Chairman's Statement

Mr. Brian C Beazer
Executive Chairman

Record Half-Year Results Net Profit Attributable to Shareholders of HK$19,000,000 Mainly Due to Discount on a Very Substantial Acquisition

We are very pleased to have successfully completed the acquisition of 61.8% of Spear & Jackson, Inc. ("S&J"), which more than doubles our size and brings a diversity of well established and respected brands. Following the 28 July 2006 closing, we changed our financial year end to align with a 30 September year end for the Spear & Jackson Group. This Report is, therefore, produced for the six-month period ended 30 September 2006.

During the six months under review, the UPI Contract Manufacturing Division (excluding Spear and Jackson) increased sales revenues to HK$274 million, up from HK$216 million based on the unaudited interim results for the comparable period from 1 April to 30 September 2005. Even after the cash purchase of Spear & Jackson, our balance sheet is the strongest in our history with a positive net cash position.

I would like to thank Spear & Jackson's CEO William Fletcher and the whole of his team for handling their end of this acquisition in an open, timely, and friendly fashion. More importantly, they have been extremely helpful in the cooperation between their group and ours.

Spear & Jackson, a UK-based group, is a consolidation of leading global providers of premium quality-branded products, operating in three business areas: garden and hand tools, metrology measuring instruments and magnetic products. Elsewhere in this Report we describe each of these divisions as well as our existing business.

The Tools Division in recent years has had difficulty with a high cost structure in the UK and in 2006 addressed this issue with the closure and sale of its large garden products manufacturing site at Wednesbury. By the end of November 2006, the remaining operations at this site, including that of S&J's central warehouse facility had been consolidated into the Atlas site at Sheffield, England, with a portion of the division's product being sourced to Asian suppliers. Also during 2006 the Tools Division introduced a record number of new products in the ranges of ergonomically designed garden tools, advanced wood saws and a line of builder's tools.

The Metrology Division (measuring instruments) had an excellent year which was highlighted by the opening of offices and a manufacturing facility in Shanghai, China. The Metrology Division increased sales in both North America and Europe and is optimistic about the future prospects in China as the manufacturing output of that country continues its astounding growth.

The Magnetics Division has had a productive year. Operating cost issues were addressed by the cessation of certain of its manufacturing activities followed by the consolidation of its remaining UK operations into the Atlas site at Sheffield, England. The Magnetics Division continues to expand the sourcing of a portion of its product line from China and the company has continued to develop its joint venture with Hi-Tech China to manufacture products designed and developed in the UK. The Magnetics Division achieved record sales in North America in 2006.

Pantene, our original Shenzhen, China-based contract manufacturer is having a difficult period as a result of rapidly rising costs of labor and raw materials. The company, which, even in the best times, has small margins, has also had its profits eroded due to the strength of the Chinese Yuan as most of its products are exported and sold in other currencies. Under the capable leadership of COO Kong Meng Lee, Pantene is addressing these problematic situations head-on through cost-containment and efficiency drives. Nevertheless, in the period under review, Pantene produced a loss partially due to an inventory write down.

In the period under review, we launched SAP within the Pantene Group to give us the advantages of modern management control systems, particularly in the areas of finance, production planning, purchasing and logistics. This system facilitates management's efforts to make the necessary changes to deliver sustainable profits and enable future growth. Many staff, from those at very junior levels to top management, worked extremely hard over long hours and at personal cost to achieve a successful launch of SAP. On behalf of the Board I would like to thank all of them.

With Spear & Jackson now part of our Group, we are already considering further acquisitions as part of our strategy for growth. Organic growth is, of course, an important element in our strategy and we intend to encourage capital expenditure for both geographic and product line expansion where appropriate. However, we are not satisfied with only internal expansion and future acquisitions will be the second leg upon which our growth strategy stands. We are very disciplined in our approach to acquisition possibilities. In essence we seek to add manufacturing businesses which are well established with respected brands or market positions. We also favor acquisitions where our expertise in China and other Asian manufacturing or sourcing can assist in the acquired company's growth and profitability. We will also actively consider companies which may need restructuring in order to return to profitability so long as we can determine a "road map" to the turn-around. Lastly, we will only purchase companies which have competent management dedicated to their businesses. Put simply, we advocate a decentralized management approach and strongly believe day-to-day decisions and strategy are best left to local management who have years of experience and knowledge in their specific businesses. It is central management's job to set overall direction and strategy and then maintain oversight to make certain all divisions achieve peak performance.

The current year has started slowly due to seasonality for Spear & Jackson, our learning curve with SAP, and the constant need to adjust our sale prices. The position is now improving, and barring unforeseen circumstances, the Board considers we will achieve a rise in earnings per share for the UPI Group for the full year ending 30 September 2007 compared to the full year ended 31 March 2006.

On behalf of the Board of Directors I would like to express our thanks to all our shareholders, customers, financiers and suppliers for their past and continuing support. The Board would also like to record our thanks to senior management, their able teams and employees for their loyalty and dedicated efforts, without which the success of your Group would not be possible. Ng Ching Wo is not seeking re-election due to work commitments. We would wish to thank him, on your behalf, for his many years of service and counsel. In summation, I hope you find this Report interesting and useful as we convey information about our businesses and our strategic vision and optimism for the future.

Yours faithfully

BRIAN C BEAZER
Executive Chairman

Hong Kong
22 January 2007