United Pacific Industries
聯太工業
Stock Code: 176

Reaching the Target

06/07

Interim Report

United Pacific Industries

United Pacific Industries Limited

(Incorporated in Bermuda with limited liability)

(stock code : 00176)

http://www.irasia.com/listco/hk/upi/index.htm

Financial Highlights

- Based on profits attributable to equity holders of HK$13.2 million, earnings per share was 2.38 HK cents, a decrease of 30% as compared to the six months period ended 30 September 2006 (the "prior period"). The prior period benefited from the inclusion of a substantial discount on acquisition of HK$26.2 million. In the current period, amounts credited in respect of discount on acquisition reduced to HK$2.4 million. Excluding the discount on acquisition from both periods would result in a net profit for the current period of HK$18.1 million and a loss in the prior period of HK$6.6 million. The earnings per share calculation on these restated amounts would be 1.95 HK cents in the current period and a loss per share of 1.29 HK cents in the prior period.

- Turnover increased by 71.7% to HK$670.1 million as compared to the prior period.

- An operating profit of HK$20.6 million was generated in the period compared to a loss of HK$6.8 million in the prior period – an improvement of HK$27.4 million (403%).

- Profit before taxation increased by 14% to HK$21.4 million from HK$18.8 million in the prior period.

- After charging taxation of HK$0.9 million the net profit for the period was HK$20.5 million, an increase of 5%.

- Net cash and cash equivalents at the period end was HK$104.3 million and net cash (after deduction of bank and other borrowings) was HK$17.1 million.

Note that the half year figures to 31 March 2007 include six months trading results of Spear & Jackson, Inc. ("S&J") whereas the comparative amounts for the six months ended 30 September 2006 incorporate only two months results of S&J being that company's post acquisition earnings from 28 July 2006 to 30 September 2006

Business Review and Prospects

The following sets out the highlights of the financial results of the Group for the six-month period ended 31 March 2007 with the comparative figures for the six month period ended 30 September 2006.

	1.10.2006 to 31.3.2007 HK$ million (unaudited)	1.4.2006 to 30.9.2006 HK$ million (audited)	Change HK$ million	Change %
Turnover	**670.1**	390.2	279.9	72%
Earnings before interest, taxation, depreciation and amortization	**33.0**	(0.2)	33.2	NA
Depreciation and amortisation	**(12.4)**	(6.6)	(5.8)	88%
Operating profit/(loss)	**20.6**	(6.8)	27.4	NA
Net finance costs	**(2.2)**	(0.8)	(1.4)	175%
Share of results of an associate	**0.6**	0.2	0.4	200%
Discount on acquisition	**2.4**	26.2	(23.8)	-91%
Profit before taxation	**21.4**	18.8	2.6	14%
Income tax (charge)/credit	**(0.9)**	0.8	(1.7)	NA
Net profit for the period	**20.5**	19.6	0.9	5%
Attributable to:				
Equity holders of the Company	**13.2**	19.0	(5.8)	-31%
Minority Interests	**7.3**	0.6	6.7	1,117%
	20.5	19.6	0.9	

Note that the half year figures to 31 March 2007 include six months trading results of Spear & Jackson, Inc. ("S&J") whereas the comparative amounts incorporate only two months results of S&J being that company's post acquisition earnings from 28 July 2006 to 30 September 2006

For the "Profit before taxation" shown above, the amounts attributable to S&J and UPI are as follows:

	Six Months Ended 31.3.2007		Six Months Ended 30.9.2006	
	HK$ million (unaudited) UPI	HK$ million (unaudited) S&J	HK$ million (audited) UPI	HK$ million (audited) S&J
Turnover	248.2	421.9	273.9	116.3
Operating profit/(loss)	1.5	19.1	(7.9)	1.1
Net finance costs	(0.9)	(1.3)	(0.4)	(0.4)
Share of results of an associate	—	0.6	—	0.2
Discount on acquisition	2.4	—	26.2	—
Profit before taxation	3.0	18.4	17.9	0.9
Total		21.4		18.8

Group Overview

Group Results

For the six months ended 31 March 2007, the group achieved a turnover of HK$670.1 million, which represents an increase of 71.7% when compared with the turnover of HK$390.2 million for the period ended 30 September 2006 (the "corresponding period"). Net profit increased from HK$19.6 million to HK$20.5 million, representing an increase of 5%.

The Group's earnings before interest, taxation, depreciation and amortization (EBITDA) under review amounted to HK$33 million, an increase of 33.2 million.

Consistent with the increase in EBITDA, the Group's operating profit ("earnings before finance costs, share of associate's profits, other non-operating items and taxation") also increased to HK$20.6 million in the current period, up by HK$27.4 million.

Note that the half year figures to 31 March 2007 include six months trading results of Spear & Jackson, Inc. ("S&J") whereas the comparative amounts incorporate only two months results of S&J being that company's post acquisition earnings from 28 July 2006 to 30 September 2006

To help readers further in reading the financial statements, the Company has put in an additional column of comparative numbers.

Liquidity and Financial Resources

As at the balance sheet date, the Group had a net cash balance of HK$104.3 million. This comprised bank and cash balance of HK$284.9 million less certain UK bank borrowings amounting to HK$180.6 million. The Group's bank accounts held with the HSBC Bank plc by the UK subsidiaries of Spear & Jackson plc and Bowers Group plc form a pooled fund. As part of this arrangement the individual companies concerned have entered into a cross guarantee with the HSBC Bank plc to guarantee any bank overdraft of the entities within the pool. At 31 March 2007 the extent of the guarantee relating to gross overdrafts was HK$180.6 million (30 September 2006: HK$170.8 million). The overall pooled balance of the bank accounts within the pool at 31 March 2007 was an in hand balance of HK$27.8 million (30 September 2006: HK$42.3 million).

The Group's net asset value was HK$329.4 million, with a liquidity ratio (ratio of current assets to current liabilities) of 176% and a gearing ratio (ratio of net bank debt to net assets value) of nil. The Group has maintained a high level of liquidity to meet its expected future working capital requirements and to take advantage of growth opportunities for the business.

During the period, there was no material change in the Group's funding and treasury policy. On 31 March 2007, the Group had sufficient levels of banking facilities from our major bankers to finance working capital requirements.

For exchange risk management, the Group adopted cautious financial measures to manage and minimize the exchange risk exposure and, in this regard, the Group endeavored to match the currencies of its sales with those of its purchases in order to neutralize the effect of currency exposure. Furthermore, the Group also took appropriate financial actions to ensure that the borrowings in its Pantene group were primarily denominated in Hong Kong dollars, while its non-Hong Kong dollar loans were either directly tied in with the Group's business transactions that are denominated those foreign currencies, or were matched by assets in the same foreign currencies.

Financial and Operations Review

The Board is pleased to report good trading results for half-year ending 31 March 2007.

Group Results

The half-year sales of HK$670,000,000 produced a net profit of HK$20,500,000 giving earnings per share of 2.38 cents. These results were achieved despite unanticipated cost pressures, particularly in the areas of energy and raw materials, which are affecting not just us but manufacturers worldwide.

Divisional Results

Spear & Jackson

William Fletcher, CEO of Spear & Jackson, commented, "Our continuing focus is to achieve profitability and sustainable long-term growth in each of our divisions. We intend to achieve this goal by directing our activities in the following major areas":

- The introduction of new and innovative products.
- Cost reductions through global placement and plant efficiency measures.
- The development of new channels of distribution.
- The consolidation of manufacturing activities, wherever possible.

The operating performance and business prospects of those divisions are discussed below.

Tools Division

Neill Tools Ltd./Spear & Jackson Garden Products Ltd

The UK hand and garden tool division completed its main restructuring program during the first six months of 2006/2007.

We continue to focus on new products, successfully launching new lines during this period.

We have reduced our operating cost and this was resulted in a meaningful improvement over the same period in the previous year.

Robert Sorby

The division enjoyed a much improved half-year, and the new ProEdge sharpening system exceeded sales expectations.

Spear & Jackson France/Australasia

Both of these units performed well in the first half of the year.

The Magnetics Division (Eclipse Magnetics Ltd)

In the first six-months of 2006/2007 the company faced significant increases in raw material prices, but these were offset by higher sales prices and other operational savings.

We are looking to expand in North America through a strategic acquisition.

The Metrology/Measurement Division (Bowers Metrology Group)

The first half-year has been extremely successful in terms of financial performance and long-term strategic developments. Sales and operating profit are significantly up on last year.

Bowers (Shanghai) has commenced manufacturing operations. Sales operations are being expanded to take advantage of the large markets in Asia and North America.

Contract Manufacturing Division (The Pantene Group)

Kong Meng Lee, Chief Operating Officer of Pantene Industrial Co., Ltd stated: "We are operating under difficult trading conditions, but all within our company are rising to the occasion and diligently working to meet the competitive demands of the market place".

Pantene has undergone considerable organizational change with the installation of a highly sophisticated SAP computerized process control system. Due to implementation issues caused by our own learning curve difficulties we had a problematic start to the year. However, the SAP system is now operating well and beginning to benefit the cost control and development sides of our business.

Pantene has recently been operating to full capacity and has a full order book from established customers. However, our margins have been detrimentally affected by the strengthening of the Rmb and rising raw material prices. As our customers are also under cost related and pricing pressures, it is impossible for us to get sufficient price relief to offset these added costs. We are, therefore, operating under very competitive conditions and do not anticipate any alleviation in these circumstances in the near future.

Recent Developments

Global Procurement

To aid the purchasing activities of the Group we are establishing a global procurement centre in Hangzhou, initially to support the tool and contract manufacturing divisions of the Group, but with the intention that we will lower our purchasing costs still further. The Group sees Asia not only as a beneficial sourcing area, but an expanding geographical market with a brigth future.

Spear & Jackson, Inc.: Minority Shareholders

When we purchased our 62% stake in Spear & Jackson, we were aware of the need for significant capital investment to restructure and improve the company's operational efficiencies. We were also aware that the company has a significant under-funded pension plan in the UK which, by law, must be eliminated over a period of not more than ten years. Nevertheless, our view of Spear & Jackson at the time was that these negatives were actually long-term opportunities for improvement. Now, almost a year later, we continue to firmly believe that Spear & Jackson, as the results show, is a good company with recognized brands worthy of our time and investment. We are already seeing improvement in both areas mentioned above. However, we caution our shareholders that, while we believe the future for Spear & Jackson is bright, it is going to take a number of years to fully achieve our goals. Notwithstanding the above, shareholders will benefit in due course.

At present we own 62% of Spear & Jackson, Inc. with the rest being public shareholders. We had proposed a merger with Spear & Jackson, Inc. at US$1.483 per share. The price to be paid has now risen to US$1.96 per share. The increased price was necessary to obtain the recommendation of the Spear & Jackson, Inc. Board of Directors based on the fairness opinion of their financial advisors.

Our proposal involves the cash payment of US$4,300,000 to the minority public shareholders which would result in UPI owning 100% of this company. The transaction is subject to regulatory approval and to favourable votes by the shareholders of Spear & Jackson, Inc. and UPI.

Subject to the satisfactory completion of these conditions we would expect the merger to complete in the first quarter of the coming financial year. Following the completion of this merger, we will then be able to properly integrate our two groups.

At this increased price your directors believe this transaction to be beneficial to our shareholders and in due course we will ask you to vote for the merger.

Prospects

In our report for the period ended September 2006 we stated that we expected our earnings per share for the year ended September 2007 to be in excess of the earnings per share of HK$0.0281 achieved for year ended March 2006. On the basis of these half-year results we continue to be confident that, barring unforeseen circumstances, we will comfortably exceed last year's figure.

Your directors look to the future with confidence.

By order of the Board
United Pacific Industries Limited
Brian C Beazer
Executive Chairman

Hong Kong, 27 June, 2007

Deloitte.
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Independent Review Report

TO THE BOARD OF DIRECTORS OF UNITED PACIFIC INDUSTRIES LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 13 to 41.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion 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.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" ("SAS 700") issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 March 2007.

Without modifying our review conclusion, we draw to your attention that the six months period ended 31 March 2006 presented as the comparative amounts for the condensed consolidated income statement, the condensed consolidated cash flow and the condensed consolidated statement of recognised income and expense included in the interim financial report for the six months ended 31 March 2007 has not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 June 2007

Condensed Consolidated Income Statement

For the six months ended 31 March 2007

	Notes	1.10.2006 to 31.3.2007 HK$ (unaudited)	1.4.2006 to 30.9.2006 HK$ (audited)	1.10.2005 to 31.3.2006 HK$ (unaudited)
Turnover	3	670,146,454	390,189,422	237,563,252
Cost of sales		(496,403,612)	(335,056,379)	(209,566,779)
Gross profit		173,742,842	55,133,043	27,996,473
Other income		7,012,923	4,915,819	810,064
Distribution costs		(110,110,062)	(31,590,007)	(1,132,681)
Administrative costs		(47,853,607)	(33,599,469)	(15,940,364)
Finance costs		(4,425,706)	(2,533,260)	(1,119,855)
Share of result of an associate		594,000	236,000	—
Discount on acquisition	4	2,411,018	26,200,681	—
Profit before taxation	5	21,371,408	18,762,807	10,613,637
Income tax (charge) credit	6	(821,950)	815,228	(2,861,682)
Profit for the period		20,549,458	19,578,035	7,751,955
Attributable to:				
Equity holders of the Company		13,260,516	19,008,950	7,751,955
Minority Interests		7,288,942	569,085	—
		20,549,458	19,578,035	7,751,955
Earnings per share - basic	7	2.38 cents	3.41 cents	1.39 cents

Condensed Consolidated Balance Sheet

At 31 March 2007

	Notes	31.3.2007 HK$ (unaudited)	30.9.2006 HK$ (audited)
Non-current assets			
Property, plant and equipment	8	**244,050,817**	230,305,040
Prepaid lease payments		**650,836**	659,217
Interest in an associate		**3,678,240**	3,141,750
Available-for-sale investments		**904,234**	870,250
Deferred tax assets	13	**121,106,052**	116,628,250
		370,390,179	351,604,507
Current assets			
Inventories		**273,764,271**	256,311,934
Debtors and prepayments	9	**302,868,873**	261,131,909
Taxation recoverable		**3,376,585**	1,844,868
Pledged bank deposits		**5,000,000**	5,000,000
Bank balances and cash		**284,903,520**	330,337,347
		869,913,249	854,626,058
Current liabilities			
Creditors and accrued charges	10	**248,293,379**	254,623,593
Bank overdrafts		**180,632,236**	170,790,250
Bank borrowings			
– amount due within one year		**52,201,026**	54,567,754
Obligations under finance leases			
– amount due within one year		**7,501,247**	5,611,935
Provisions	11	**5,195,514**	15,561,250
Taxation payable		**1,713,926**	1,325,500
		495,537,328	502,480,282
Net current assets		**374,375,921**	352,145,776
Total assets less current liabilities		**744,766,100**	703,750,283

Condensed Consolidated Balance Sheet *(Continued)*

At 31 March 2007

	Notes	31.3.2007 HK$ (unaudited)	30.9.2006 HK$ (audited)
Non-current liabilities			
Bank borrowings			
– amount due after one year		**23,363,566**	22,801,193
Obligations under finance leases			
– amount due after one year		**9,068,778**	4,707,724
Provisions	11	**15,525,238**	15,856,250
Retirement benefits plans	12	**344,681,740**	411,775,750
Deferred tax liabilities	13	**22,632,456**	21,781,530
		415,271,778	476,922,447
Net assets		**329,494,322**	226,827,836
Capital and reserves			
Share capital	14	**55,705,840**	55,705,840
Reseves	15	**191,602,561**	127,110,916
Total equity attributable to equity holders of the company		**247,308,401**	182,816,756
Minority interests	15	**82,185,921**	44,011,080
Total equity		**329,494,322**	226,827,836

Condensed Consolidated Statement of Recognised Income and Expense

For the six months ended 31 March 2007

	1.10.2006 to 31.3.2007 HK$ (unaudited)	1.4.2006 to 30.9.2006 HK$ (audited)	1.10.2005 to 31.3.2006 HK$ (unaudited)
Exchange difference arising on translation of foreign operations	**7,874,492**	(2,822,033)	(28,205)
Recognition of actuarial gains (losses) on defined benefit plan	**74,116,536**	(10,656,251)	—
Net expenses recognised directly in equity	**81,991,028**	(13,478,284)	(28,205)
Profit for the period	**20,549,458**	19,578,035	7,751,955
Total income and expense recognised for the period	**102,540,486**	6,099,751	7,723,750
Attributable to:			
Equity holders of the Company	**64,365,645**	10,117,248	7,723,750
Minority interests	**38,174,841**	(4,017,497)	—
	102,540,486	6,099,751	7,723,750

Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2007

	1.10.2006 to 31.3.2007 HK$ (unaudited)	1.4.2006 to 30.9.2006 HK$ (audited)	1.10.2005 to 31.3.2006 HK$ (unaudited)
Net cash (used in) from operating activities	**(49,151,697)**	28,153,778	9,752,331
Net cash (used in) from investing activities:			
Purchase of property, plant and equipment	**(9,389,026)**	(5,415,696)	(1,970,705)
Proceeds from disposal of property, plant and equipment	**3,212,000**	—	—
Proceeds from disposals of investment properties	**—**	—	7,500,000
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	**—**	37,041,118	—
Other investing cash flows	**2,172,156**	1,754,357	(4,071,527)
	(4,004,870)	33,379,779	1,457,768
Net cash (used in) from financing activities:			
New bank loans raised	**1,649,965**	30,511,353	1,598,557
Net cash inflow in trust receipts and export loans	**2,905,086**	17,692,214	4,982,486
Repayments of bank loans	**(6,359,406)**	(3,788,831)	(1,794,847)
Other financing cash flows	**(5,165,058)**	(4,247,257)	(1,819,431)
	(6,969,413)	40,167,479	2,966,765
Net (decrease) increase in cash and cash equivalents	**(60,125,980)**	101,701,036	14,176,864
Effect of foreign exchange rate changes	**4,850,167**	(4,112,836)	(28,205)
Cash and cash equivalents at beginning of the period	**159,547,097**	61,958,897	47,810,238
Cash and cash equivalents at end of the period	**104,271,284**	159,547,097	61,958,897
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	**284,903,520**	330,337,347	61,958,897
Bank overdrafts	**(180,632,236)**	(170,790,250)	—
	104,271,284	159,547,097	61,958,897

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 March 2007

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

During the period 30 September 2006, the Company changed its financial year end from 31 March to 30 September to align with the financial year end of Spear & Jackson, Inc., ("S&J") an entity in which the Company acquired a 61.8% interest on 28 July 2006. The condensed consolidated financial statements cover the six month period from 1 October 2006 to 31 March 2007. The corresponding comparative amounts shown for the condensed consolidated financial statements and related notes are for the six months period from 1 April 2006 to 30 September 2006, as presented in the Company's financial report for the period ended 30 September 2006, and the six month period from 1 October 2005 to 31 March 2006.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the audited financial statements of the Company and its subsidiaries (the "Group") for the period ended 30 September 2006 except as described below.

2. Principal Accounting Policies *(Continued)*

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for accounting periods beginning on or after 1 May 2006 and 1 June 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK (IFRIC) – INT 10	Interim financial reporting and impairment [3]
HK (IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions [4]
HK (IFRIC) – INT 12	Service concession arrangements [5]

Note

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 November 2006
[4] Effective for annual periods beginning on or after 1 March 2007
[5] Effective for annual periods beginning on or after 1 January 2008

3. Segment Information

Business segments

The Group's principal activities are the contract manufacturing of OEM products and rechargeable battery products. With the acquisition of S&J on 28 July 2006, the Group's principal segments widened to encompass the manufacturing and distribution of a broad line of hand tools, lawn and garden tools ("Tools"), industrial magnets ("Magnetics") and metrology tools ("Metrology"). These four business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented below:

	Contract manufacturing OEM products and rechargeable battery products	Tools	Metrology	Magnetics	Elimination	Consolidated
	HK$	HK$	HK$	HK$	HK$	HK$
For the period from 1 October 2006 to 31 March 2007						
Turnover						
External sales	248,270,454	299,586,000	77,174,000	45,116,000	—	670,146,454
Inter-segment sales	5,036,080	12,108,000	7,841,000	256,000	(25,241,080)	—
	253,306,534	311,694,000	85,015,000	45,372,000	(25,241,080)	670,146,454

Inter-segment sales are charged at prevailing market rates.

Result						
Segmental result	4,233,982	12,037,000	7,837,000	4,532,000	—	28,639,982
Unallocated corporate expenses						(8,001,043)
Interest income						2,153,157
Share of result of an associate						594,000
Discount on acquisition						2,411,018
Finance costs						(4,425,706)
Profit before taxation						21,371,408
Income tax charge						(821,950)
Profit for the period						20,549,458

3. Segment Information *(Continued)*

Business segments *(Continued)*

	Contract manufacturing OEM products and rechargeable battery products	Tools	Metrology	Magnetics	Elimination	Consolidated
	HK$	HK$	HK$	HK$	HK$	HK$
For the period from 1 April 2006 to 30 September 2006						
Turnover						
External sales	273,900,422	79,635,250	22,980,500	13,673,250	—	390,189,422
Inter-segment sales	17,801,123	2,817,250	2,492,750	250,750	(23,361,873)	—
	291,701,545	82,452,500	25,473,250	13,924,000	(23,361,873)	390,189,422

Inter-segment sales are charged at prevailing market rates.

Result						
Segmental result	(5,965,983)	7,360	2,883,640	1,401,250	—	(1,673,733)
Unallocated corporate expenses						(5,221,238)
Interest income						1,754,357
Share of result of an associate						236,000
Discount on acquisition						26,200,681
Finance costs						(2,533,260)
Profit before taxation						18,762,807
Income tax credit						815,228
Profit for the period						19,578,035

3. Segment Information *(Continued)*

Business segments *(Continued)*

	Contract manufacturing OEM products and rechargeable battery products	Tools	Metrology	Magnetics	Elimination	Consolidated
	HK$	HK$	HK$	HK$	HK$	HK$
For the period from 1 October 2005 to 31 March 2006						
Turover						
External sales	237,563,252	—	—	—	—	237,563,252

Inter-segment sales are charged at prevailing market rates.

Result						
Segmental result	11,176,378	—	—	—	—	11,176,378
Unallocated corporate expenses						(167,639)
Interest income						724,753
Finance costs						(1,119,855)
Profit before taxation						10,613,637
Income tax charge						(2,861,682)
Profit for the period						7,751,955

3. Segment Information *(Continued)*

Geographical segments

The Group's operations are mainly located in Mainland China, Hong Kong, Mainland Europe, The United Kingdom ("UK"), Australasia, Malaysia and elsewhere in Asia. The following provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	1.10.2006 to 31.3.2007 HK$ (unaudited)	1.4.2006 to 30.9.2006 HK$ (audited)	1.10.2005 to 31.3.2006 HK$ (Unaudited)
The People's Republic of China (the"PRC"):			
Mainland China	**23,378,580**	24,617,224	11,467,786
Hong Kong	**20,672,733**	46,921,764	40,192,601
	44,051,313	71,538,988	51,660,387
United States of America, South America and Canada	**105,355,463**	95,460,694	72,339,619
Mainland Europe (excluding UK)	**171,104,681**	87,579,254	93,480,569
UK	**187,118,789**	70,678,826	—
Australasia	**64,528,918**	20,812,250	—
Malaysia	**25,210,014**	12,009,260	18,314,573
Asia (excluding the PRC and Malaysia)	**24,481,278**	15,950,754	1,768,104
Others	**48,295,998**	16,159,396	—
	670,146,454	390,189,422	237,563,252

4. Discount on Acquisition

Included in the cost of investment in S&J at 28 July 2006 are a number of estimates of legal and professional costs which were directly attributable to the transaction. During the current period, part of the professional cost accruals were settled. Excess provisions of HK$2,411,018 have accordingly been released in the period and have been adjusted to the discount on acquisition initially recognised in the prior period.

5. Profit Before Taxation

	1.10.2006 to 31.3.2007 HK$ (unaudited)	1.4.2006 to 30.9.2006 HK$ (audited)	1.10.2005 to 31.3.2006 HK$ (Unaudited)
Profit before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	**12,341,189**	6,634,250	5,540,383
(Reversal of) allowance for bad and doubtful debts	**(4,417,854)**	1,618,723	(440,899)
Write-off of inventories	**2,714,040**	5,239,023	—
Release to prepaid lease payments	**8,381**	8,697	8,697
Share-based payment expenses in respect of share options granted	**126,000**	126,000	125,137
Expenses on retirement benefit plan	**5,090,000**	2,315,750	—
and after crediting:			
Interest income	**2,153,157**	1,754,357	724,753
Gain on disposal of property, plant and equipment	**1,842,000**	—	—

6. Income Tax (Charge) Credit

	1.10.2006 to 31.3.2007 HK$ (unaudited)	1.4.2006 to 30.9.2006 HK$ (audited)	1.10.2005 to 31.3.2006 HK$ (unaudited)
The (charge) credit for the period comprises:			
Current Taxation			
Hong Kong	**(42,000)**	—	(840,433)
Mainland China	**(8,000)**	(116,000)	(1,421,249)
France	**(527,143)**	73,750	—
New Zealand	**(105,256)**	(44,250)	—
	(682,399)	(86,500)	(2,261,682)
Deferred taxation (Note 13)	**(139,551)**	901,728	(600,000)
	(821,950)	815,228	(2,861,682)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for all periods. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

7. Earnings Per Share

The calculation of the basic earnings per share for each of the six month periods ended 31 March 2007, and 30 September 2006, and 31 March 2006 is computed based on the following data:

	1.10.2006 to 31.3.2007 HK$ (unaudited)	1.4.2006 to 30.9.2006 HK$ (audited)	1.10.2005 to 31.3.2006 HK$ (unaudited)
Earnings:			
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to equity holders of the Company)	**13,260,516**	19,008,950	7,751,955
Number of shares:			
Number of ordinary shares for the purpose of calculating basic earnings per share	**557,058,400**	557,058,400	557,058,400

Diluted earnings per share has not been presented because the exercise price of the Company's share options was higher than the average market price of the shares for all periods.

8. Property, Plant and Equipment

During the period, the Group spent approximately HK$19,380,000 (1.4.2006 - 30.9.2006: HK$6,787,000) on property, plant and equipment to expand its existing manufacturing capacity.

During the period, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK$1,370,000 for proceeds of approximately HK$3,212,000, resulting in a gain on disposals of approximately HK$1,842,000.

9. Debtors and Prepayments

Debtors and prepayments include trade debtors of HK$281,443,758 (30.9.2006: HK$248,588,278). The aged analysis of trade debtors at the balance sheet date is as follows:

	31.3.2007	30.9.2006
	HK$	HK$
	(unaudited)	(audited)
0-60 days	**215,515,620**	205,848,801
61-90 days	**25,557,274**	13,210,178
91-120 days	**22,146,663**	5,667,686
Over 120 days	**18,224,201**	23,861,613
	281,443,758	248,588,278

The Group allows credit periods ranging from 30 to 120 days (30.9.2006: 90 to 120 days) to its trade customers depending on their credit status and geographical location.

The directors consider that the carrying amount of the debtors and prepayments approximates its fair value.

10. Creditors and Accrued Charges

Creditors and accrued charges included trade creditors of HK$170,080,848 (30.9.2006: HK$166,001,588). The aged analysis of trade creditors at the balance sheet date is as follows:

	31.3.2007	30.9.2006
	HK$	HK$
	(unaudited)	(audited)
0-60 days	**144,079,970**	160,090,742
61-90 days	**5,671,510**	3,719,867
Over 90 days	**20,329,368**	2,190,979
	170,080,848	166,001,588

The directors consider that the carrying amount of the creditors and accrued charges approximates its fair value.

11. Provisions

	Onerous contracts HK$	Manufacturing reorganisation HK$	Total HK$
At 1 April 2006	—	—	—
Acquired on acquisition of subsidiaries	19,181,251	15,875,638	35,056,889
Utilisation of provision	(545,750)	(3,702,250)	(4,248,000)
Exchange difference	332,999	275,612	608,611
At 30 September 2006	18,968,500	12,449,000	31,417,500
Utilisation of provision	(1,670,711)	(11,258,482)	(12,929,193)
Provision for the period	1,126,916	106,600	1,233,516
Exchange difference	717,469	281,460	998,929
At 31 March 2007	19,142,174	1,578,578	20,720,752

	31.3.2007 HK$ (unaudited)	30.9.2006 HK$ (audited)
Analysed for reporting purposes as:		
Current liabilities	**5,195,514**	15,561,250
Non-current liabilities	**15,525,238**	15,856,250
	20,720,752	31,417,500

The onerous contract provisions represent the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of the revision of rental for each year and changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases is four years.

11. Provisions *(Continued)*

The provision for manufacturing reorganisation costs comprise costs in relation to (a) the closure of the manufacturing site at Wednesbury, UK and the subsequent transfer of all warehouses and distribution operations to the Group's principal UK manufacturing site at Atlas, Sheffield. The closure and relocation of the Wednesbury facility were completed by 30 November 2006 and the costs include employee severance payments, site closure and relocation costs; and (b) the relocation of the Group's UK magnet production facility from leased premises in Sheffield, UK to the principal UK site at Atlas. This was completed in December 2006.

12. Retirement Benefits Plans

The Group operates a defined contribution retirement benefits scheme and a defined benefit plan. The details of the defined contribution retirement benefits scheme are consistent with those disclosed in the financial report of the Group for the period ended 30 September 2006. 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 S&J named 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 31 December 2004 by Pricewaterhouse Coopers LLP. This valuation has been updated to 31 March 2007 for the purposes of this interim report.

The Group's contributions for the period from 1 October 2006 to 31 July 2007 are fixed at HK$23.3 million. The rate of employer contributions after that date will be determined by negotiations between the Plan trustees, the Plan's actuary and the principal employer. If no agreement is reached by 31 July 2007, contributions will increase to approximately HK$50.0 million per annum.

12. Retirement Benefits Plans *(Continued)*

The principal financial assumptions used for the purpose of the actuarial valuations were as follows:

	31.3.2007	30.9.2006
Long term rate of increase in pensionable salaries	**3.20%**	3.10%
Rate of increase of benefits in payment *(note 1)*	**2.90%**	2.80%
Rate of increase of benefits in payment *(note 2)*	**2.50%**	2.50%
Discount rate	**5.40%**	5.05%
Inflation assumption	**3.10%**	3.00%
Expected return on equities	**8.20%**	8.20%
Expected return on bonds	**5.05%**	5.05%
Expected return on cash	**4.75%**	4.75%

Notes:

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

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

The expected return on assets assumption has been derived by considering the appropriate return for each of the main asset classes. The yields assumed on bond type investments are based on published redemption yields at the balance sheet date. The assumed return on equities reflects an assumed allowance for the out-performance of these asset classes over UK Government bonds in the long-term. The assumed return on cash reflects the UK prevailing market interest rate on bank balances. The rates of return are shown net of investment manager expenses.

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

Pensioner currently aged 70:	Male 14.5 years	Female 17.3 years
Future pensioner when aged 65:	Male 19.4 years	Female 22.4 years

12. Retirement Benefits Plans *(Continued)*

The amount recognised in the condensed consolidated balance sheet in respect of the defined benefit plan is as follows:

	31.3.2007	30.9.2006
	HK$	HK$
	(unaudited)	(audited)
Fair value of plan assets:		
Equities	**793,335,064**	740,951,500
Bonds	**711,540,202**	692,261,750
Cash	**6,283,660**	7,566,750
Insurance policies	**25,456,486**	26,830,250
	1,536,615,412	1,467,610,250
Present value of funded obligations	**(1,881,297,152)**	(1,879,386,000)
Net liability recognised in the balance sheet	**(344,681,740)**	(411,775,750)

Amounts recognised in the condensed consolidated income statement in respect of the defined benefit plan are as follows:

	1.10.2006 to 31.3.2007	1.4.2006 to 30.9.2006
	HK$	HK$
	(unaudited)	(audited)
Current service cost	**4,681,000**	1,976,500
Expected return on plan assets	**(47,590,000)**	(15,930,000)
Interest on obligation	**47,999,000**	16,269,250
	5,090,000	2,315,750

The charge for the period is included in staff costs in the condensed consolidated income statement. The actual return on the plan assets was $37.3 million.

12. Retirement Benefits Plans *(Continued)*

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

	31.3.2007	30.9.2006
	HK$	HK$
	(unaudited)	(audited)
At beginning of the period	**1,879,386,000**	—
Acquisition of subsidiaries	**—**	1,814,201,277
Currency realignment	**73,693,016**	32,009,946
Current service cost	**4,681,000**	1,976,500
Interest cost	**47,999,000**	16,269,250
Contributions by plan participants	**2,803,000**	973,500
Benefit paid	**(41,991,000)**	(15,664,500)
Actuarial (gains) losses	**(85,273,864)**	29,620,027
At end of the period	**1,881,297,152**	1,879,386,000

Movements in the fair values of the plan assets are as follows:

	31.3.2007	30.9.2006
	HK$	HK$
	(unaudited)	(audited)
At beginning of the period	**1,467,610,250**	—
Acquisition of subsidiaries	**—**	1,417,440,799
Currency realignment	**57,758,490**	24,936,925
Contributions by employer	**14,002,000**	5,029,750
Contributions by plan participants	**2,803,000**	973,500
Expected return on plan assets	**47,590,000**	15,930,000
Benefit paid	**(41,991,000)**	(15,664,500)
Actuarial (losses) gains	**(11,157,328)**	18,963,776
At end of the period	**1,536,615,412**	1,467,610,250

12. Retirement Benefits Plans *(Continued)*

The amounts recognised in the condensed consolidated statement of recognised income and expense is as follows:

	1.10.2006 to 31.3.2007 HK$ (unaudited)	1.4.2006 to 30.9.2006 HK$ (audited)
Acturial gains (losses)	**74,116,536**	(10,656,251)

	31.3.2007 HK$ (unaudited)	30.9.2006 HK$ (audited)
The history of experience adjustments is as follows:		
Present value of defined benefit obligation	**(1,881,297,152)**	(1,879,386,000)
Fair value of plan assets	**1,536,615,412**	1,467,610,250
Deficit	**(344,681,740)**	(411,775,750)

	1.10.2006 to 31.3.2007 HK$ (unaudited)	1.4.2006 to 30.9.2006 HK$ (audited)
Experience gains (loss) adjustment on Plan liabilities over period	**85,273,864**	(29,620,027)
Experience (loss) gains adjustment on Plan assets over period	**(11,157,328)**	18,963,776

The actuarial valuation showed that the market value of the plan assets was HK$1,536,615,412 (30.9.2006: HK$1,467,610,250) and that the actuarial value of these assets represented 82% (30.9.2006: 78%) of the benefits that had accrued to members. The shortfall of HK$344,681,740 (30.9.2006: HK$411,775,750) is to be replenished in accordance with current UK pensions legislation and after consultation with, and agreement by, the Trustees of the Plan. The Group currently estimates that the shortfall will be replenished in approximately 10 years, subject to agreement by the Trustees and the UK Pensions Regulator.

13. Deferred Taxation

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

	Accelerated tax depreciation HK$	Accelerated accounting depreciation HK$	Revaluation of properties HK$	Retirement benefit obligations HK$	Tax losses HK$	Total HK$
At 1 April 2006	(1,546,508)	—	—	—	—	(1,546,508)
Acquisition of subsidiaries	—	6,669,218	(20,776,064)	94,601,408	13,338,436	93,832,998
(Charged) credited to condensed consolidated income statement	(278,496)	—	118,000	—	1,062,224	901,728
Exchange differences	—	145,282	(360,686)	1,642,342	231,564	1,658,502
At 30 September 2006	(1,825,004)	6,814,500	(21,018,750)	96,243,750	14,632,224	94,846,720
(Charged) credited to condensed consolidated income statement	(397,950)	842,930	335,029	—	(919,560)	(139,551)
Exchange differences	—	266,112	(788,005)	3,758,400	529,920	3,766,427
At 31 March 2007	(2,222,954)	7,923,542	(21,471,726)	100,002,150	14,242,584	98,473,596

13. Deferred Taxation *(Continued)*

For the purposes of balance sheet presentation, 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:

	31.3.2007 HK$ (unaudited)	30.9.2006 HK$ (audited)
Deferred tax liabilities	**(22,632,456)**	(21,781,530)
Deferred tax assets	**121,106,052**	116,628,250
	98,473,596	94,846,720

At the balance sheet date, based on the estimation of future profit streams, the Group has unrecognised 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. These are analysed as follows:

	31.3.2007 HK$ (unaudited)	30.9.2006 HK$ (audited)
Unused tax losses	**405,957,000**	397,603,000
Capital losses	**122,608,000**	118,000,000
Other temporary differences	**58,572,700**	154,039,000
Other tax credits	**422,724,000**	406,854,000
	1,009,861,700	1,076,496,000

13. Deferred Taxation *(Continued)*

The tax losses and other tax credits principally arise in the UK, France and Australasia and may be carried forward indefinitely.

The majority of the Group's deferred tax asset relates to temporary differences originating in its UK subsidiaries. Such deferred tax balances have been provided at 30%. Legislation currently awaiting government approval will reduce the rate to 28%. If this new tax legislation had been formerly enacted at 31 March 2007, the net assets of the Group would have been reduced by HK$7.2 million before consideration of any minority interest.

14. Share Capital

	Number of shares	Amount
		HK$
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 March 2007 and 30 September 2006	1,000,000,000	100,000,000
Issued and fully paid:		
At 31 March 2007 and 30 September 2006	557,058,400	55,705,840

15. Reserves/Minority Interests

	Reserves							
	Share premium HK$	Share option reserve HK$	Capital redemption reserve HK$	Capital reserve HK$	Translation reserve HK$	Accumulated profits HK$	Total HK$	Minority interests HK$
At 1 October 2005	13,526,924	227,494	1,442,200	19,870,430	1,031,567	72,920,166	109,018,781	—
Exchange differences arising on translation of foreign operations	—	—	—	—	(28,205)	—	(28,205)	—
Net expenses recognised directly in equity	—	—	—	—	(28,205)	—	(28,205)	—
Profit for the period	—	—	—	—	—	7,751,955	7,751,955	—
Total income and expense recognised for the period	—	—	—	—	(28,205)	7,751,955	7,723,750	—
Recognition of equity settled share based payments	—	125,137	—	—	—	—	125,137	—
At 1 April 2006	13,526,924	352,631	1,442,200	19,870,430	1,003,362	80,672,121	116,867,668	—
Exchange differences arising on translation of foreign operations	—	—	—	—	(2,306,139)	—	(2,306,139)	(515,894)
Recognition of actuarial losses on defined benefit plan	—	—	—	—	—	(6,585,563)	(6,585,563)	(4,070,688)
Net expenses recognised directly in equity	—	—	—	—	(2,306,139)	(6,585,563)	(8,891,702)	(4,586,582)
Profit for the period	—	—	—	—	—	19,008,950	19,008,950	569,085
Total income and expense recognised for the period	—	—	—	—	(2,306,139)	12,423,387	10,117,248	(4,017,497)
Acquisition of subsidiaries	—	—	—	—	—	—	—	48,028,577
Recognition of equity settled share based payments	—	126,000	—	—	—	—	126,000	—
At 30 September 2006	13,526,924	478,631	1,442,200	19,870,430	(1,302,777)	93,095,508	127,110,916	44,011,080
Exchange differences arising on translation of foreign operations	—	—	—	—	5,301,110	—	5,301,110	2,573,382
Recognition of actuarial gains on defined benefit plan	—	—	—	—	—	45,804,019	45,804,019	28,312,517
Net expenses recognised directly in equity	—	—	—	—	5,301,110	45,804,019	51,105,129	30,885,899
Profit for the period	—	—	—	—	—	13,260,516	13,260,516	7,288,942
Total income and expense recognised for the period	—	—	—	—	5,301,110	59,064,535	64,365,645	38,174,841
Recognition of equity settled share based payments	—	126,000	—	—	—	—	126,000	—
At 31 March 2007	13,526,924	604,631	1,442,200	19,870,430	3,998,333	152,160,043	191,602,561	82,185,921

16. 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$9,991,381 (1.4.2006 to 30.9.2006: HK$1,371,750).

17. Related Party Transactions

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

	1.10.2006 to 31.3.2007 HK$ (unaudited)	1.4.2006 to 30.9.2006 HK$ (audited)	1.10.2005 to 31.3.2006 HK$ (unaudited)
Short-term benefits	**1,029,067**	1,037,400	1,037,400
Mandatory provident fund contribution	**6,000**	6,000	6,000
Share-based payments	**86,742**	86,742	85,878
	1,121,809	1,130,142	1,129,278

Other than the emoluments paid to the directors of the Company, as disclosed above, who are also considered as the key management of the Group, the Group has not entered into any other related party transactions.

18. Post Balance Sheet Events

On 14 May 2007, the Company had made a formal offer to the Board of S&J to acquire the remaining 38.2% of outstanding shares of common stock of S&J of US$0.001 par value per share ("S&J Shares") not already owned by the Company for an aggregate cash consideration of US$3,251,510 (approximately HK$25,406,772), representing a price of US$1.483 per share (approximately HK$11.59 per share) ("the Acquisition"). Under the terms of a definitive merger agreement dated 22 June 2007 (the "Agreement"), the price is increased to US$1.96 per share (approximately HK$15.32 per share). The increased price is necessary to obtain the recommendation of the S&J Board of Directors based on the fairness opinion of their financial advisors.

On 22 June 2007, S&J entered into the Agreement with the Company, under the terms of which S&J will be merged with a newly formed Nevada corporation (the "Merger Sub"). At the effective date of the merger, the separate existence of S&J will cease and the Merger Sub will continue as the surviving corporation. The stockholders of S&J (other than the Company, Pantene Global Holdings Limited, any of their wholly-owned subsidiaries, Merger Sub and any S&J shareholders who exercise their dissenter's rights) will receive a cash payment of US$1.96 per share (approximately HK$15.32 per share). Dissenters will be entitled to seek court adjudication as to the fair value of their shares.

The closing of the proposed transaction is subject to, among other things: affirmative vote of majority outstanding shares of S&J (the Company, being S&J's majority shareholder, intends to vote its shares in favour of the merger transaction); approval of the proposed transaction by the shareholders of the Company; receipt of any regulatory approvals and third party consents; and since the date of the Agreement, no effect (as described in the Agreement) shall have occurred which has or would be reasonably expected to have a Company Material Adverse Effect as described in the Agreement.

18. Post Balance Sheet Events *(Continued)*

The proposed transaction would involve the cash payment of US$4,297,343 (approximately HK$33,578,741) to the minority public shareholders. Mr. David Clarke, a director of the Company, holds 28,350 S&J shares, representing approximately 0.49% of the issued and outstanding shares.

The Company believes that the Acquisition will constitute a major transaction of the Company pursuant to the Listing Rules. The Acquisition is structured as a statutory merger of S&J with a subsidiary of the Company which will emerge as the survivor corporation while S&J will cease to exist after the merger. The Acquisition is subject to certain conditions, including approval by the Company's shareholders, adoption of the merger by the shareholders of S&J, and regulatory approvals in all relevant jurisdictions, where necessary. Details of the Acquisition can be referred to the Company announcement dated 22 June 2007.

As previously reported in the financial report for the six months ended 30 September 2006, a number of class action lawsuits were initiated against S&J and Mr. Dennis Crowley, its then Chief Executive Officer/Chairman, among others (the "Class Action"), alleging violations of US federal security laws. Following settlement negotiations, a Stipulation of Settlement was filed. On 11 May 2007, the U.S. District Court for the Southern District of Florida, sitting in West Palm Beach Florida, heard the Plaintiff's motion for Final Approval of the Class Action Settlement and Plan of Allocation, to which there were no objectors or class members that opted out of, the settlement. On 14 May 2007, the Court signed the Final Judgment thus forever extinguishing all of the clas claims against S&J, and barring any claims for contribution by third parties. The Final Judgment made clear that the settlement was not an admission of wrongdoing or liability by S&J.

18. Post Balance Sheet Events *(Continued)*

A derivative action was also brought by shareholders against certain officers and directors of S&J and other defendants, naming S&J as nominal defendant (the "Derivative Action"). A Stipulation of Settlement was subsequently filed on 31 October 2006 (the "Stipulation"). On 29 May 2007, the Circuit Court in Palm Beach County entered a Final Judgement and Order approving the settlement and award of attorney's fees and expenses detailed in the Stipulation, resulting in the dismissal of the suit and the release of S&J and certain officers and directors.

Review By Audit Committee

The unaudited interim results for the six months ended 31 March 2007 have been reviewed by the Company's Audit Committee. The information in these interim results does not constitute statutory accounts.

Interim Dividend

The directors of the Company have not recommended the payment of an interim dividend for the six months ended 31 March 2007.

Employees

At 31 March 2007 the Group employed 776 executive and clerical staff and 2,233 factory workers. The remuneration of such staff and workers are determined by overall guidelines for each category of employees, commensurate with qualification and experience. The Group has adopted a discretionary bonus program, share option scheme, medical insurance and personal accident insurance for certain categories of employees. Incentive award for certain categories of employees are determined annually based on various criteria, including the performance of the Group as a whole and the careful assessment of the performance of each participating employee individually.

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

Directors' Interests in Securities of the Company and its Associated Corporations

As at 31 March 2007, the interests of the directors of the Company and their associates in the shares, underlying shares comprised in options and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and The 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 under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and The SEHK were as follows:

Directors' Interests in Securities of the Company and its Associated Corporations *(Continued)*

Long Positions

A. The Company

Name	Capacity	Number of ordinary shares	Percentage interest in the Company's issued share capital
Mr. Brian C Beazer	Interest in a controlled corporation *(Note 1)*	136,827,775	24.56%
Mr. David H Clarke	Interest in a controlled corporation *(Note 2)*	127,439,723	22.88%
Mr. Simon N Hsu	Interest in a controlled corporation *(Note 3)*	3,787,158	0.68%

Notes:

1. Mr. Beazer is the beneficial owner of 400,000 shares held through a nominee bank. These are aggregated with the shares held by B C Beazer Asia Pte Ltd in which Mr. Beazer has a 50% controlling interest.

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

3. These shares are owned by Strategic Planning Assets Limited, a company in which Mr. Simon N Hsu has 100% equity interest.

Directors' Interests in Securities of the Company and its Associated Corporations *(Continued)*

Long Positions *(Continued)*

B. Associated Corporation – Spear & Jackson, Inc.

Name	Capacity	Number of common stock of par value US$ 0.001	Percentage interest in S&J's issued share capital
Mr. David H Clarke	Interest in a controlled corporation *(Note 1)*	28,350	0.49%

Note:

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

C. Share options

Name of directors	Capacity	Number of options held	Number of underlying shares
Mr. Brian C Beazer	Beneficial owner	5,031,053	5,031,053
Mr. David H Clarke	Beneficial owner	1,515,527	1,515,527
Mr. Simon N Hsu	Beneficial owner	9,062,106	9,062,106
		15,608,686	15,608,686

Other than as disclosed above, and except for nominee shares in certain subsidiaries held in trust for the Group at 31 March 2007, neither the directors nor chief executive, nor any of their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Shareholders with Notifiable Interests

As at 31 March 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

The Company

Name	Capacity	Number of ordinary shares	Percentage interest in the Company's issued share capital
Mr. Brian C Beazer	Interest in a controlled corporation *(Note 1)*	136,827,775	24.56%
Mr. David H Clarke	Interest in a controlled corporation *(Note 2)*	127,439,723	22.88%
Investor AB	Interest in a controlled corporation *(Note 3)*	74,836,000	13.43%
Asian Corporate Finance Fund, L.P.	Interest in a controlled corporation *(Note 4)*	65,000,400	11.67%

Notes:

1. Mr. Beazer is the beneficial owner of 400,000 shares held through a nominee bank. These are aggregated with the shares held by B C Beazer Asia Pte. Ltd. in which Mr. Beazer has a 50% controlling interest.

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

3. The shares are held by Investor AB through its beneficial interest in the entire issued share capital of Investor (Guernsey) II Ltd.

4. The shares are held by Asian Corporate Finance through its beneficial interest in the entire issued share capital of Payawal Capital Limited.

All interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 31 March 2007, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

Share Options and Directors' Rights to Acquire Shares or Debentures

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

The number of options outstanding which have been granted to the directors of the Company and employees of the Group under the 1994 Scheme were as follows:

Name of directors	Date of grant	Exercise price HK$	Number of shares underlying options outstanding at 30.9.2006 and 31.3.2007
Mr. Brian C Beazer	23.7.2003	0.36	2,000,000
Mr. Simon N Hsu	23.7.2003	0.36	3,000,000
			5,000,000

Share Options and Directors' Rights to Acquire Shares or Debentures *(Continued)*

(b) At a special general meeting of the Company held on 30 August 2004, a new share option scheme was adopted (the "2004 Scheme"). The Board is authorised to grant options to eligible executive directors and employees of the Company and its subsidiaries (the "Group"), to subscribe for shares in the Company. The number of underlying shares available under the 2004 Scheme shall not, in aggregate, exceed 5% of the issued shares as at 30 August 2004. The Stock Limit was refreshed at the annual general meeting held on 28 July 2006 with the result that 27,852,920 shares underlying options, representing 5% of the issued shares at 28 July 2006, are available for future grants under the 2004 Scheme. The exercise price of the options shall be determined by a committee administering the 2004 Scheme, and shall fall within the following prescribed parameters: they should not be less than (i) the par value of the shares, (ii) the closing price of the shares on the date of grant which must be a business day, and (iii) the average closing price of the shares over 5 consecutive trading days immediately preceding the date of grant. As at the date of this report, 7,372,830 options at an exercise price of HK$0.242 and 6,266,906 options at HK$0.250 have been granted under the 2004 Scheme, which, subject to vesting, can be exercised at any time until 2014.

Share Options and Directors' Rights to Acquire Shares or Debentures *(Continued)*

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

Name of directors	Date of grant	Exercise price HK$	Number of option shares Outstanding at 1.10.2006	Lapsed during the period	Outstanding at 31.3.2007
Mr. Brian C Beazer	28.9.2004	0.242	1,638,407		1,638,407
	20.12.2004	0.250	1,392,646		1,392,646
Mr. David H Clarke	28.9.2004	0.242	819,204		819,204
	20.12.2004	0.250	696,323		696,323
Mr. Simon N Hsu	28.9.2004	0.242	3,276,814		3,276,814
	20.12.2004	0.250	2,785,292		2,785,292
			10,608,686	—	10,608,686
Other employees	28.9.2004	0.242	1,966,086	(327,681)	1,638,405
	20.12.2004	0.250	1,671,174	(278,529)	1,392,645
			14,245,946	(606,210)	13,639,736

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding share options as set out above, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 March 2007 and there had been no exercise of convertible securities, options, warrants or similar rights during the period.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Pre-Emptive Rights

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

Audit Committee

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 2007.

The members of the Audit Committee comprise Mr. Henry W Lim (Chairman), Dr Wong Ho Ching, Chris and Mr. Ramon Sy Pascual, all independent non-executive directors. Mr. Brian C Beazer, the Executive Chairman, is the non-voting secretary of the Audit Committee.

Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 March 2007, with the exception of the following deviations:

Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer are both performed by Mr. Brian C Beazer. The Group considers the current structure will not impair the balance of power and authority between the Group and the management. Both the Board and senior management of the Group have significantly benefited from the leadership, support and experience of Mr. Beazer. Therefore, the Board does not currently propose to separate the functions.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term. Under A.4.2, every director should be subject to retirement by rotation at least once every three years. Currently, non-executive Directors are not appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, they are subject to retirement by rotation, at least once every three years, at each annual general meeting under the Byelaws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the Code.

Model Code for Securities Transactions

The Company has adopted its own Code for Securities Transactions by Officers (the "Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Listing Rules. 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 and the Code during the period under review.