<u>(526)</u>	<u>12,099</u>

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 (note 9), the deferred tax liability on 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.

## 6. 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 cents per ordinary share for the six month period 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.

## 7. (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*

	<b>31 March 2014</b> <i>(unaudited)</i>	<b>31 March 2013</b> <i>(unaudited)</i> <i>(restated)</i>
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	<u>(13,428,000)</u>	<u>(14,214,000)</u>
Weighted average number of ordinary shares at 31 March	<u>994,015,154</u>	<u>979,204,048</u>
Basic (loss)/earnings per share (HK cents)	<u>(14.55)</u>	<u>2.39</u>

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

	<b>31 March 2014</b> <i>(unaudited)</i>	<b>31 March 2013</b> <i>(unaudited)</i> <i>(restated)</i>
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	<u>(13,428,000)</u>	<u>(14,214,000)</u>
Weighted average number of ordinary shares at 31 March	<u>994,015,154</u>	<u>984,053,528</u>
Diluted (loss)/earnings per share (HK cents)	<u>(14.55)</u>	<u>2.38</u>

*Note:*

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

## **8. 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.

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.

## **9. IMPAIRMENT LOSS ON NON-CURRENT ASSETS**

As discussed in note 8, 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 are 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 sale is expected to conclude on or before 31 May 2014.

Being very substantial in nature, 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.

## 9. IMPAIRMENT LOSS ON NON-CURRENT ASSETS (continued)

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.

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:

	<b>Carrying amount as at 31 March 2014 HK\$'000</b>	<b>Recoverable amount as at 31 March 2014 HK\$'000</b>	<b>Impairment of non-current assets HK\$'000</b>
<b>Assets of the PGH Group as at 31 March 2014:</b>			
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	<u>73,026</u>	<u>73,026</u>	<u>—</u>
	<u>780,996</u>	<u>610,713</u>	<u>170,283</u>

## 9. IMPAIRMENT LOSS ON NON-CURRENT ASSETS (continued)

The impairment losses have been calculated by comparing the recoverable amount to the carrying value of the PGH Group 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:

Class of asset:	Operating segments				Total HK\$'000
	Tools HK\$'000	Precision Measurement HK\$'000	Magnetic Technologies HK\$'000	Corporate HK\$'000	
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
	<u>27,283</u>	<u>27,991</u>	<u>16,264</u>	<u>98,745</u>	<u>170,283</u>

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.

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

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

## 10. TRADE AND OTHER RECEIVABLES

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

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

	<b>31 March 2014</b>	<b>30 September 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
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	<u>10,883</u>	<u>4,818</u>
	<u><u>337,651</u></u>	<u><u>278,766</u></u>

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.

## 10. TRADE AND OTHER RECEIVABLES (continued)

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

	<b>31 March 2014</b>	<b>30 September 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
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	<u>7,426</u>	<u>7,698</u>

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

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

	<b>31 March 2014</b>	<b>30 September 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
91-120 days	26,157	7,017
Greater than 120 days	4,187	698
	<u>30,344</u>	<u>7,715</u>

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.

## 11. TRADE AND OTHER PAYABLES

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

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

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

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

## 12. SHARE CAPITAL

	<b>31 March 2014</b>		<b>30 September 2013</b>	
	<b>(unaudited)</b>		<b>(audited)</b>	
	<i>Number of</i>	<i>Amount</i>	<i>Number of</i>	<i>Amount</i>
	<i>shares</i>	<i>HK\$'000</i>	<i>shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.1 each				
Authorised:				
At 31 March 2014 and 30 September 2013	<u>1,500,000,000</u>	<u>150,000</u>	<u>1,500,000,000</u>	<u>150,000</u>
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	<u>—</u>	<u>—</u>	<u>14,066,161</u>	<u>1,406</u>
At 31 March 2014/30 September 2013	<u>1,007,443,154</u>	<u>100,744</u>	<u>1,007,443,154</u>	<u>100,744</u>
	<b>31 March 2014</b>		<b>30 September 2013</b>	
	<b>(unaudited)</b>		<b>(audited)</b>	
	<i>Number of</i>	<i>Amount</i>	<i>Number of</i>	<i>Amount</i>
	<i>shares</i>	<i>HK\$'000</i>	<i>shares</i>	<i>HK\$'000</i>
Treasury shares				
At 1 October 2013/1 October 2012	13,428,000	4,968	14,500,000	5,365
Sold during the period	<u>—</u>	<u>—</u>	<u>(1,072,000)</u>	<u>(397)</u>
At 31 March 2014/30 September 2013	<u>13,428,000</u>	<u>4,968</u>	<u>13,428,000</u>	<u>4,968</u>

### **13. 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.

### **14. 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 Limited on the same day.