New Horizons

ANNUAL REPORT 2007

United Pacific Industries
聯 太 工 業

Stock Code: 176

Chairman's
Statement

Your company has achieved good results even in this time of difficult trading conditions. All of our businesses are affected by the almost universal cost increases in raw materials, energy and labour. Your directors have taken these conditions into account and have set cost reduction initiatives as a top priority.

The most defining event of the year ended 30th September 2007 was the successful acquisition of the outstanding minority shareholdings in Spear & Jackson, Inc ("Spear & Jackson" or "S&J"). With this closing, a large minority interest is eliminated from our accounts.

Contract Manufacturing

Pantene was temporarily affected in financial year ended 2007 by the implementation of a new ERP System which although expected to be highly beneficial over the medium term has posed many challenges in the early stages of operation.

Competition became evermore fierce as we faced the cost pressures relating to the strong RMB, raw materials and administrative issues in the PRC. There is no current sign that the situation is improving with regard to margins and competition, and furthermore since the beginning of October 2006 the RMB has climbed at an annual rate of 13% against the U.S. Dollar.

Magnetics

Eclipse Magnetics, under the management of Lee Wells, had an excellent year with improving turnover profits and margins. Its key products comprising permanent magnetics (cast alloy), magnetic tools, magnetic chucks and turnkey magnetic systems are in strong and growing demand and we expect continuing growth in 2008.

Metrology / Measurement Division

The Metrology Division led by Steve White, also contributed a stellar performance. Precision measuring instruments are in high demand for the automotive, aviation and defense markets. We expect this to continue.

Tools Division

While our specialist independently-run business, Robert Sorby, had an excellent year, the main tool business, Neill Tools, was subject to unremitting competition in both the manufacturing and retail ends of the spectrum. We seek to improve our trading position by concentrating on branding and brand-strategy to create greater added value. Both Spear & Jackson (France) and (Australia) had highly successful years.

Spear & Jackson is a highly regarded and recognized name in the tool industry and we will capitalize on this asset. While 2008 will be a challenging year, our expectation is for improved performance.

The Group

The future is more uncertain than usual with the banking liquidity issues and other major economic factors causing disturbance. Your company with the benefit of a strong management team and strong balance sheet is poised to take advantage of growth opportunities as they arise. We continue to seek acquisitions to add diversity and strength to the Group.

On behalf of your Board I would like to thank all those individuals, be they shareholders, customers, bankers, or suppliers, who through their past and continuing support have contributed to our success. No annual statement would be complete without acknowledging the commitment and dedication of our colleagues and workforce, without which our success would not be possible.

In 2007 the profit attributable to shareholders benefits from the full year inclusion of UPI's 61.8% share of Spear & Jackson's trading results and the discount on acquisition of HK$ 60.1 million relating to the acquisition of the S&J minority shareholdings. The 2008 trading performance should, barring unforeseen circumstances, be further enhanced year-on-year, and subject to the results for the half year ending 31st March 2008, the Directors intend to declare an interim dividend for payment in July 2008. We look forward to the future with confidence.

BRIAN C BEAZER
Executive Chairman

Hong Kong
25th January 2008

Our Mission and Strategy

MISSION

TO ACHIEVE LONG TERM SHARE PRICE APPRECIATION AND CREATE VALUE FOR SHAREHOLDERS THROUGH CONSISTENT GROWTH IN EARNINGS, WHILE TAKING INTO ACCOUNT THE INTERESTS OF ALL OUR STAKEHOLDERS.

STRATEGY

TO PROVIDE TO ALL OUR CUSTOMERS COMPETITIVELY PRICED, HIGH QUALITY PRODUCTS COUPLED WITH EXCELLENT LEVELS OF SERVICE. TO EXPAND PROGRESSIVELY BY OPTIMIZING GROWTH OPPORTUNITIES, THROUGH MERGERS AND ACQUISITIONS, AND ALSO THROUGH PRUDENT MANAGEMENT OF OUR KEY BUSINESS ASSETS AND OPTIMAL ALLOCATION OF INTERNAL RESOURCES.

Contents

Corporate Information

Board of Directors

Executive Directors:
Mr. Brian C Beazer *(Executive Chairman)*
Mr. David H Clarke *(Executive Vice-chairman)*
Mr. Simon N Hsu *(Executive Vice-chairman)*

Non-Executive Director:
Mr. Teo Ek Tor

Independent Non-Executive Directors:
Mr. Henry W Lim
Mr. Ramon Sy Pascual
Dr. Wong Ho Ching, Chris

General Counsel

Ms. Nila Ibrahim

Chief Executive Officer

Spear & Jackson Group
Mr. William Fletcher

Chief Financial Officer

Mr. Patrick J Dyson

Chief Operating Officer

Pantene Group
Mr. Lee Kong Meng

Chief Accounting Officer and Chief Taxation Officer

Ms. Alaina Shone

Company Secretary and Qualified Accountant

Mr. Wong Chi Kwun, Nathaniel

Audit Committee
Mr. Henry W Lim *(Chairman)*
Dr. Wong Ho Ching, Chris
Mr. Ramon Sy Pascual
Mr. Brian C Beazer *(Non-voting Secretary)*

Compensation Committee
Mr. Ramon Sy Pascual *(Chairman)*
Mr. Henry W Lim
Mr. Brian C Beazer

Nominating and Corporate Governance Committee
Dr. Wong Ho Ching, Chris *(Chairman)*
Mr. Henry W Lim
Mr. Brian C Beazer

Auditors
Grant Thornton

Registered Office
Clarendon House
Church Street, Hamilton HM 11, Bermuda

Head Office and Principal Place of Business in Hong Kong
Suite 2705-6, 27/F Vicwood Plaza,
199 Des Voeux Road Central, Hong Kong
Tel : (852) 2802 9988, Fax : (852) 2802 9163
Website: www.upi.com.hk, www.irasia.com/listco/hk/upi

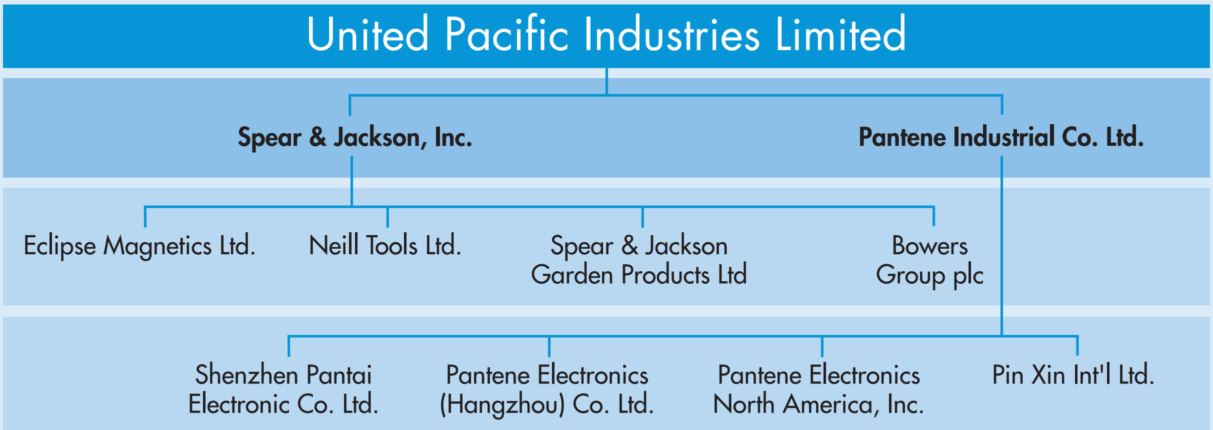
Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Principal Share Registrar and Transfer Office
Tricor Secretaries Limited
26/F Tesbury Centre, 28 Queen's Road East, Hong Kong

Group Profile and Financial Highlights

Group Profile

The Company and Principal Subsidiaries

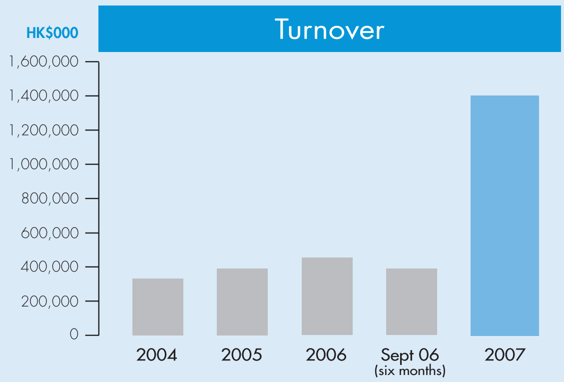


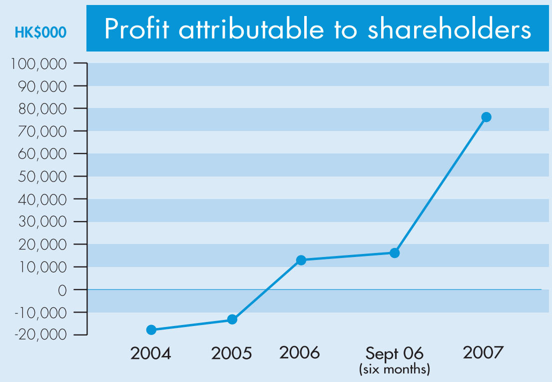
United Pacific Industries Limited ("United Pacific Industries", "UPI" or the "Company") is a diversified investment holding company. Its principal subsidiaries are engaged in a diverse range of business operations.

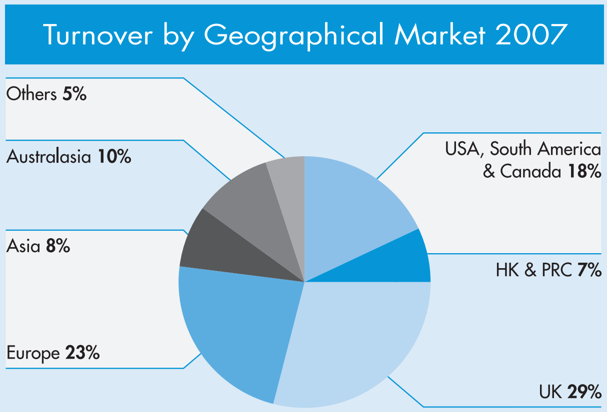
Pantene Industrial Co. Ltd. ("Pantene", a wholly-owned subsidiary of the Company) and its subsidiaries ("Pantene Group"), are principally engaged in the design, production and sale of electronic and electrical products to serve consumer, business and industrial needs, and also provides OEM services. Pantene's core product range includes voltage converters, cables, coils and components for electronic/electrical/mechanical products, chargers and rechargeable battery products.

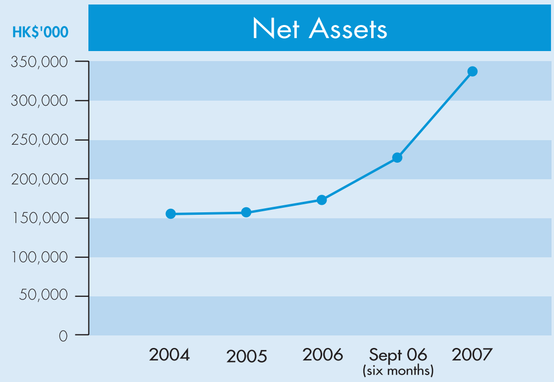
The Company acquired the majority 61.8% interest in Spear & Jackson, Inc. ("Spear & Jackson" or "S&J") on 28th July 2006. On 22nd June 2007, the Company entered into an agreement to purchase the remaining 38.2% of S&J. The acquisition of the remaining 38.2% shares of S&J was accomplished in financial year ended 30th September 2007 by a merger of S&J with a wholly-owned subsidiary of the Company, Pantene Global Acquisition Corp. ("PGAC"). PGAC was the survivor corporation resulting from the merger while S&J ceased to exist after the merger. The S&J Group is principally engaged in the manufacture and distribution of a broad line of hand tools, lawn and garden tools, industrial magnets and metrology tools.

The Company has been listed on the Stock Exchange of Hong Kong Limited since 1994. The Company's long-term substantial shareholders include executive directors and multinational corporate shareholders who make a significant contribution to the Company's diversity and financial strength.


HK$000
Turnover
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
2004
2005
2006
Sept 06
(six months)
2007


HK$000
Profit attributable to shareholders
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
-10,000
-20,000
2004
2005
2006
Sept 06
(six months)
2007


Turnover by Geographical Market 2007
Others **5%**
Australasia **10%**
Asia **8%**
Europe **23%**
USA, South America & Canada **18%**
HK & PRC **7%**
UK **29%**


HK$'000
Net Assets
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
2004
2005
2006
Sept 06
(six months)
2007

Financial Highlights

The following sets out the financial highlights for the year ended 30th September 2007.

	Year ended 30.9.2007 HK$million
Turnover	1,402.3
Discount on acquisition	60.1
Profit attributable to shareholders	76.4
Bank balances, deposits and cash	110.0
Basic Earnings per share (in HK cents)	13.71
Diluted Earnings per share (in HK cents)	13.61

Historical Financial Information:

	Year ended 30.9.2007 HK$'000	Six month period from 1.4 2006 to 30.9.2006 HK$'000	Year ended 31st March 2006 HK$'000	2005 HK$'000	2004 HK$'000
Turnover	1,402,305	390,189	454,339	392,136	338,386
Cost of sales	(1,060,451)	(335,056)	(392,599)	(338,990)	(291,825)
Gross profit	341,854	55,133	61,740	53,146	46,561
Other Income	15,225	4,916	2,482	2,982	9,982
Selling and distribution costs	(219,314)	(31,590)	(3,140)	(3,892)	(1,398)
Administrative costs	(93,099)	(33,600)	(40,043)	(36,523)	(39,490)
Gain (loss) arising from changes in fair value of investment properties	—	—	1,000	1,400	(8,329)
Gain on sale of land and buildings	1,447	—	—	—	—
Finance costs	(8,773)	(2,533)	(2,028)	(1,611)	(703)
Share of result of an associate	1,528	236	—	—	—
Discount on acquisition	60,095	26,201	—	—	—
Profit before taxation	98,963	18,763	20,011	15,502	6,623
Income tax (charge) credit	(7,581)	815	(4,357)	(2,521)	(20,350)
Profit for the year/period	91,382	19,578	15,654	12,981	(13,727)
Attributable to:					
Equity holders of the Company	76,370	19,009	15,654	12,981	(13,727)
Minority Interests	15,012	569	—	—	—
	91,382	19,578	15,654	12,981	(13,727)
Dividend	—	—	—	—	11,141
Earnings per share					
Basic	13.71 cents	3.41 cents	2.81 cents	2.3 cents	(2.5) cents
Diluted	13.61 cents	N/A	N/A	2.3 cents	N/A

Looking Forward

The Board Room

The profiles of directors as at the date of this report are as follows:

Executive Directors

Brian C Beazer – *Executive Chairman*
Mr. Beazer, aged 72, was appointed a director of United Pacific Industries Limited in March 1998, and was appointed Executive Chairman on 9th June 2003. He is also a director of various Group subsidiaries. Mr. Beazer is the Chairman of Beazer Homes USA, Inc., a leading United States homebuilder listed on the New York Stock Exchange. Mr. Beazer serves as a Director of Numerex Corp. (Nasdaq), and is the Chairman of Jade Technologies Holdings Ltd (Singapore Stock Exchange).

David H Clarke – *Executive Vice Chairman*
Mr. Clarke, aged 66, was appointed a director and Executive Vice-Chairman of United Pacific Industries Limited on 28th September 2004. Mr. Clarke had previously served as a non-executive director of the Company from July 1996 to July 1998. Mr. Clarke was previously Chairman and Chief Executive Officer of Jacuzzi Brands, Inc. ("Jacuzzi"), listed on the New York Stock Exchange, from 1995 until his retirement in September 2006. Prior to joining Jacuzzi, Mr. Clarke was Vice Chairman and a director of Hanson plc, a major international diversified company listed on the London Stock Exchange. Mr. Clarke also serves on the board of Fiduciary Trust Company International, a money manager, which is a subsidiary of New York Stock Exchange-listed Franklin Resources, Inc. Mr. Clarke currently is CEO of GSB Holdings, Inc. a subsidiary of his family's private business engaged in real estate development and investments.

Simon N Hsu – *Executive Vice Chairman*
Mr. Hsu, aged 47, was appointed a director of United Pacific Industries Limited in July 1996, and was appointed Executive Vice Chairman on 9th June 2003. Mr. Hsu is the Chairman and Chief Executive Officer of e-commerce Logistics Group ("ECL"), a Greater China-focused logistics and supply chain management company headquartered in Hong Kong. He is also the Chief Executive Officer of Sino Resources Mining Corporation Limited which engages in exploiting natural resources and mining in Laos PDR. Mr. Hsu is also an independent non-executive director of Vietnam Manufacturing and Export Processing (Holdings) Limited, one of the leading manufacturers of scooter and cub motor bikes in Vietnam. Prior to joining United Pacific Industries Limited, Mr. Hsu was Managing Director of Hanson Pacific Limited, the Asian arm of Hanson plc. Mr. Hsu also sits on the board of various investment holding and trading companies in Asia.

Non-Executive Director

Teo Ek Tor

Mr. Teo, aged 54, was appointed a director of the Company in January 2003. He is the Chairman of PrimePartners Group Pte Ltd and Managing Partner of PrimePartners Asset Management Pte Ltd which manages private-equity funds. He has over 26 years' experience in investment banking in Asia. Mr. Teo has contributed to and been instrumental in the building up of two major regional investment banking groups – Morgan Grenfell Asia (1980-1993) and BNP Prime Peregrine (between 1994-1999). Mr. Teo graduated from the University of Western Ontario, Canada with an honors degree in business administration.

Independent Non-Executive Directors

Henry W Lim

Mr. Lim, aged 56, was appointed as an independent non-executive director of the Company on 28th September 2004. Mr. Lim is a Chief Financial Officer with Morrison Express Corporation, based in Taiwan. He is a Certified Public Accountant and is a Fellow of the Institute of Certified Public Accountants of Singapore as well as a Fellow of CPA Australia. He holds a Bachelor of Commerce Degree in Accounting (Honors) (Silver Medal winner) from the Nanyang University of Singapore. He has over 30 years' experience in professional audit and finance/accounting. He has held senior financial management positions with various companies, including 15 years with Fritz Companies Inc, a NASDAQ-listed company, where he rose through the ranks to become Director of Finance for International Operations. Mr. Lim serves as Chairman of the Audit Committee of the Company.

Ramon Sy Pascual

Mr. Pascual, aged 48, was appointed a director of the Company in January 2003. He is a senior executive of Eton Properties Limited, a real estate development and investment company known for premier residential, commercial, retail, and hotel developments in Hong Kong and China. Mr. Pascual also serves as an executive director of Dynamic Holdings Ltd, a company listed on the Hong Kong Stock Exchange, a position he has held since 2006, and as director in real estate, manufacturing and logistics companies with businesses in Hong Kong, China, and the Philippines.

Dr. Wong Ho Ching, Chris

Dr. Wong, aged 60, has been an independent non-executive director of the Company since March 1994. He is the Director of the Industrial Centre of the Hong Kong Polytechnic University. He specializes in Industrial Engineering, Technology Transfer and Corporate Management. He has been a consultant for the United Nations Educational, Scientific and Cultural Organisation and received a Fellow Award from the US Institute of Industrial Engineers for professional leadership and outstanding contributions to Industrial Engineering. Dr. Wong holds a Ph. D in management engineering from Xian Jiao Tung University. He has been a member of the First Hong Kong Special Administrative Region Election Committee and Selection Committee.

Key Executives

The profiles of senior management team as at the date of this report are as follows:

Group Management Team

Nila Ibrahim

– General Counsel, UPI

Ms. Ibrahim, aged 51 has been associated with UPI as legal consultant since July 2003 and was engaged as General Counsel from 1st October 2006. Ms. Ibrahim is admitted to the Singapore Bar and the New York Bar. She has over 20 years' experience practising law in Singapore and New York. She left law practice in 2001 to work as a legal consultant with Mr. Beazer. In addition to her work with UPI, she remains a legal consultant with other companies. Ms. Ibrahim holds a Bachelor of Laws (Honours) from the National University of Singapore, a Master of Laws (General) from New York University, and a Master of Business Administration from Hull University.

Patrick Dyson

– Chief Financial Officer, UPI

Mr. Dyson, aged 51, was appointed Chief Financial Officer of UPI in February 2007. Prior to his appointment, Mr. Dyson had been Chief Financial Officer of Spear & Jackson, Inc. since October 2004. He qualified as a member of the Institute of Chartered Accountants in England and Wales in 1982 and worked in public practice until joining Spear & Jackson plc in 1991, where he has occupied a number of senior corporate financial roles within the Group. From April 1995 to July 2001 Mr. Dyson was Group Chief Accountant and from August 2001, until his appointment as Chief Financial Officer in October 2004, he was Group Financial Controller. He holds a BA in English and an MA in Linguistics, both from the University of Leeds, England.

Alaina Shone

– Chief Accounting Officer and Chief Taxation Officer, UPI

Ms. Shone, aged 45, was appointed Chief Accounting Officer of the Group in February 2007. She qualified as a member of the Institute of Chartered Accountants in England and Wales in 1988 and worked in public practice with KPMG until joining the Spear & Jackson Group in November 1990. Ms. Shone served as financial accountant in Neill Tools until her appointment as group Finance Manager in July 2000, and as Group Financial Controller of Spear & Jackson, Inc. from October 2004 until her current appointment. She holds a BA in History from the University of Sheffield, England.

Wong Chi Kwun, Nathaniel

– Group Financial Controller & Company Secretary, UPI

Mr. Wong, aged 40, joined the Group in September 2007 as Group Financial Controller and Company Secretary of UPI. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and holds an MBA from the University of Manchester, England. He has over 16 years' experience in accounting, auditing and taxation.

Spear & Jackson Group

William Fletcher

– C.E.O., Spear & Jackson plc and Bowers plc

Mr. Fletcher, aged 62, was appointed Acting Chief Executive Officer of Spear & Jackson, Inc. in April 2004. He had previously been Chief Financial Officer of that company since September 2002. Mr. Fletcher has served in various positions within Spear & Jackson plc since 1970. He was appointed Finance Director of Neill Tools Ltd, the company's principal UK subsidiary in September 1987 and in May he was appointed Group Finance Director. Educated at Sheffield Hallam University Mr. Fletcher is a qualified Mathematician. He is currently the Chairman and C.E.O. of Spear & Jackson plc and Bowers plc.

Lee Wells

– Managing Director, Neill Tools Ltd & Eclipse Magnetics Ltd

Mr. Wells, aged 38, has worked within the Spear & Jackson group for 16 years. In 2002 he was appointed as the Managing Director of Eclipse Magnetics Ltd and in 2006 he was also appointed as the Managing Director of Neill Tools Ltd. Prior to his appointment in 2002, Mr. Wells served as Commercial Director and Financial Controller for Eclipse Magnetics Ltd and before that, held various finance roles within the Spear & Jackson group.

Stephen P. White

– Managing Director, Bowers Group plc

Mr. White, aged 41, was appointed Managing Director of the Bowers Group plc in April 2002. He has overall responsibility for the metrology businesses within Spear & Jackson, which includes facilities in the UK and P.R. China. Mr. White commenced employment with the main UK distributor of the Bowers Group in 1986, with this business being acquired by Bowers in 1994. He was appointed a Director at that time and has held various technical, sales and marketing roles within the Group. He has extensive experience in dealing with international markets in Europe, North America and the Asia-Pacific region.

Peter Gill

– Managing Director, Robert Sorby

Mr. Gill, aged 56, holds an honours degree from the University of Sheffield in modern languages. He joined James Neill as a graduate trainee in 1973 and has subsequently held a number of international sales and marketing positions within James Neill and externally. He was appointed general manager of Robert Sorby in 1991 and thereafter a director of Robert Sorby in 1993.

Alexander (Sandy) Boyd

– Managing Director, Spear & Jackson Australia Pty Ltd and Managing Director, Spear & Jackson New Zealand Ltd

Mr. Boyd, aged 54, was appointed Managing Director of Spear & Jackson's Australian and New Zealand business units in November 2003. He is a qualified member of the Institute of Chartered Secretaries and Administrators (1981) and has over 35 years business experience in national and multinational companies having held executive positions in finance, sales, marketing, manufacturing and distribution.

Gilles Champain
– Managing Director, Spear & Jackson France

Mr. Champain, aged 49, was appointed a Managing Director of the French subsidiary company in November 2000, after having been the Sales and Marketing Manager for the previous 8 years. He supervises the management and coordination of the whole of the company's commercial operations and is responsible for overall business strategy and development. Before joining Spear & Jackson, Mr. Champain worked for the Laurenty Company for nearly 10 years before it was purchased by Spear & Jackson in 1990.

Pantene Group

Lee Kong Meng
– Chief Operating Officer

Mr. Lee, aged 55 joined Pantene in November 2005 as Senior Director of Operation and was appointed COO in June 2006. Prior to joining United Pacific Industries, he worked in various senior management positions in multi-national corporations like Philips (Consumer Electronics), Black & Decker (Power Tools), Potain (Tower Crane), Allied Telesyn (Communication/Network) and Jacuzzi (Bath & Spa). In the last ten years, Mr. Lee had set up and managed new factories in Greater China. He holds a Bachelor's Degree (Honours) in Business Administration from the International Management Centre of Buckingham, an Advance Diploma in Industrial Management and a Diploma in Electrical Engineering from Singapore Polytechnic.

Wong Chi Kwan, Stanley
– Assistant Chief Operating Officer

Mr. Wong, aged 42, joined Pantene in July 2001. He is responsible for logistics and purchasing in the Pantene Group. Mr. Wong has over 16 years of experience in manufacturing including production and material control, and warehouse management. Mr. Wong holds a Master Degree in Manufacturing from the University of Warwick (UK), a Bachelor's Degree in Logistics from RMIT (Australia), and also a Higher Diploma in Production and Industrial Engineering from Hong Kong Polytechnic University.

Cheung Po Hing
– Senior Director of Sales and Marketing

Mr. Cheung, aged 57, is responsible for the customer service operations, sales and marketing of Pantene. He joined Pantene in May 1988 and has over 18 years experience of purchasing administration and management in the electronics industry. He worked with a large electronics company as an inventory control manager before joining Pantene. He graduated from The Hong Kong Polytechnic University with a Higher Certificate in business studies.

Chan Wang Cheung
– Senior Director of Engineering

Mr. Chan, aged 52, is responsible for all engineering aspects of voltage converter product design. He joined Pantene in October 1982. He has over 20 years of experience in the electronics and manufacturing field and worked for an electronic toys company as an electronics engineer before joining Pantene.

Fung Chow Man, Charles

– Financial Controller

Mr. Fung, aged 46, joined the Group in October 2007 as Financial Controller of Pantene group. He is a member of the American Institute of Certified Public Accountants, and holds an MSc in Accounting from the Appalachian State University of North Carolina, USA. He has over 20 years' experience in accounting, auditing and taxation.

Ho Hon Ching, Lewis

– Director and General Manager, Pantene Electronics (Hangzhou) Co. Ltd.

Mr. Ho, aged 46, joined Pantene in 1999. Mr. Ho holds an Associate diploma in Mechanical Engineering and an Associate diploma in Electrical/electronic engineering. He has worked in the manufacturing field for more than 27 years, of which 17 years was spent in the electronics industry. He has special expertise in tool and die making.

Paul Dachdjian

– Vice President and General Manager, Pantene Electronics North America, Inc

Mr. Dachdjian, aged 58, joined Pantene in February 2002. He has over 30 years' experience in the electronics & aerospace industry and has held positions in engineering, manufacturing, product development, and program management with Emerson Electric Co, Bourns, Inc. (CAI/Recon-Optical Division), and International Components Corporation (ICC). He received his Bachelor's degree in Electronics from Indiana State University.

Towards
New Goals

Group Operations Review

Contract Manufacturing

Pantene Industrial Co. Ltd, our original contract manufacturing business, is based in Shenzhen, China. Pantene is proud of its long standing record as an OEM supplier to some of the world's best known companies and brands. We base our approach on design, quality, price, delivery and service. Now we are moving towards total design solutions for our customers and we feel we will be able to meet the requirements of the most discerning. From our corporate office in Hong Kong, we have developed complete design and production facilities in China employing approximately 2,100 employees. We serve a worldwide clientele. We have an office in Chicago and we have commercial representation in the European Union.

Our product range is widespread. The development of these products is controlled by our dedicated management team. Lee Kong Meng as Chief Operating Officer is supported by a management team with a considerable depth of experience and expertise, covering engineering and design, production and sales and marketing.

Pantene was founded in 1978. Our core business from the outset has been electronic power supplies covering a wide product range which includes voltage converters, power tool chargers, battery chargers, high frequency transformers, coils and solenoids. Increasingly, we are utilizing new technologies including laser/optics, ultrasonic, RF (radio frequency), and magneto-electric technologies to produce more sophisticated and complex product lines such as digital laser measurement devices, laser beam units, ultrasonic detection devices, thermostat controls, RF alert systems, portable magnetic generators (Mag Gen) and Mag Gen-powered products. Rechargeable battery chargers are sold to the consumer market under the Powerhaus brand name.

Our Engineering Department has a multi-disciplinary engineering approach. Our engineers and technicians are involved in design, testing and qualification of new products from concept through production, transforming customer's ideas into reality. This department is fully equipped with modern tools and facilities.

In our OEM business, competition remains intense, but customer choice is determined not solely on price, but is balanced against a range of other factors, especially quality and delivery. We consider we can be highly competitive when working closely with our customers to assure they have the best designs manufactured to exacting standards and delivered on a timely basis.

Tools Division

Our Tools Division comprises the principal operating subsidiaries, Spear & Jackson Garden Products Ltd and Neill Tools Ltd, the independently managed business of Robert Sorby and a number of non-UK subsidiaries that act as distributors.

With a heritage dating back to the 1760s, Spear & Jackson Garden Products Ltd and Neill Tools Ltd offer a broad range of premium quality, well known product brands. The Division has facilities in Sheffield, England and St. Chamond, France, and distribution facilities in Australia and New Zealand. The Division sells in over 100 countries world-wide under globally recognized brands such as Spear and Jackson, WHS and Tyzack. The Division's policy is to support its core product offering with a pipeline of new products and range extensions.

These companies procure, manufacture, distribute and sell hand hacksaws, hacksaws blades, hacksaw frames, builders' tools, riveter guns, wood saws and lawn, garden and agricultural tools, all non-powered. Neill Tools continues to supplement its UK manufactured products with factored products from Far Eastern suppliers. Neill Tools' product offering now includes a full range of hand power tools and a portfolio of electric powered garden tools that were added in 2005.

In the year under review, the new product development programme, using the power of our global procurement resources, has seen the launch of a new range of soft feel hacksaw frames, a new ergonomic series of garden tools and a new version of its successful "Predator"woodsaw range is currently under development.

Major restructuring in the UK has significantly improved the trading position and while there have been certain customer service, delivery and quality issues, these have now been substantially redressed. In the year ahead, the senior management team, led by Lee Wells as managing director, will continue to launch new product ranges, further increase our distribution base, continue to develop income from franchise opportunities and forge relationships with partners in low cost economies to improve margins and sales.

Elsewhere in the Division, the independently run Robert Sorby, a niche business supplying high-quality English designed and manufactured speciality hand tools for woodworkers, has had a buoyant year particularly with its sales into the United States. The Division has a well-established reputation in this unique and specialized field and is known throughout the world. During 2008 it hopes to build on the success of the "Pro Edge" range and launch a new wood working chuck. Continuing emphasis will be placed on the promotion of the company's mail order business and e-commerce site.

The distribution and sales outlets in France and Australasia have witnessed significant growth year on year with new products, promotions and improved customer support contributing to the improved results.

Metrology/Measurement Division

During the year, our Metrology Division has comprised four principal companies: Bowers Metrology Ltd, Bowers Metrology (UK) Ltd, CV Instruments Europe BV and Bowers Eclipse Equipment Shanghai Co. Ltd. These businesses are based in Bradford UK, Bordon UK, Maastricht, The Netherlands and Shanghai, PRC respectively.

The Metrology Division, led by Steve White as managing director, is engaged in the design, manufacturing and distribution of precision measuring instruments for the Automotive, Aerospace and Defence markets. These products range from simple engineers' hand tools such as gauges for checking the threads, diameters and tapers of machined components to highly sophisticated and specialized measuring systems such as precision bore gauges and hardness testing equipment. Our products are sold to industrial customers and are exported to more than 50 countries worldwide, including the United States, Germany, and France.

The main manufacturing facility in Bradford, UK, is equipped with the latest in modern manufacturing machinery and techniques. The core product manufactured here being the 3-point internal micrometer range, known as the "Bowers XT", a product sector in which Bowers is the market leader. The UK sales division in Bordon offers a "one-stop-shop" to the UK industrial marketplace, selling predominantly to industrial end-users, with its technical sales team offering solutions to high precision measuring problems.

The Bowers business is complemented by the well-known brand of Moore & Wright and a manufacturing facility in Shanghai. The Shanghai manufacturing facility, which commenced trading in 2006, manufactures several of the Group's testing instruments, while also acting as a sourcing and quality control centre for products sold internationally. In addition, Bowers Shanghai acts as a distribution centre offering in the rapidly expanding Chinese market the entire product range of the Bowers Group. In January 2008 the Division completed the sale of CV Instruments Europe BV. to a team led by its former managing director. This company was involved in the sale and distribution of a range of portable hardness testing equipment.

The Division has witnessed another successful year, with metrology markets remaining optimistic. The first batch of the new "Ultima" range of high accuracy bore gauges was shipped during the year and the "ESEWAY" range of bench testers, manufactured in Shanghai, has passed the prototype stage. The Bradford manufacturing facility has been running at full capacity to meet current order levels, especially with regard to the three point gauge equipment, where demand has been outstripping supply. The Division continues to build on its strategy of offering standard and speciality measuring solutions to industry.

Magnetics Division

Eclipse Magnetics Ltd ("Eclipse") has a rich history of leading edge innovation in magnetic tool technology while maintaining its foundation in a core product range that goes back to the early 20th century. Eclipse's strong management team, led by Lee Wells, continues to embrace the many challenging opportunities to ensure continued growth in its operations.

Its key products are permanent magnets (cast alloy), magnetic tools, magnetic chucks and turnkey magnetic systems. Products range from very simple low-cost items to technically complex high value added systems. In addition, Eclipse supplies the market with other magnetic devices, sourced from the Far East. It provides both complete factored items to end-customers, as well as sales of component parts to UK manufacturers. Eclipse is also involved in applied magnetics and supplies many areas of manufacturing with products such as separators, conveyors, lifting equipment and material handling solutions. The Eclipse name represents a guarantee of quality and performance and support from a team of highly skilled engineering specialists who continue to innovate new products from the UK incorporating patented technology.

In the 1990s the Engineered Products Division was formed to focus on developing higher technology magnetic products and equipment to serve an increasingly demanding manufacturing and processing industry in a wide number of markets.

In the Separation and Filtration group, Eclipse has seen a surge in new products with patented designs that lead the way in separating ferrous contamination from all powder, granulate, slurry and liquid materials in the processing industry. The Food, Pharmaceutical and Plastics industries are targeted by the Division as potentially large customers for new product additions as they are developed.

Eclipse's products are supplied worldwide and through major industrial distribution channels with the UK, Europe and the USA being the strongest markets.

During the year, the completion of the transfer of the Division's operations to the main Atlas site in Sheffield, England and the resultant restructuring of its cost base, has helped the Division to achieve margin gains despite ever increasing raw material price increases. The business will focus on new product development in 2008, particularly in the high value added handling and separation markets.

Brands

A significant part of the Group's operations is branding and brands strategy, principally through Spear & Jackson and its subsidiaries.

Spear & Jackson has held leading brand names in its core business since 1760. Neill Tools is one of the largest British based manufacturers of hand tools with leading brand names such as Neill Tools, Eclipse, Elliott Lucas and Spear & Jackson, while Robert Sorby is a well recognized premium brand for specialist wood turning tools. In the metrology division, the Moore & Wright brand has been recognized for over 100 years for its traditional craftsmanship while the Bowers name has been at the forefront of international precision measuring equipment for over 50 years. Eclipse Magnetics is a recognized brand name in the UK manufacturing industry because of its long history of supplying quality magnetic tools.

Pantene manufactures a range of chargers coupled with factored rechargeable batteries which are sold worldwide under the Powerhaus brand name.

Liquidity and Capital Resources

The Group's net debt position as at 30th September 2007 and corresponding gearing ratio are as follows:

	At 30.9.07 HK$ million
Cash	110.0
Less: trade debt & bank borrowings	(133.8)
Net debt	(23.80)
Shareholders' funds	337.2
Ratio of trade debt & bank borrowings to shareholders' funds	39.7%
Ratio of net debt to shareholders' funds	7.1%

As at 30th September 2007, cash and bank balances amounted to HK$110.0 million with bill financing, bank borrowings and obligations under finance leases amounting HK$133.8 million (net debt of HK$23.8 million), while the Group's net asset value as at 30th September 2007 was HK$337.2 million.

The working capital position of the Group remains healthy. As at 30th September 2007, the liquidity ratio (ratio of current assets to current liabilities) was 195% and the Group had a gearing ratio of 7.1% (ratio of net bank debt to net asset value). It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure.

Cash Flow from Operating Activities

Net cash used in operating activities was HK$13.8 million. The outflow is attributable to, amongst others, the UK reorganization costs in S&J and annual and special contributions into the UK retirement benefit plan.

Cash Flow from Financing Activities

The net cash inflow from financing activities for the year under review amounted to HK$20.6 million, which included a net increase in bank borrowings of HK$39.4 million and principal repayments of obligations under finance leases of HK$10 million.

Cash Outflow on Acquisition of Minority Interest

The net cash flow utilised to purchase the minority interest in Spear Jackson totaled HK$48.3 million comprising HK$33.5 million relating to the purchase of the minority shareholding and HK$14.8 million in respect of legal and other costs.

Capital Expenditure

Capital expenditure in the year financed by internal resources and credit facilities, amounted to HK$31.6 million.

Treasury Management

During the year, there was no material change in the Group's funding and treasury policy. The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business. For exchange risk management, the Group adopted cautious financial measures to manage and minimize the exchange risk exposure, and, in this regard, the Group endeavoured to match the currencies of sales with those of 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 monitor foreign exchange exposure from time to time.

Major Customers and Major Suppliers

For the year under review, sales to the largest customer and the five major customers accounted for 4.1% and 16.8%, respectively, of total sales for the period.

Purchases from the largest supplier and the five largest suppliers accounted for 2.3% and 10.6%, respectively, of total purchases for the year.

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

Employees

As at 30th September 2007, the Group employed approximately 700 executive and clerical staff and 2,100 factory workers. The remuneration of such staff and workers is determined by overall guidelines within the industries. The Group has also adopted certain bonus programs, share option schemes, 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 labor disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with employees.

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

Business Review and Prospects

Trading performance continued to be adversely affected by soft retail demand and increasing competition in many of the mature markets in which we operate. These challenging market conditions were made more difficult by: rises in raw material and other costs; the continued weakness of the US Dollar; and severe downward pricing pressures from customers.

The negative impact of these factors has been mitigated, however, by strong trading results recorded by Robert Sorby (good US sales performance), the Magnetics division (increased separation and handling sales), Metrology (buoyant markets especially in respect of export sales) and the Australasian distribution subsidiaries in the Tools division (new products launched coupled with successful promotions).

The contract manufacturing division, in particular, has experienced reduced gross profit margins due to increases in labour, utility and raw material costs and adverse currency fluctuations. Likewise, the Tools Division has continued to face difficult trading conditions across its major UK multiple retail, industrial and trade accounts where private label brands have been promoted at the expense of branded suppliers. It is widely recognized that the UK hand tool market in particular is now mature and will come under increasing attack from cheap overseas imports.

The Group has addressed these problems by implementing operational efficiencies and on-going cost cutting measures. Additionally, the restructuring programmes which were initiated in S&J in prior years have significantly restructured the cost base in our UK Tools and Magnetics Divisions and left us better positioned to deal with the increasing threat from cheap imports and competitive sales markets.

Prospects and Strategies

Each of the Group's divisions continues to operate under extremely competitive market conditions. This is a situation that we expect to continue, particularly in our Tools and Contract Manufacturing Divisions. This competitive environment is made more challenging by increasing raw material and labour costs and the threat of cheap imports which put margins under constant pressure.

Our major competition is not only from low cost developing economies but from many established companies. The trend towards DIY, Big Box and one-stop shops has placed significant pressure upon the maintenance of market share.

Although certain of our competitors are substantially larger than us, and have greater financial resources, we believe that we compete favourably across the whole range of our activities because of the quality of our products, their pricing and imaginative design. Our reputation and customer service, combined with unique brand offerings enable us to build and maintain customer loyalty.

Neill Tools continues to experience particularly tough trading conditions in both its export and home markets. Management is seeking to improve its trading position by continuing to focus on new product development and brand exploitation.

Pantene is adversely affected by both the downward pressures on pricing and increased costs. Competition is becoming ever stronger and there is no current indication that this situation will improve. We supply some of the world's great names in the consumer product industry. We are proud to be associated with such companies but with this goes the need to reduce costs, increase flexibility and supply an ever-widening list of products.

Our on-going business strategy is to expand our product lines and customer base so that our product base is continually refreshed and improved and sales concentration is spread more effectively. Allied to this, excellent customer service and competitive pricing will support these initiatives. Additionally, the Group will continue to explore initiatives to reduce the cost of its operating base in order to maintain margins and to retain its competitive edge.

The significant development during the year was the acquisition of the remaining 38.2% of Spear & Jackson, Inc.

We are working to realize the potential synergies that can be achieved for the Group from that acquisition.

Following the completion of the acquisition of S&J, our Executive Directors and the Group Management team will look to extend the Group's activities by further suitable acquisitions.

In 2007 the profit attributable to shareholders benefits from the full year inclusion of UPI's 61.8% share of S&J's trading results and the discount on acquisition of HK$60.1 million relating to the acquisition of the S&J minority. 2008 trading performance should, barring unforeseen circumstances, be further enhanced year on year. We look forward to the future with confidence.

Maximising
Shareholder Value

Corporate Governance Report

The Board is committed to maintaining a high standard of corporate governance by devoting considerable efforts in identifying and formalizing best practices to enhance corporate value, transparency, responsibility, independence and accountability.

Code on Corporate Governance Practices

The Company has adopted the mandatory provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 30th September 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 and both the Board and senior management of the Group has 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, all directors are subject to retirement by rotation at least once every three years at each annual general meeting under the Articles of Association 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 exacting than those in the Code.

The corporate governance practices adopted by the Group are summarized below:

Board of Directors

The Board comprises seven Directors, of whom three are Executive Directors, one is a Non-executive Director, and three are Independent Non-executive Directors.

The Board has a balance of skills and experiences appropriate for the requirements of the business. All Directors have separate and independent access to the advice and services of the senior management and the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

The Company confirms it has received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Exchange Listing Rules, and it considers them to be independent.

The Board meets regularly and Board meetings are held at least four times a year to monitor and review the performance of the Company which includes operations, finance and strategic issues. The principal functions of the Board are to:

- play a key role in the implementation and monitoring of internal control, financial reporting and risk management
- assume responsibility for corporate governance and compliance with applicable laws and regulations
- approve the Company's strategies, directions and financial objectives

For all of the Board meetings, proper and reasonable notices, adequate and appropriate information in the form of agenda, board papers and minutes are prepared for all the Directors and provided in reasonable time.

The attendance records of the Directors for the year ended 30th September 2007 are set out below:

	No. of meetings attended / No. of meetings held			
Directors	Full Board	Audit Committee	NCGC Committee	Compensation Committee
Executive Directors:				
Mr. Brian C Beazer	5/5	5/5	3/3	3/3
Mr. David H Clarke	5/5	NA	NA	NA
Mr. Simon N Hsu	5/5	NA	NA	NA
Non-executive Directors:				
Mr. Teo Ek Tor	4/5	NA	NA	NA
Independent Non-executive Directors:				
Dr. Wong Ho Ching, Chris	5/5	5/5	3/3	NA
Mr. Henry W Lim	5/5	5/5	3/3	3/3
Mr. Ramon Sy Pascual	3/5	2/3	NA	1/3
Number of meetings held from 1st October 2006 to 30th September 2007	5	5	3	3

Audit Committee

The Audit Committee was established pursuant to the Company's Bye-laws and the Listing Rules of the Stock Exchange of Hong Kong Limited ("The SEHK"). Its major duties are to assist the Board in fulfilling its oversight responsibilities as to the Company's financial statements, reporting, internal control, and audit findings, as well as the Company's process for monitoring compliance with certain laws and regulations.

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee comprises three Non-executive Directors, the majority of whom are Independent Non-executive Directors (within the meaning of the Listing Rules) ("INED"). The Chairman of the Audit Committee is an INED, Mr. Henry W Lim, a CPA, who has the appropriate accounting qualifications and experiences in financial matters.

The composition of the Audit Committee as at the date of this report was as follows: Mr. Henry W Lim, INED and Chairman, Dr. Wong Ho Ching, Chris, INED and member and Mr. Ramon Sy Pascual, INED, and member. Mr. Brian C Beazer is the Non-voting Secretary of the Committee.

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

The Audit Committee meets and holds discussions with senior management on the Company's interim and annual financial reports, discusses the audit approach and significant audit and accounting issues with the external auditor, including the accounting principles and practices adopted by the Group, internal control and financial reporting matters, and the INEDs meet with the external auditors in executive sessions in the absence of management.

Compensation Committee

The Compensation Committee advises the Board on Group compensation theory and practice with a view that a meaningful portion of management's compensation should be contingent upon financial performance of the Company in order to foster the creation of long term shareholder value. The Compensation Committee meets regularly, and for calendar year 2008, regular quarterly meetings are scheduled, although the Committee will meet at other times as required.

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

The Compensation Committee as at the date of this report comprises: Mr. Ramon Sy Pascual, INED and Chairman, Mr. Henry W Lim, INED and member and Mr. Brian C Beazer, Executive Chairman and member. Mr. Beazer has many years' experience in the field of executive compensation.

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

Nominating and Corporate Governance Committee ("NCGC")

The NCGC oversees the composition of the Board to ensure that qualified individuals meeting the criteria of The SEHK regulations serve as members of the Board and its committees. The NCGC also has the responsibility to develop, recommend to the Board and oversee the implementation of corporate governance principles and policies relating to the operation of the Board and its committees and the Company as a whole.

The NCGC Committee comprises three directors, the majority of whom are Independent Non-executive Directors. The NCGC Committee as at the date of this report comprises: Dr. Wong Ho Ching Chris, INED and Chairman, Mr. Henry W Lim, INED and member, and Mr. Brian C Beazer, Executive Chairman and member.

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

Model Code for Securities Transactions

The Company has adopted its own Code for Securities Transactions by Directors and 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 of the Stock Exchange. All directors of the Company have confirmed, following specific enquiry by Company, that they have complied with the required standard set out in the Model Code and the Code during the year under review.

Internal Controls

The Audit Committee assists the Board in meeting its overall responsibility for ensuring that a sound and effective system of internal controls is maintained within the Group, particularly in respect of the controls on financial, operational, compliance and risk management. The internal control system is designed to ensure proper maintenance of accounting records and reliability of financial reporting, ensure compliance with relevant legislation and regulations, and aims to manage, instead of eliminate, risks of failure in achieving the Group's objectives to safeguard shareholders' investments and the Group's assets.

The Audit Committee reviews with the Chief Financial Officer the effectiveness of internal controls and key findings, and receives a report from General Counsel on the Group's compliance with regulatory requirements. The Audit Committee communicates any material issues to the Board. These reviews and reports are taken into consideration by the Audit Committee in making its recommendation to the Board for approval of the audited consolidated financial statements of the Group for the year.

Auditors' Remuneration

The Company changed auditors during the course of the year. Grant Thornton were appointed as auditors following the resignation of Deloitte Touche Tohmatsu in August 2007. The remuneration paid and payable to Grant Thornton in respect of audit services and non-audit services for the year ended 30th September 2007 amounted to approximately HK$3,425,000 and HK$1,105,000 respectively.

Responsibilities in respect of the Financial Statements

All directors acknowledge their responsibility for preparing the accounts for the year ended 30th September 2007.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 30th September 2007 and as set out in the "Report of the Independent Auditors" on pages 42 and 43.

Communication with Shareholders

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditors are also required to be present to assist the Directors in addressing any relevant queries by shareholders. Information regularly provided to the shareholders, includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

For both institutional and retail investors, the website: http://www.irasia.com/listco/hk/upi provides up-to-date information on the Group. All key information such as announcements, annual and interim reports can be downloaded from this website.

Diverse & Innovative

Development

The directors are pleased to present their report and the audited consolidated financial statements for the year ended 30th September 2007.

Acquisition

The Company acquired the majority 61.8% interest in Spear & Jackson, Inc. ("Spear & Jackson" or "S&J") on 28th July 2006. On 22nd June 2007, the Company entered into an agreement to purchase the remaining 38.2% of S&J. The acquisition of the minority shares of S&J was deemed accomplished on 25th September 2007, by a merger of S&J with a wholly-owned subsidiary of the Company, Pantene Global Acquisition Corp.

Principal Activities

United Pacific Industries Limited ("United Pacific Industries", "UPI", or the "Company") is a diversified investment holding company. Following the acquisition of the majority holdings of S&J in July 2006, the principal operations of the Group have been:

- Contract Manufacturing

  Pantene Industrial is the Company's founding OEM service provider, with its core product range including voltage converters, cables, coils and components for electronic, electrical/mechanical products, chargers and rechargeable battery products. Increasingly the Division is utilizing laser/optics, RF (radio frequency) and magneto-electric technologies to produce sophisticated and complex products such as digital laser measuring devices, laser beam units, ultrasonic detection devices, thermostat controls, RF alert systems and portable magneto-electric generators.

- Tools

  The Tools division comprising Spear & Jackson Garden Products and Neill Tools, is involved in the manufacture, procurement and distribution of high-quality lawn, garden and agricultural tools, wood saws and hacksaws, a full range of hand and power tools, and a portfolio of electric-powered garden tools. Also included are the independently managed business of Robert Sorby that specializes in niche high-quality English designed and manufactured speciality hand tools for woodworkers and a number of non-UK subsidiaries that act as distributors.

- Metrology

  The Bowers division designs, manufactures and distributes precision measuring instruments for the automotive, aerospace and defence markets. The product range includes simple hand tools to highly sophisticated and specialized measuring systems such as precision bore gauges and hardness testing equipment.

- Magnetics

  The Eclipse division's key products are permanent magnets (cast alloy), magnetic tools, magnetic chucks and turnkey magnetic systems. In the field of applied magnetics Eclipse supplies products such as separators, conveyors, lifting equipment and material handling solutions for businesses.

Results and Appropriations

The results of the Group for the year ended 30th September 2007 are set out in the consolidated income statement on page 44 and the accompanying notes to the consolidated financial statements.

The directors do not recommend the payment of a dividend for the year ended 30th September 2007. However, subject to the results for the half year ending 31st March 2008, the Directors intend to declare an interim dividend for payment in July 2008.

Financial Summary

A financial summary of the Group is set out on pages 103 and 104.

Share Capital

Details of the Company's share capital are set out in note 34 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of recognised income and expense on page 48.

At 30th September 2007, the Company's reserves available for distribution amounting to HK$1,058,928 consisted of a contributed surplus of HK$70,911,124 and an accumulated loss of HK$69,852,196.

Under the Companies Act 1981 of Bermuda (as may be amended from time to time), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Directors and Service Contracts

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

Executive directors:
Mr. Brian C Beazer *(Executive Chairman)*
Mr. David H Clarke *(Executive Vice-chairman)*
Mr. Simon N Hsu *(Executive Vice-chairman)*

Non-executive directors:
Mr. Teo Ek Tor
Mr. Ng Ching Wo *(retired at AGM in Feb 2007)*

Independent non-executive directors:
Dr. Wong Ho Ching, Chris
Mr. Ramon Sy Pascual
Mr. Henry W Lim

In accordance with Bye-Law 111(A) and 111(B) of the Company's Bye-laws, Mr. Brian C Beazer, Mr. Ramon Sy Pascual and Dr. Wong Ho Ching, Chris will retire as directors at the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election. All other directors will continue in office.

In compliance with Provision A.4.3 of Recommended Best Practices in the Code on Corporate Governance Practices issued by The Stock Exchange of Hong Kong Limited (the "SEHK"), the re-election of Dr. Wong Ho Ching, Chris ("Dr. Wong") as an independent non-executive director requires a separate shareholders' resolution as Dr. Wong has served for more than nine years as an independent non-executive director of the Company. For this purpose, shareholders are asked to consider the board's recommendation regarding the re-election of Dr. Wong as stated herein. Notwithstanding that Dr. Wong has served more than nine years, the Board is satisfied that Dr. Wong is a person of integrity and stature, and independent in character and judgment. He is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgment. His details are set out on page 13 of the Report. Consequently, the Board recommends that shareholders re-appoint Dr. Wong as an independent non-executive director to serve for an additional year until the next annual general meeting.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

All directors including non-executive directors are subject to retirement by rotation as required by the Company's Bye-Laws.

Directors' Interests in Contracts and Connected Transactions

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

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

As at 30th September 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:

Long Positions

(a) Ordinary shares of HK$0.10 each of 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. Brian C 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., a company in which Mr. Beazer has a 50% equity interest.

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

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

(b) 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 30th September 2007, neither the directors nor chief executives, nor any of their associates, had any interests in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Shareholders with Notifiable Interests

As at 30th September 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

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Nature of interest	Number of ordinary shares held	Percentage interest in the Company's issued shares capital
Mr. Brian C Beazer	Interest in a controlled corporation[1]	136,827,775	24.56%
Mr. David H Clarke	Interest in a controlled corporation[2]	127,439,723	22.88%
Investor AB	Interest in a controlled corporation[3]	74,836,000	13.43%

Notes:

1. Mr. Brian C 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., a company in which Mr. Beazer has a 50% equity interest.
2. These shares are held by GSB Holdings, Inc ("GSBH"). Mr. David H Clarke has a controlling 61.4% equity interest in Great South Beach Improvement Co., which has a beneficial interest in the entire issued share capital of GSBH.
3. These shares are held indirectly by Investor AB through its beneficial interest of the entire issued capital of Investor (Guernsey) II Ltd.

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

Save as disclosed above, as at 30th September 2007, the Company has not been notified of any other relevant interests 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 details of the number of options outstanding during the year which have been granted to the directors of the Company and employees of the Group under the 1994 Scheme were as follows:

			Number of option shares		
Name of directors	Date of grant	Exercise price HK$	Outstanding at 30.9.2006	Lapsed during the period	Outstanding at 30.9.2007
Mr. Brian C Beazer	23.7.2003	0.36	2,000,000	—	2,000,000
Mr. Simon N Hsu	23.7.2003	0.36	3,000,000	—	3,000,000
			5,000,000	—	5,000,000

(b) At a special general meeting of the Company held on 30th 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 30th August 2004 (the "Stock Limit"). The Stock Limit was refreshed at the annual general meeting held on 28th July 2006 with the result that 27,852,920 underlying share options, representing 5% of the issued shares as at 28th 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, 7,700,511 options at an exercise price of HK$0.242 and 6,545,435 options at HK$0.250 have been granted under the 2004 Scheme, which, subject to vesting, can be exercised at any time until 2014.

The movements in the number of share options under the 2004 Scheme during the financial year 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 30.9.2007
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 year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Major Customers and Major Suppliers

For the year under review, sales to the largest customer and the five major customers accounted for 4.1% and 16.8%, respectively, of total sales for the period.

Purchases from the largest supplier and the five largest suppliers accounted for 2.3% and 10.6%, respectively, of total purchases for the year.

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

Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding but unvested share options as set out above, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 30th September 2007 and there has been no exercise of convertible securities, options, warrants or similar rights during the year.

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

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

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 audited consolidated financial statements for the year ended 30th September 2007.

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

Compensation Committee

The Compensation Committee advises the Board on Group compensation theory and practice with a view that a meaningful portion of management's compensation should be contingent upon financial performance of the Company in order to foster the creation of long term shareholder value. The Compensation Committee meets regularly twice a year and at other times as required. The Committee comprises three directors who, in the reasonable option of the Board, are able to exercise independent judgment in discharging their duties as a Compensation Committee member.

The Compensation Committee as at the date of this report comprises: Mr. Ramon Sy Pascual, INED and Chairman, Mr. Henry W Lim, INED and member, and Mr. Brian C Beazer, Executive Chairman and member. During the year under review, the Compensation Committee reviewed the current compensation of Directors and senior management and approved in general the increase in compensation as it relates to Pantene and Pin Xin.

Emolument Policy

The emolument policy of Group employees is set up by the Compensation Committee on the basis of employees' merit, qualifications and competence. The emoluments of the directors of the Company are decided by the Compensation Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 35 to the consolidated financial statements.

Public Float

Based on the information that is publicly available to the Company and with the knowledge of the directors of the Company throughout the year under review up to the date of this Report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Corporate Governance

Principal corporate governance practice as adopted by the Company is set out in the Corporate Governance Report on pages 27 to 31.

Appointment of Independent Non-executive Directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors to be independent.

Auditors

Messrs. Grant Thornton have acted as auditors of the Company.

Deloitte Touche Tohmatsu ("Deloitte") resigned as auditors of the Company and its Hong Kong subsidiaries with effect from 23rd August 2007, and Grant Thornton was appointed with effect from 23rd August 2007 to fill the casual vacancy arising on the resignation of Deloitte. Grant Thornton will hold office until the conclusion of the next annual general meeting of the Company.

A resolution will be submitted to the annual general meeting to appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

BRIAN C BEAZER
Executive Chairman

Hong Kong
25th January 2008

Independent Auditor's Report

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

TO THE MEMBERS OF UNITED PACIFIC INDUSTRIES LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of United Pacific Industries Limited (the "Company") and its subsidiaries (collectively referred to as the Group) set out on pages 44 to 102, which comprise the consolidated and company balance sheets as at 30th September 2007, and the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30th September 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

25th January 2008

Consolidated Income Statement

For the year ended 30th September 2007

	Note	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Turnover	8	1,402,305	390,189
Cost of sales		(1,060,451)	(335,056)
Gross profit		341,854	55,133
Other Income	9	15,225	4,916
Gain on sale of land and buildings	10	1,447	—
Selling and distribution costs		(219,314)	(31,590)
Administrative costs		(93,099)	(33,600)
Finance costs	11	(8,773)	(2,533)
Share of result of an associate		1,528	236
Discount on acquisition	37	60,095	26,201
Profit before taxation	12	98,963	18,763
Income tax (charge) credit	14	(7,581)	815
Profit for the year/period		91,382	19,578
Attributable to:			
Equity holders of the Company		76,370	19,009
Minority Interests		15,012	569
		91,382	19,578
Earnings per share			
Basic	17	13.71 cents	3.41 cents
Diluted	17	13.61 cents	N/A

Consolidated Balance Sheet

At 30th September 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	18	252,478	230,305
Prepaid lease payments	19	642	659
Interest in an associate	21	3,577	3,142
Available for sale investments	22	807	870
Deferred tax assets	33	104,842	116,628
		362,346	351,604
Current assets			
Inventories	23	285,452	256,312
Debtors and prepayments	24	301,397	261,132
Taxation recoverable		3,771	1,845
Pledged bank deposits	25	5,000	5,000
Bank balances and cash	26	104,977	159,547
		700,597	683,836
Current liabilities			
Creditors and accrued charges	27	270,406	254,624
Bank overdrafts	28	—	—
Bank borrowings - amounts due within one year	28	72,986	54,568
Obligations under finance leases - amounts due within one year	29	8,330	5,612
Provisions	30	4,733	15,561
Tax payable		2,867	1,325
		359,322	331,690
Net current assets		341,275	352,146
Total assets less current liabilities		703,621	703,750

Consolidated Balance Sheet

At 30th September 2007

	Note	2007 HK$'000	2006 HK$'000 (Restated)
Non-current liabilities			
Bank borrowings - amounts due after one year	28	43,742	22,801
Obligations under finance leases - amounts due after one year	29	8,732	4,708
Provisions	30	14,720	15,856
Retirement benefit obligations	32	277,199	411,776
Deferred tax liabilities	33	22,033	21,781
		366,426	476,922
Net assets		337,195	226,828
Capital and reserves			
Share capital	34	55,706	55,706
Reserves	36(a)	281,489	127,111
Total equity attributable to equity holders of the Company		337,195	182,817
Minority interests	36(a)	—	44,011
Total equity		337,195	226,828

The consolidated financial statements on pages 44 to 102 were approved and authorised for issue by the Board of Directors on 25th January 2008 and are signed on its behalf by:

BRIAN C BEAZER
DIRECTOR

SIMON N HSU
DIRECTOR

Company Balance Sheet

At 30th September 2007

	Note	30.9.2007 HK$'000	30.9.2006 HK$'000
Non-current assets			
Investment in subsidiaries	20	**76,361**	76,361
Current assets			
Debtors and prepayments		**189**	94
Amounts due from subsidiaries		**161,718**	149,206
Bank balances and cash		**685**	3,082
		162,592	152,382
Current liabilities			
Creditors and accrued charges		**2,582**	957
Amounts due to subsidiaries		**162,898**	151,435
Bank borrowings - amounts due within one year	28	**402**	—
		165,882	152,392
Net current liabilities		**(3,290)**	(10)
Total assets less current liabilities		**73,071**	76,351
Non-current liabilities			
Bank borrowings - amounts due after one year	28	**607**	—
Net assets		**72,464**	76,351
Capital and reserves			
Share capital	34	**55,706**	55,706
Reserves	36(b)	**16,758**	20,645
Total equity attributable to equity holders of the Company		**72,464**	76,351

Consolidated Statement of Recognised Income and Expense

For the year ended 30th September 2007

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Exchange difference arising on translation of foreign operations	13,518	(2,822)
Recognition of actuarial gains/(losses) on defined benefit pension plan	113,566	(10,657)
Net income (expenses) recognised directly in equity	127,084	(13,479)
Profit for the year/period	91,382	19,578
Total income and expense recognised for the year/period	218,466	6,099
Attributable to:		
Equity holders of the Company	154,126	10,117
Minority interests	64,340	(4,018)
	218,466	6,099

Consolidated Cash Flow Statement

For the year ended 30th September 2007

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000 (Restated)
Cash flows from operating activities:		
Profit before taxation	98,963	18,763
Adjustments for:		
Interest income	(3,955)	(1,754)
Interest on bank borrowings	7,375	2,347
Interest on obligations under finance leases	1,398	186
Retirement benefit plan expenses	10,540	2,316
Share of result of an associate	(1,528)	(236)
Discount on acquisition	(60,095)	(26,201)
Gain on disposal of property, plant and equipment	(1,392)	—
Depreciation of property, plant and equipment	25,674	6,634
Release of prepaid lease payments	17	9
Allowance for bad and doubtful debts	2,067	1,619
Write-off of inventories	1,784	5,239
Share-based payment expenses	252	126
Operating cash flows before movements in working capital	81,100	9,048
Increase in inventories	(14,431)	(11,800)
Increase in debtors and prepayments	(28,538)	(28,647)
Increase in creditors and accrued charges	12,947	70,168
Decrease in provisions	(15,878)	(4,248)
Decrease in retirement benefit obligations	(45,593)	(5,030)
Net cash (used in)/generated from operations	(10,393)	29,491
Income taxes paid	(3,369)	(1,337)

Consolidated Cash Flow Statement

For the year ended 30th September 2007

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000 (Restated)
Net cash (used in)/from operating activities	(13,762)	28,154
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,272)	(5,416)
Interest received	3,955	1,754
Proceeds from disposal of property, plant and equipment	3,439	—
Dividend received from associate	648	—
Purchase of minority interests	(48,255)	—
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	—	37,041
Net cash (used in)/from investing activities	(61,485)	33,379
Cash flows from financing activities		
Principal repayments for obligations under finance leases	(10,012)	(1,714)
Interest paid on bank borrowings	(7,375)	(2,347)
Interest paid on obligations under finance leases	(1,398)	(186)
Net cash inflow in trust receipts and export loans	6,907	17,692
Repayment of bank loans	(12,726)	(3,789)
New bank loans raised	45,178	30,511
Net cash from financing activities	20,574	40,167
Net (decrease)/increase in cash and cash equivalents	(54,673)	101,700
Effect of foreign exchange rates	103	(4,112)
Cash and cash equivalents at the beginning of the year/period	159,547	61,959
Cash and cash equivalents at the end of the year/period	104,977	159,547
Analysis of cash and cash equivalents		
Bank balances and cash	104,977	159,547

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and trading of voltage converters, coils and components for electrical/electronic/mechanical products and rechargeable battery products. With the acquisition of a controlling stake of 61.8% of Spear & Jackson, Inc. ("S&J") in July 2006, the Group's traditional business activities widened to encompass the activities of the S&J and its subsidiaries which are principally engaged in the manufacture and trading of hand and garden tools, metrology tools and magnetic products.

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

The consolidated financial statements for the current period cover the twelve-month period ended 30th September 2007. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes cover the six-month period ended 30th September 2006 and comparative period disclosures may not therefore be comparable with amounts shown for the current period. The consolidated financial statements covering the period from 1st April 2006 to 30th September 2006 is less than 12 months because the directors of the Company determined, following the acquisition of the majority interest in S&J in July 2006, to align the Company balance sheet date in line with that of S&J in order to facilitate the preparation and presentation of the consolidated financial statements of the Group.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

From 1st October 2006, the Group has adopted all the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") which are effective from 1st October 2006 and which are applicable to the Group. The adoption of these HKFRSs has resulted in the changes to the Group's accounting policies on financial guarantee contracts. The adoption of this and other new and amended HKFRSs did not result in significant changes in the Group's accounting policies but has given rise to additional disclosures.

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

HKAS 1 (Revised)	Presentation of Financial Statements(2)
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)
HK (IFRIC) – INT 13	Customer Loyalty Programmes(6)
HK (IFRIC) – INT 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction(5)
HKAS 23 (Revised)	Borrowing Costs(6)

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

Notes:

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

3. RESTATEMENT OF CAPTIONS WITHIN THE BALANCE SHEET AT 30TH SEPTEMBER 2006

In the consolidated balance sheet included within the financial statements for the six months ended 30th September 2006, the Group's bank accounts held with the HSBC Bank plc by the UK subsidiaries of S&J, were presented on a gross form with those accounts in credit, totaling HK$170,790,000 included within bank overdrafts. The accounts held with the HSBC form a pooled fund and 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. The resultant balance at 30th September 2006 was a net in hand balance of HK$42,333,000.

The financial statements at 30th September 2006 have been restated to reclassify the previously reported bank overdrafts of HK$170,790,000 as part of bank balances and cash. Management consider that this method of accounting for the pooled cash balances more appropriately reflects the commercial substance of the pooling arrangement.

The effect of this restatement is reflected in the consolidated balance sheet, the consolidated cash flow statement and note 28, bank overdrafts and bank borrowings.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values, as explained in the principal accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the financial information includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Basis of consolidation (Continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess, or discount on acquisition, is recognised immediately in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Change in ownership interests in a subsidiary

Discount, being the excess of the carrying value of the additional net assets of the subsidiary over the consideration paid for the additional interests, arising from the increase in ownership interests in a subsidiary is credited to the income statement in the period the increase takes place.

Interest in an associate

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The result and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is carried in the consolidated balance sheet at cost, as adjusted for post-acquisition changes in the Group's share of the net assets of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has been passed.

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

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

For owner-occupied leasehold land and buildings, where the allocation between the land and building elements cannot be made reliably, the leasehold interests in land are accounted for as property, plant and equipment and measured using the cost model, as appropriate.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial assets

The Group's financial assets are classified into loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

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

Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors and prepayments, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in income statement. Any impairment loss on available-for-sale financial assets is recognised in income statement. Impairment losses on available-for-sale equity investments will not reverse in income statement in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recognised at fair value, and are subsequently measured at amortised costs, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowings costs.

Other financial liabilities

Other financial liabilities including creditors and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

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

Financial instruments (Continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Consideration paid to reacquire the Company's own equity investments are deducted from equity. No gain or loss is recognized in the income statement.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Onerous contracts

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

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

Restructuring

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

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

Taxation

Taxation represents the sum of the tax paid or currently payable and deferred tax.

The tax currently paid and payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Assets held under finance leases are recognised as assets of the Group at fair values at inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income statement.

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

Retirement benefits costs

Payments to the defined contribution retirement plans are charged as expenses when employees have rendered service entitling them to contributions.

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme"), for employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

The Group's UK subsidiary company, Spear & Jackson plc, operates a defined benefit retirement benefit plan covering certain of the employees in its UK based subsidiaries. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. All actuarial gains and losses of defined benefit plans are recognised immediately in the consolidated statement of recognised income and expense. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets.

Equity-settled share-based payment transactions

Share options granted to directors of the Company and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in income statement over the remaining vesting period, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

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

Financial Guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

Segmental reporting

Prior to the acquisition of S&J, the Group's principal segments for internal reporting purposes were the contract manufacturing (OEM) products and rechargeable battery products. With the acquisition of S&J, the Group's principal segments widened to encompass the manufacture and distribution of a broad line of hand tools, lawn and garden tools ("Tools"), industrial magnets ("Magnetics") and metrology tools ("Metrology"). In accordance with the Group's internal reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, results ,assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, tax balances, retirement benefit plans and corporate and financing expenses.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

Inventories

Inventories are measured at the lower of cost and net realisable value. The management of the Group reviews the carrying amount of the inventory at each balance sheet date, and makes allowance for any inventory items identified to be carried at recoverable value that is lower than cost through estimation of the expected selling prices under current market conditions.

Income taxes

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

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Income taxes (Continued)

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

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

The Group has recorded significant deferred tax assets in its current and prior year/period consolidated balance sheets. A review of all available positive and negative evidence is undertaken by the Group at each balance sheet date to determine the likelihood of realizing the deferred tax benefits which potentially arise on its property, plant and equipment, the UK pension benefit plan, accruals and allowances, inventories and tax loss carry forwards.

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

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

Provisions

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

Foreign currency translation

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Foreign currency translation (Continued)

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

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

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

Retirement benefit costs

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

Under the United Kingdom Pensions Act 1995, schemes were required to satisfy a minimum funding test known as the Minimum Funding Requirement (MFR). This was based on the benefits which would be paid if the active members left the plan on the valuation date. The ratio of the market value of the plan's assets to its MFR liabilities was known as the MFR funding ratio. The last full actuarial valuation of the scheme was carried out in December 2004 and this showed an MFR of 89%.

Group's pension contributions to the plan are determined by the Trustees of the plan with the agreement of the principal employer and after consultation with the plan's actuary. Contribution levels are set with the intention of eliminating the past service deficit in accordance with relevant regulatory requirements. The Group's funding policy with respect to the plan is to contribute annually not less than the minimum required by applicable UK law and pension regulations.

On 11th July 2007, S&J reached an interim arrangement with the plan's trustees and actuary whereby it was agreed that a one-time special contribution of £1 million sterling (approximately HK$15.9 million) was to be paid by 1st August 2007 and that employer contributions were to continue at the annual rate of £1.9 million sterling (approximately HK$30 million). This is an interim arrangement, pending, and without prejudice to, the conclusion of negotiations between the Company, the plan trustees and the actuary regarding the ongoing funding. These negotiations may take several months to complete. Following the recent introduction of UK pension legislation, if no agreement is reached between the parties by June 2008, the UK Pensions Regulator will then participate in all further negotiations.

It should be noted that the pension plan liability may increase substantially as financial markets and mortality expectations change.

6. FINANCIAL INSTRUMENTS

The Group's major financial instruments include debtors, bank deposits, creditors, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how these risks are mitigated are set out below. Management monitors these exposures to ensure appropriate risk management measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30th September 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group is exposed to concentration risk as a significant portion of its business is derived from its largest customers. As at 30th September 2007, trade debtors of HK$54,249,000 (2006 - HK$ 55,592,000) were contributed by the top five customers. In order to minimise any credit risk, the management of the Group has delegated a team to be responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by the international credit rating agencies.

Currency risk

Certain trade receivables and borrowings of the Group are denominated in foreign currencies. To monitor the foreign exchange exposure, management has employed FX hedging strategy to hedge against its foreign currency exposure.

Interest rate risk

The Group's cash flow interest rate risk primarily relates to bank balances, deposits, bank overdrafts and variable-rate bank loans.

The Group's fair value interest rate risk relates primarily to the fixed-rate obligations under finance leases.

The Group currently does not have any risk hedging policy as at the balance sheet date. However, management continue to monitor interest rate risk exposure and will consider hedging significant risk exposure should the issue arise.

7. REVENUE AND TURNOVER

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

8. 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 28th 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[1] HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
For the year ended 30th September 2007						
Turnover						
External sales	529,663	613,999	158,395	100,248	—	1,402,305
Inter-segment sales	—	10,452	3,412	676	(14,540)	—
	529,663	624,451	161,807	100,924	(14,540)	1,402,305
Profit						
Segment profit	3,446	1,583	14,725	12,988	—	32,742
Unallocated corporate expenses						7,969
Interest and other income						3,955
Gain on sale of land and buildings						1,447
Share of result of an associate						1,528
Discount on acquisition						60,095
Finance costs						(8,773)
Profit before taxation						98,963
Income tax charge						(7,581)
Profit for the year						91,382
Other information						
Additions of property, plant and equipment	9,447	14,766	4,806	2,289	320	31,628
Depreciation of property, plant and equipment	8,802	9,622	2,746	915	3,589	25,674
Share-based payment expenses	—	—	—	—	516	516

Inter-segment sales are charged at prevailing market rates.

Note (1) This segment is the combination of two segments previously called contract manufacturing OEM products and contract manufacturing rechargeable battery products.

8. SEGMENT INFORMATION *(Continued)*

	Contract manufacturing OEM products HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
At 30th September 2007						
Balance Sheet						
Assets						
Segment assets	281,513	417,959	178,114	77,922	—	955,508
Unallocated corporate assets	—	—	—	—	107,435	107,435
Total assets	281,513	417,959	178,114	77,922	107,435	1,062,943
Liabilities						
Segment liabilities	188,498	266,911	77,954	54,908	—	588,271
Unallocated corporate liabilities	—	—	—	—	137,477	137,477
Total liabilities	188,498	266,911	77,954	54,908	137,477	725,748

8. SEGMENT INFORMATION *(Continued)*

	Contract manufacturing OEM products HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
For the period from 1st April 2006 to 30th September 2006						
Turnover						
External sales	273,900	79,635	22,981	13,673	—	390,189
Inter-segment sales	—	2,817	2,493	251	(5,561)	—
	273,900	82,452	25,474	13,924	(5,561)	390,189
Profit/(Loss)						
Segment profit/(loss)	(5,966)	7	2,884	1,401	—	(1,674)
Unallocated corporate expenses						(5,221)
Interest and other income						1,754
Share of results of associate						236
Discount on acquisition						26,201
Finance costs						(2,533)
Profit before taxation						18,763
Income tax credit						815
Profit for the year						19,578
Other information						
Additions of property, plant and equipment	4,279	1,962	546	—	—	6,787
Depreciation of property, plant and equipment	4,407	1,224	738	265	—	6,634
Share-based payment expenses	126	—	—	—	—	126

8. SEGMENT INFORMATION *(Continued)*

	Contract manufacturing OEM products HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Combined HK$'000
At 30th September 2006					
Balance Sheet					
Assets					
Segment assets	237,846	325,901	107,291	46,817	717,855
Unallocated corporate assets	—	—	—	—	317,585
Total assets	237,846	325,901	107,291	46,817	1,035,440
Liabilities					
Segment liabilities	122,316	222,519	43,011	49,235	437,081
Unallocated corporate liabilities	—	—	—	—	371,531
Total liabilities	122,316	222,519	43,011	49,235	808,612

Geographical segments

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

Turnover by geographical market

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
The People's Republic of China (the "PRC"):		
Mainland China	61,791	24,617
Hong Kong	42,521	46,922
	104,312	71,539
United States of America, South America and Canada	254,802	95,461
Mainland Europe (excluding UK)	317,703	87,579
UK	404,567	70,679
Australasia	139,098	20,812
Asia (excluding Mainland China and Hong Kong)	109,351	27,960
Others	72,472	16,159
	1,402,305	390,189

8. SEGMENT INFORMATION *(Continued)*

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical areas in which the assets are located:

Carrying amount of segment assets:

	2007 HK$'000	2006 HK$'000
UK	494,520	323,689
Hong Kong	176,646	149,398
Mainland China	116,225	97,474
Australasia	107,553	65,829
Mainland Europe (excluding UK)	58,865	69,502
United States of America and Canada	1,699	11,963
	955,508	717,855

Additions to property, plant and equipment:

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
UK	15,513	1,860
Hong Kong	5,059	2,125
Mainland China	5,798	2,225
Others	5,258	578
	31,628	6,788

9. OTHER INCOME

Other income comprises:

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Exchange gain	5,508	1,416
Interest earned on bank deposits and balances	3,832	1,754
Interest credit on retirement benefit obligations	123	—
Property rental income	1,999	841
Others	3,763	905
	15,225	4,916

10. GAIN ON SALE OF LAND AND BUILDINGS

	1.10.2006 to 30.9.2007 HK$'000
Sale proceeds net of selling, professional and other costs	2,301
Less: net book value	(854)
Gain on sale	1,447

On 27th March 2007 the Group completed the sale of a parcel of land at its Atlas site at Sheffield, England that was surplus to its current requirements.

11. FINANCE COSTS

Finance costs comprise:

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Interest on bank borrowings wholly repayable within five years	7,375	2,347
Interest on obligations under finance leases	1,398	186
	8,773	2,533

12. PROFIT BEFORE TAXATION

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

	1.10.2006 to 30.9.2007 HK$000	1.4.2006 to 30.9.2006 HK$000
Directors' remuneration	2,463	1,131
Staff salaries, allowances and welfare	162,562	44,163
Provident fund contributions	2,716	1,294
Mandatory provident fund obligations	616	474
Share-based payment expenses to other employees	82	39
Retirement benefit plan expenses	10,540	2,316
Direct labour costs	121,727	26,908
	300,706	76,325
Release of prepaid lease payments	17	9
Auditors' remuneration	3,425	3,009
Depreciation of property, plant and equipment	25,674	6,634
(Credit)/allowance for bad and doubtful debts	(3,728)	1,619
Write-off of inventories	1,784	5,239
Minimum lease payments in respect of rented premises	10,385	4,133
Cost of inventories recognised as expenses	1,060,451	335,056

During the six month period to 30th September 2006, raw materials and finished goods amounting to approximately HK$5,239,000 were written off by the Group as a result of a deficiency in the quality control process.

Notes to the Financial Statements

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 8 (2006 - 8) directors were as follows:

For the year ended 30th September 2007:

	Fees HK$'000	Basic salaries and allowances HK$'000	Retirement benefits scheme contribution HK$'000	Share-based payment expenses HK$'000	Consulting fee HK$'000	Total HK$'000
Executive directors:						
Mr Brian C Beazer	—	—	—	49	935	984
Mr David H Clarke	100	—	—	24	—	124
Mr Simon N Hsu	—	480	12	97	—	589
Non-executive directors						
Mr Wong Ho Ching, Chris*	180	—	—	—	—	180
Mr Ng Ching Wo	42	—	—	—	—	42
Mr Ramon Sy Pascual*	100	—	—	—	—	100
Mr Teo Ek Tor	—	—	—	264	—	264
Mr Henry W Lim*	180	—	—	—	—	180
	602	480	12	434	935	2,463

For the period from 1st April 2006 to 30th September 2006:

	Fees HK$'000	Basic salaries and allowances HK$'000	Retirement benefits scheme contribution HK$'000	Share-based payment expenses HK$'000	Consulting fee HK$'000	Total HK$'000
Executive directors:						
Mr Brian C Beazer	—	—	—	25	467	492
Mr David H Clarke	50	—	—	13	—	63
Mr Simon N Hsu	—	240	6	50	—	296
Non-executive directors						
Mr Wong Ho Ching, Chris*	90	—	—	—	—	90
Mr Ng Ching Wo	50	—	—	—	—	50
Mr Ramon Sy Pascual*	50	—	—	—	—	50
Mr Teo Ek Tor	—	—	—	—	—	—
Mr Henry W Lim*	90	—	—	—	—	90
	330	240	6	88	467	1,131

* *Independent non-executive directors*

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

None of the directors has waived any emoluments during the year.

The management consider that the directors of the Company are the key management of the Group.

Employees' emoluments

The five highest paid individuals of the Group included no directors (2006 - one), details of whose emolument are set out above. The emoluments of the five (2006 - four) highest paid employees for the period from 1st October 2006 to 30th September 2007, other than the directors of the Company, were as follows:

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Salaries and other benefits	**7,591**	2,132
Mandatory provident fund contribution	**—**	24
Expenses on retirement benefit plan	**815**	—
	8,406	2,156

Emoluments of these employees were within the following bands:

	Number of employees	
	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Nil — HK$1,000,000	**—**	4
HK$1,000,000 — HK$2,000,000	**4**	—
HK$2,000,000 — HK$3,000,000	**1**	—
	5	4

Notes to the Financial Statements

14. INCOME TAX (CHARGE) CREDIT

The (charge)/credit for the year/period comprises:

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Current Taxation		
Hong Kong	(232)	—
Mainland China	(1,462)	(116)
France	(821)	73
New Zealand	(104)	(44)
	(2,619)	(87)
Deferred taxation (note 33)	(4,962)	902
	(7,581)	815

(a) Hong Kong Profits Tax is calculated at 17.5 % (2006 -17.5%) on the estimated assessable profit for the year. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

The total (charge)/credit for the year/period can be reconciled to the profit per the consolidated income statement as follows:

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Profit before taxation	98,963	18,763
Tax at the average income tax rate of 23.25% (1.4.2006 to 30.9.2006: 18.46%)	(23,005)	(3,464)
Tax effect of expenses not deductible for tax purposes	(5,211)	(748)
Tax effect of income not taxable for tax purposes	16,597	5,177
Tax effect of tax losses not recognised	(6,223)	(261)
Utilisation of tax losses previously not recognised	14,744	111
Effect of prior year adjustments	263	—
Effect of different tax rates applicable to subsidiaries operating in non Hong Kong jurisdictions	680	—
Decrease on recoverable amount of UK deferred tax asset (see below)	(5,024)	—
Others	(402)	—
Taxation (charge)/credit for the year/period	(7,581)	815

14. INCOME TAX (CHARGE) CREDIT *(Continued)*

The majority of the Group's deferred tax asset relates to temporary differences originating in its UK subsidiaries. Such deferred tax balances had been provided at 30% at 30th September 2006. Legislation formerly enacted during the year and applicable from 6th April 2008 will reduce the rate to 28%. The deferred tax asset has been reduced by HK$5,024,000 to reflect this change in rate.

15. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year (2006 - $Nil).

16. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit of HK$76,370,000 (2006 - HK$19,009,000) attributable to the equity holders of the Company, a loss of HK$4,139,000 (2006 - HK$1,487,000 loss) has been dealt with in the financial statements of the Company.

17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to equity holders of the Company)	76,370	19,009
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	557,058	557,058
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	561,201	n/a
Basic earnings per share	13.71 cents	3.41 cents
Diluted earnings per share	13.61 cents	n/a

Diluted earnings per share has not been presented for the period from 1st April 2006 to 30th September 2006 because the exercise price of the Company's share options was higher than the average market price of the shares in that period.

18. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost					
At 1st April 2006	17,571	32,976	4,627	54,971	110,145
Additions	—	4,136	1,372	1,280	6,788
Acquired on acquisitions of subsidiaries	167,223	3,088	6,147	13,165	189,623
Currency realignment and others	3,332	559	316	2,261	6,468
At 30th September 2006	188,126	40,759	12,462	71,677	313,024
Additions	17	13,618	10,356	7,637	31,628
Disposals	(854)	—	—	(1,248)	(2,102)
Currency realignment and others	14,055	1,815	1,408	7,782	25,060
At 30th September 2007	201,344	56,192	24,226	85,848	367,610
Depreciation, amortisation and impairment					
At 1st April 2006	3,516	20,970	3,965	45,259	73,710
Provided for the period	970	2,407	934	2,323	6,634
Currency realignment and others	91	413	145	1,726	2,375
At 30th September 2006	4,577	23,790	5,044	49,308	82,719
Provided for the year	4,079	6,337	6,697	8,561	25,674
Currency realignment and others	455	1,116	633	4,535	6,739
At 30th September 2007	9,111	31,243	12,374	62,404	115,132
Carrying values					
At 30th September 2007	192,233	24,949	11,852	23,444	252,478
At 30th September 2006	183,549	16,969	7,418	22,369	230,305

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

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Freehold land	Nil
Buildings	Over the remaining unexpired term of the lease or fifty years, whichever is the shorter
Furniture, fixtures and equipment	10% - 25%
Motor vehicles	20% - 25%
Plant and machinery	10% - 33⅓%

The carrying value of properties shown above comprises:

	2007 HK$'000	2006 HK$'000
Properties held outside Hong Kong that are:		
Freehold	177,552	169,301
Long leasehold	2,069	2,123
Held under medium term leases	12,612	12,125
	192,233	183,549

Additions for the year include HK$10,356,000 (2006 - HK$1,372,000) in relation to assets acquired under finance leases for which there is no cash outflow included in the consolidated cash flow statement.

The net book value of furniture, fixtures and equipment and motor vehicles of HK$24,949,000 (2006 - HK$16,969,000) and HK$11,852,000 (2006 - HK$7,418,000) include amounts of HK$7,329,000 (2006 - HK$3,944,000) and HK$11,386,000 (2006 - HK$6,815,000) respectively in respect of assets held under finance leases.

19. PREPAID LEASE PAYMENTS

GROUP

	2007 HK$'000	2006 HK$'000
The Group's prepaid lease payments comprise:		
Medium-term land use right in the PRC	642	659

20. INTERESTS IN SUBSIDIARIES

COMPANY

	2007 HK$'000	2006 HK$'000
Unlisted investments, at cost	76,361	76,361

Particulars of the principal subsidiaries are as follows:

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Bowers Eclipse Equipment Shanghai Co. Limited	PRC	Ordinary RMB4,026,000	—	100%	Manufacture, quality control and distribution of metrology products
Bowers Group plc	UK	Ordinary £50,000 Ordinary "A" £10,000	—	100%	Investment holding
Bowers Metrology Limited	UK	Ordinary £100	—	100%	Manufacturer and distributor of precision measuring equipment
Bowers Metrology (UK) Limited	UK	Ordinary £100	—	100%	Distributor of precision measuring equipment
Coventry Gauge Limited	UK	Ordinary £2	—	100%	Manufacture of precision gauges and associated metrology products
CV Instruments Europe BV	The Netherlands	Ordinary Euro 18,000	—	100%	Distributor of precision measuring equipment
CV Instruments Limited	UK	Ordinary £100	—	100%	Assembly and distributor of precision measuring equipment
Eclipse Magnetics Limited	UK	Ordinary £80,000	—	100%	Manufacture of permanent magnets, magnetic work holding systems and other associated products, marketing and sales of micrometers and other precision measuring tools

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
James Neill Holdings Limited	UK	Ordinary £44,773,788 4.2% preference £300,000	—	100%	Investment holding
Magnacut Limited	UK	Ordinary £9,000	—	100%	Manufacture of permanent magnets and assemblies
Markbalance plc	UK	Ordinary £13,000	—	100%	Investment holding
Neill France SA	France	Ordinary Euro 198,184	—	100%	Investment holding
Neill Tools Limited	UK	Ordinary £25,597,000	—	100%	Manufacture of hacksaw blades, other engineers cutting tools, micrometers, and other precision measuring tools
Offertower plc	UK	Ordinary £13,000	—	100%	Investment holding
Pan Electrium Industrial Company Limited	Hong Kong	Ordinary HK$5,000,000	—	100%	Manufacture of and trading in electric/electrical parts and products
Pantene Global Holdings Acquisition Corp.	USA	Ordinary US$10	—	100%	Investment holding
Pantene Global Holdings Limited	Hong Kong	Ordinary HK$5,000,000	100%	—	Investment Holding in Hong Kong
Pantene Industrial Co. Limited	Hong Kong	Ordinary HK$10,000	—	100%	Trading in electronic products
Pantronics Holdings Limited	British Virgin Islands	Ordinary US$2,000	100%	—	Investment holding
Pin Xin International Limited	Hong Kong	Ordinary HK$10,000	—	100%	Trading in rechargeable battery products

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Rise up International Limited	British Virgin Islands	Ordinary US$1	100%	—	Investment holding in Hong Kong
Spear & Jackson (Australia) Pty Limited	Australia	Ordinary AUS$4,640,000	—	100%	Marketing and sale of group tools and other related products
Spear & Jackson France SA	France	Ordinary Euro 1,300,000	—	100%	Marketing and sale of group tools and other related products
Spear & Jackson Garden Products Limited	UK	Ordinary £16,977,000	—	100%	Manufacture and sale of garden, agricultural and contractors' hand tools, woodsaws and builders' tools
Spear & Jackson Holdings Limited	UK	Ordinary £16,470,391 Cumulative Preference £80,000	—	100%	Investment holding
Spear & Jackson plc	UK	Ordinary £60,834,229 Deferred £22,599,309	—	100%	Investment holding
Spear & Jackson (New Zealand) Limited	New Zealand	Ordinary NZ$400,000	—	100%	Marketing and sale of group hand and garden tools and other related products
Shanghai Pin Xin	PRC*	Registered HK$28,000,000	—	100%	Trading of rechargeable battery products
Shenzhen Pantai Electronic Co., Limited	PRC*	Registered US$700,000	—	100%	Manufacture of electronic products

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

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

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the period or formed a substantial portion of the assets and liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 30th September 2007 or at any time during the year.

21. INTEREST IN AN ASSOCIATE

GROUP	2007 HK$'000	2006 HK$'000
Balance brought forward	3,142	2,856
Reclassification to available-for-sale investments	(443)	—
Currency realignment	(2)	50
Share of post-acquisition profits	1,528	236
Dividends received	(648)	—
	3,577	3,142

The Group had an interest in the following associate:

Name of entity	Form of business structure	Place of registration	Principal place of operation	Nominal value of registered capital	Proportion of nominal value of registered capital held by the Group	Proportion of voting power held
Ningbo Hi-tech Assemblies Co. Ltd.	Sino-foreign joint venture	PRC	PRC	RMB 6,559,293	25%	25%

Ningbo Hi-tech Assemblies Co. Ltd. is involved in the production of magnetic, plastic and other materials and magnetic assemblies.

The summarised financial information in respect of the Group's associate is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	29,047	23,044
Total liabilities	(14,739)	(10,479)
Net assets	14,308	12,565
Share of associate's net assets	3,577	3,142
Sales	78,117	11,270
Profit for the year/period	6,114	944
Share of result of associate	1,528	236

No tax is payable on the profit for the relevant periods under review due to the availability of a PRC tax holiday.

22. AVAILABLE FOR SALE INVESTMENTS

GROUP	2007 HK$'000	2006 HK$'000
Available for sale investments as at 30th September 2007 comprise:		
Unlisted equity investments, at cost (Note (a))	2,071	1,643
Impairment loss	(1,264)	(773)
	807	870
GROUP AND COMPANY		
Equity securities listed in Hong Kong, fair value at 30th September 2007 (note (b))	—	—

Notes:

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

Two of the investments included in unlisted equity securities above, where the Group has an investment of significance, are Bowers Metrologie SARL ("BML") and Bipico Industries (Tools) Private Limited ("BITPL").

BML is a company incorporated and operating in France, with a carrying amount of HK $nil (2006 - HK$280,250). The investment represents a 35% holding of the issued share capital of BML. BML is not regarded as an associate of the Group because the Group has less than one-fifth of the voting power of BML under arrangements with other investors, the Group has no right to appoint directors of BML and the Group does not possess the ability to exercise significant influence over BML.

BITPL is a company incorporated and operating in India, with a carrying amount of HK$590,000 (2006 - HK$ 590,000). The investment represents a 30% holding of the issued ordinary share capital of BITPL. BITPL is not regarded as an associate of the Group because the Group has less than one-fifth of the voting power of BITPL under arrangements with other investor, the Group has no right to appoint directors of BITPL and the Group does not possess the ability to exercise significant influence over BITPL.

(b) This represents the Group's investment in the shares of Climax International Company Limited ("CICL"), a company incorporated in Bermuda with its shares listed on The Stock Exchange, representing a holding of approximately 1.01% (2006 - 1.15%) of the issued share capital of CICL as at 30th September, 2007.

In the opinion of the directors, in view of the low volume of transactions in the market for CICL's shares, it is difficult to dispose of the entire shares in the market. Hence, the fair value of CICL's shares held by the Group is estimated to be approximately nil.

23. INVENTORIES

GROUP	2007 HK$'000	2006 HK$'000
Raw Materials	62,030	75,420
Work in progress	36,924	35,408
Finished goods	186,498	145,484
	285,452	256,312

24. DEBTORS AND PREPAYMENTS

At 30th September 2007 the balance of debtors and prepayments included trade debtors of HK$285,438,000 (2006 - HK$248,588,000). The aged analysis of trade debtors at the reporting date is as follows:

GROUP	2007 HK$'000	2006 HK$'000
0 - 60 days	222,000	205,849
61 - 90 days	24,455	13,210
91 - 120 days	15,525	5,668
Greater than 120 days	23,458	23,861
	285,438	248,588

The Group allows credit periods ranging from 30 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.

25. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$5,000,000 (2006 - HK$5,000,000) have been pledged to secure trust receipt and export invoices financing facilities and are therefore classified as current assets.

The deposits carry interest at prevailing market rate. The directors consider the carrying value of the amount at the balance sheet date approximates to the fair value.

26. BANK BALANCES AND CASH

Bank balances and cash include short-term bank deposits carrying interest at prevailing market rates. The directors consider the carrying value of the deposits at the balance sheet date approximates to their fair value.

27. CREDITORS AND ACCRUED CHARGES

Creditors and accrued charges included trade creditors of HK$186,700,000 (2006 - HK$166,002,000). The aged analysis of trade creditors at the reporting date is as follows:

GROUP	2007 HK$'000	2006 HK$'000
0 - 60 days	174,762	160,091
61 - 90 days	6,692	3,720
Greater than 90 days	5,246	2,191
	186,700	166,002

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

28. BANK OVERDRAFTS AND BANK BORROWINGS

COMPANY	2007 HK$'000	2006 HK$'000
Bank borrowings comprise:		
Other bank loans	1,009	—
Analysed as:		
Secured	1,009	—
Unsecured	—	—
	1,009	—
Bank borrowings are repayable as follows:		
Within one year or on demand	402	—
More than one year, but not exceeding two years	607	—
More than two years, but not exceeding five years	—	—
	1,009	—
Less: Amounts due within one year shown under current liabilities	(402)	—
Amounts due after one year	607	—

28. BANK OVERDRAFTS AND BANK BORROWINGS *(Continued)*

GROUP	2007 HK$'000	2006 HK$'000 Restated
Bank overdrafts (see note (1) below)	—	—
Bank borrowings comprise:		
Export invoices/loan financing	40,744	27,265
Trust receipts/finance loans	9,308	15,880
Other bank loans	66,676	34,224
	116,728	77,369
Total overdrafts and bank borrowings	116,728	77,369
Analysed as:		
Secured	116,728	23,174
Unsecured	—	54,195
	116,728	77,369
Bank borrowings are repayable as follows:		
Within one year or on demand	72,986	54,568
More than one year, but not exceeding two years	43,742	9,051
More than two years, but not exceeding five years	—	13,750
	116,728	77,369
Less: Amounts due within one year shown under current liabilities	(72,986)	(54,568)
Amounts due after one year	43,742	22,801

(1) In the consolidated balance sheet included within the financial statements for the six months ended 30th September 2006 the Group's bank accounts held with the HSBC Bank plc by the UK subsidiaries of S&J, were presented on a gross form with those accounts in credit, totaling HK$170,790,000 included within bank overdrafts. The accounts held with the HSBC form a pooled fund and 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. The resultant balance at 30th September 2006 was a net in hand balance of HK$42,333,000.

The financial statements at 30th September 2006 have been restated to reclassify the previously reported bank overdrafts of HK$170,790,000 as part of bank balances and cash. Management considers that this method of accounting for the pooled cash balances more appropriately reflects the commercial substance of the pooling arrangement.

28. BANK OVERDRAFTS AND BANK BORROWINGS *(Continued)*

The bank borrowings denominated in Hong Kong Dollars, Pounds Sterling and Euros carry variable interest rates linked to the Hong Kong Dollar Prime Rate, Bank of England UK Base Rate and Euribor respectively.

The effective interest rates on the Group's floating rate borrowings range from mainly 6% to 12.8% per annum (2006 - 6% to 12.8% per annum).

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

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of Minimum lease payments	
GROUP	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Amount payable under finance leases:				
Within one year	9,212	6,056	8,330	5,612
In the second to fifth years inclusive	9,341	5,060	8,732	4,708
	18,553	11,116	17,062	10,320
Less: Future finance charges	(1,491)	(796)	—	—
Present value of lease obligations	17,062	10,320	17,062	10,320
Amounts due for settlement within one year			(8,330)	(5,612)
Amounts due for settlement after one year			8,732	4,708

During the year, the Group has acquired certain motor vehicles under finance leases with lease terms ranging from 2 to 4 years. Interest rates underlying all obligations under finance lease are fixed at their respective contract rates ranging from 3.95% to 7.0%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair values of the Group's finance lease obligations, determined by the present value of the estimated future cash flows discounted using the prevailing market rate at balance sheet date, approximate to their carrying values.

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

30. PROVISIONS

GROUP	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1st April 2006	—	—	—
Acquired on acquisition of subsidiaries	19,181	15,876	35,057
Utilisation of provision	(546)	(3,702)	(4,248)
Exchange differences	333	275	608
At 30th September 2006	18,968	12,449	31,417
Utilisation of provision	(3,428)	(12,450)	(15,878)
Provision for the year	1,552	476	2,028
Exchange differences	1,332	554	1,886
At 30th September 2007	18,424	1,029	19,453

	2007 HK$'000	2006 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**4,733**	15,561
Non-current liabilities	**14,720**	15,856
	19,453	31,417

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 those leases including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases is four years.

The provision for manufacturing reorganization costs comprises costs in relation to the closure of the Group's manufacturing site at Wednesbury, UK, and the subsequent transfer of all warehouse and distribution operations to the Company's principal UK manufacturing site at Atlas Way, Sheffield. The closure and relocation of the Wednesbury facility were completed by 30th November 2006 and the provisions include employee severance payments, site closure and relocation costs. Additionally, provisions also relate to the relocation of the Group's UK magnet production facility from leased premises in Sheffield, UK to the principal UK site at Atlas Way. This was completed in December 2006.

31. DEFINED CONTRIBUTION PLANS

Hong Kong

With effect from 1st December 2000, the Group joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. During the year from 1st October 2006 to 30th September 2007, the retirement benefit scheme contributions charged to the consolidated income statement amounted to HK$616,000 (2006 - HK$480,000), which represented contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

Mainland China

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute on average 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contribution incurred for the period from 1st October 2006 to 30th September 2007 was HK$2,716,000 (2006 - HK$1,294,000). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

32. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a contributory defined benefit pension plan covering certain of its employees in the UK based subsidiaries of S&J ("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 31st December 2004 by PricewaterhouseCoopers LLP. This valuation has been updated to 30th September 2007 for the purposes of this annual report.

The Group's contributions for the period from 1st October 2006 to 30th September 2007 were fixed at £1.58 million sterling (approximately HK$23.3 million). This funding arrangement came to an end at that date. On 11th July 2007 an interim arrangement was reached with the Plan's trustees and actuary whereby it was agreed that a one-time special contribution of £1 million sterling (approximately HK$15.9 million) was to be paid to the Plan by 1st August 2007 and that employer contributions would continue at the annual rate of £1.9 million sterling (approximately HK$30 million). This is an interim arrangement pending, and without prejudice to, the conclusion of negotiations between S&J, the Plan's trustees and actuary regarding ongoing funding. These negotiations may take several months to complete. Following the recent introduction of new UK pension legislation, if no agreement is reached between the parties by June 2008, the UK Pensions Regulator will then participate in all further negotiations.

32. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2007	2006
Long term rate of increase in pensionable salaries	3.40%	3.10%
Rate of increase of benefits in payment (note 1)	3.00%	2.80%
Rate of increase of benefits in payment (note 2)	2.70%	2.50%
Discount rate	5.95%	5.05%
Inflation assumption	3.20%	3.00%
Expected return on equities	8.70%	8.20%
Expected return on bonds	5.95%	5.05%
Expected return on cash	5.75%	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 6th 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 rates of return are shown net of investment manager expenses. The assumed return on cash reflects the UK prevailing market interest rate on bank balances.

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

Pensioner currently aged 70:	Male 14.9 years	Female 17.6 years
Future pensioner when aged 65:	Male 20.1 years	Female 22.9 years

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

	2007 HK$'000	2006 HK$'000
Fair value of Plan assets:		
Equities	818,840	740,951
Bonds	715,815	692,262
Cash	10,146	7,567
Insurance policies	23,046	26,830
	1,567,847	1,467,610
Present value of funded obligations	(1,845,046)	(1,879,386)
Net liability recognised in the balance sheet	(277,199)	(411,776)

32. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Current service cost	10,540	1,977
Expected return on assets	(97,908)	(15,930)
Interest cost	97,785	16,269
	10,417	2,316

The current service cost charge for the year/period is included in the employee benefits expense caption in the income statement. The net interest receivable is included in other income.

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

	2007 HK$'000	2006 HK$'000
At the beginning of the year/period	1,879,386	—
Acquisition of subsidiary	—	1,814,201
Currency realignment	133,531	32,010
Current service cost	10,540	1,977
Interest cost	97,785	16,269
Member contributions	5,385	974
Benefit payments	(61,855)	(15,665)
Actuarial (gains)/losses	(219,726)	29,620
At the end of the year/period	1,845,046	1,879,386

Changes in the fair values of the Plan's assets

	2007 HK$'000	2006 HK$'000
At the beginning of the year/period	1,467,610	—
Acquisition of subsidiary	—	1,417,441
Currency realignment	107,060	24,936
Employer contributions	44,069	5,030
Member contributions	5,385	974
Expected return on assets	97,908	15,930
Benefit payments	(61,855)	(15,665)
Actuarial (losses)/gains	(92,330)	18,964
At the end of the year/period	1,567,847	1,467,610

32. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	1.10.2006 to 30.9.2007 HK$'000	1.4.2006 to 30.9.2006 HK$'000
Acturial gains/ (losses)	127,396	(10,656)

The total cumulative amount of actuarial gains recognised in the consolidated statement of recognised income and expense, before tax, is HK$116,740,000.

The history of experience adjustments is as follows:

	2007 HK$'000	2006 HK$'000
Present value of defined benefit obligation	(1,845,046)	(1,879,386)
Fair value of plan assets	1,567,847	1,467,610
Deficit	(277,199)	(411,776)
Experience gain (loss) adjustment on Plan liabilities	219,726	(29,620)
Experience (loss) gain adjustment on Plan assets	(92,330)	18,964

The actuarial valuation showed that the market value of the Plan assets at 30th September 2007 was HK$1,567,847,000 (2006 - HK$1,467,610,000) and that the actuarial value of these assets represented 85% (2006 - 78%) of the benefits that had accrued to members. The shortfall of HK$277,199,000 (2006 - HK$411,776,000) is to be cleared 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 cleared in approximately 10 years, subject to agreement by the Trustees and the UK Pensions Regulator.

33. DEFERRED TAX

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

	Accelerated tax depreciation HK$'000	Accelerated accounting depreciation HK$'000	Revaluation of properties HK$'000	Retirement benefit obligations HK$'000	Others HK$'000	Tax losses HK$'000	Total HK$'000
At 1st April 2006	(1,547)	—	—	—	—	—	(1,547)
Acquisition of subsidiaries	—	6,669	(20,776)	94,601	11,831	1,508	93,833
(Charged) credited to consolidated income statement	(278)	—	118	—	—	1,062	902
Exchange differences	—	145	(361)	1,642	205	28	1,659
At 30th September 2006	(1,825)	6,814	(21,019)	96,243	12,036	2,598	94,847
(Charged) credited to consolidated income statement	1,825	4,060	1,845	(11,393)	(2,604)	1,305	(4,962)
Recognition of actuarial gains on retirement benefit obligation	—	—	—	(13,830)	—	—	(13,830)
Exchange differences	—	570	(1,388)	6,602	827	143	6,754
At 30th September 2007	—	11,444	(20,562)	77,622	10,259	4,046	82,809

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.

	2007 HK$'000	2006 HK$'000
Deferred tax liabilities	(22,033)	(21,781)
Deferred tax assets	104,842	116,628
	82,809	94,847

The majority of the Group's deferred tax assets relate to temporary differences originating in its UK subsidiaries. Such deferred tax balances have been provided at 28% (2006 - 30%). Legislation formerly enacted during the year has had the effect of reducing the effective tax rate from 30% to 28% from April 2008. Included in the HK$4,962,000 charge for the year is a charge of HK$5,024,000 charge to reflect this change in rates.

33. DEFERRED TAX *(Continued)*

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

	2007 HK$'000	2006 HK$'000
Unused tax losses	394,897	397,603
Capital losses	124,821	118,000
Other temporary differences	49,716	154,039
Other tax credits	467,755	406,854
	1,037,189	1,076,496

Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant proportion of its tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits principally arise in Hong Kong, the UK, France, and Australia and can 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% or 28% dependent on when the temporary differences are expected to reverse.

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits will be utilized in the foreseeable future. In respect of the above tax losses and credits and other temporary differences that arise principally in the UK and France, the Group, having considered forecast income stream and potential future earnings volatility, does not expect any significant proportion of such losses to be utilized or any material reversal of the other temporary differences in the foreseeable future.

34. SHARE CAPITAL

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

35. SHARE OPTIONS

(a) Pursuant to a special general meeting of the Company held in April 1994, the Company adopted an executives' share option scheme (the "1994 Scheme") for the primary purpose of providing incentives to the executive directors and eligible employees of the Company and its subsidiaries. According to the 1994 Scheme, the Board of Directors of the Company is authorised, at any time within ten periods 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 total number of shares in respect of which options may be granted under the 1994 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 25% of the maximum number of shares that may be issued pursuant to the 1994 Scheme without prior approval from the Company's shareholders.

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

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

	Date of grant	Exercisable period	Exercise price HK$
1994 Scheme	23.7.2003	23.7.2003 - 22.7.2013	0.36

The movements in the number of options outstanding during the year which have been granted to the directors of the Company under the 1994 Scheme were as follows:

	2007	2006
1994 Scheme	5,000,000	5,000,000

35. SHARE OPTIONS *(Continued)*

(b) At a special general meeting of the Company held on 30th August 2004, a new share option scheme was adopted (the "2004 Scheme") for the purpose of providing incentives to the executive directors and eligible employees of the Company and its subsidiaries. The Board is authorised to grant options to eligible executive directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company. The number of underlying shares available under the 2004 Scheme shall not, in aggregate, exceed 5% of the issued shares as at 30th August 2004. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 months is not permitted to exceed 1% of the issued shares at such time. Options to be offered to any participants who is also an executive director, chief executive officer, substantial shareholder of the Company or any of their respective associates ("Connected Persons") shall require prior approval from the independent non-executive directors of the Company. No option can be granted to Connected Persons in any 12 months that exceeds in aggregate over 0.1% of the issued shares and an aggregate value exceeding HK$5 million based on the closing price of the share at the date of each grant without prior approval from the Company's shareholders.

The exercise price of the options shall be determined by a committee administering the 2004 Scheme, and shall fall within the following prescribed parameters: they should not be less than (i) the par value of the shares, (ii) the closing price of the shares on the date of grant which must be a business day, and (iii) the average closing price of the shares over 5 consecutive trading days immediately preceding the date of grant.

The offer of a grant of share options under the 2004 Scheme may be accepted within 30 days from the date of the offer together with the payment of nominal consideration of HK$1 in total by the grantee. Options granted are vested for a period of 3 years immediately after the date of grant by one-third on each anniversary. The exercise period shall be determined by the board of directors but not exceeding 10 periods from the date of grant. Options granted to a participant are lapsed if the participant ceased to be an eligible participant pursuant to the 2004 Scheme before the options are vested.

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

	Date of grant	Exercise price	Outstanding at 1.10.2006	Lapsed during the year	Outstanding at 30.9.2007
		HK$	HK$	HK$	HK$
Directors	28.9.2004	0.242	5,734,425	—	5,734,425
	20.12.2004	0.250	4,874,261	—	4,874,261
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

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

36. RESERVES / MINORITY INTERESTS

(a) GROUP

	Reserves							
	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000
At 1st April 2006	13,527	353	1,442	19,870	1,004	80,672	116,868	—
Exchange differences arising on translation of foreign operations	—	—	—	—	(2,306)	—	(2,306)	(516)
Recognition of actuarial losses on defined benefit plan (net of tax)	—	—	—	—	—	(6,586)	(6,586)	(4,071)
Net expenses recognised directly in equity	—	—	—	—	(2,306)	(6,586)	(8,892)	(4,587)
Profit for the period	—	—	—	—	—	19,009	19,009	569
Total income and expense recognised for the period	—	—	—	—	(2,306)	12,423	10,117	(4,018)
Acquisition of subsidiaries	—	—	—	—	—	—	—	48,029
Recognition of equity settled share-based payments	—	126	—	—	—	—	126	—
	—	126	—	—	(2,306)	12,423	10,243	44,011
At 30th September 2006	13,527	479	1,442	19,870	(1,302)	93,095	127,111	44,011
Exchange differences arising on translation of foreign operations	—	—	—	—	7,572	—	7,572	5,946
Recognition of actuarial gains on defined benefit plan (net of tax)	—	—	—	—	—	70,184	70,184	43,382
Net expenses recognised directly in equity	—	—	—	—	7,572	70,184	77,756	49,328
Profit for the year	—	—	—	—	—	76,370	76,370	15,012
Total income and expense recognised for the year	—	—	—	—	7,572	146,554	154,126	64,340
Acquisition of minority interests	—	—	—	—	—	—	—	(108,351)
Recognition of equity settled share-based payments	—	252	—	—	—	—	252	—
	—	252	—	—	7,572	146,554	154,378	(44,011)
At 30th September 2007	13,527	731	1,442	19,870	6,270	239,649	281,489	—

36. RESERVES / MINORITY INTEREST *(Continued)*

(b) COMPANY

	Share premium HK$'000	Share option reserve HK$'000	Share redemption reserve HK$'000	Capital Contribution surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2006	13,527	353	1,442	70,911	(64,227)	22,006
Loss for the period	—	—	—	—	(1,487)	(1,487)
Recognition of equity settled share-based payments through income statement	—	126	—	—	—	126
	—	126	—	—	(1,487)	(1,361)
At 30th September 2006	13,527	479	1,442	70,911	(65,714)	20,645
Loss for the year	—	—	—	—	(4,139)	(4,139)
Recognition of equity settled share-based payments through income statement	—	252	—	—	—	252
	—	252	—	—	(4,139)	(3,887)
At 30th September 2007	13,527	731	1,442	70,911	(69,853)	16,758

37. ACQUISITION OF MINORITY INTERESTS/ SUBSIDIARIES

On 22nd June 2007, the Company entered into an agreement to purchase the remaining 38.2% of the share capital of S&J for a consideration of HK$33.5 million. The acquisition of the minority shares of S&J was deemed accomplished on 25th September 2007, by a merger of S&J with a wholly-owned subsidiary of the Company, Pantene Global Acquisition Corp.

On 28th July 2006, the Group entered into a stock purchase agreement with Jacuzzi Brands, Inc., a company incorporated in the State of Delaware, USA, listed on the New York Stock Exchange and acquired approximately 61.8% of the issued share capital of S&J, a company incorporated in the State of Nevada, USA and publicly traded electronically on the Over-the–counter Pink Sheets for a consideration of HK$38.75 million.

As a result of the purchase of the additional share capital in S&J in September 2007, the Group has increased its interests in S&J from 61.8% to 100% resulting in a discount on acquisition of HK$60.10 million This acquisition also constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

37. ACQUISITION OF MINORITY INTERESTS/ SUBSIDIARIES *(Continued)*

The net assets acquired in the purchase of the minority and majority interests in S&J in September 2007 and July 2006 respectively and the discount on acquisition arising are as follows:

	2007 HK$'000	2006 HK$'000
Net assets acquired:		
Property, Plant and Equipment	211,639	189,623
Available for sale investments	807	855
Interest in an associate	3,577	2,856
Deferred tax assets	104,134	114,609
Inventories	213,174	174,081
Debtors and prepayments	190,317	136,139
Taxation recoverable	1,662	1,551
Bank balances and cash	49,843	88,541
Creditors and accrued charges	(159,137)	(122,119)
Taxation payable	(1,836)	(1,319)
Obligations under finance leases	(11,855)	(6,495)
Provisions	(19,453)	(35,057)
Deferred tax liability	(22,033)	(20,776)
Retirement benefit obligation	(277,199)	(396,760)
	283,640	125,729
Minority interests	—	(48,028)
Majority interests	(175,290)	—
Discount on acquisition	(60,095)	(26,201)
Legal and professional fees	(14,798)	(12,750)
Total consideration, satisfied by cash	33,457	38,750
Net cash outflow arising on acquisition:		
Cash consideration paid	(33,457)	(38,750)
Legal and professional fees	(14,798)	(12,750)
Cash and cash equivalents acquired	—	88,541
	(48,255)	37,041

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of approximately HK$10,356,000 (2006 - HK$1,372,000).

39. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its bank deposits of HK$5,000,000 to banks to secure credit facilities granted by the banks to the extent of approximately HK$27,500,000 (2006 - HK$27,500,000).

The Group has pledged land and buildings and plant and machinery having a net book value of approximately HK$130,713,000 (2006 - HK$122,366,000) to secure general banking facilities granted to the Group.

40. 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.

The PRC tax authorities are carrying out an examination of the tax returns of the Group's PRC based subsidiaries in respect of the fiscal years 2000 to 2004. No provision has been made by the Group since the examination has not yet been completed and the amounts of the liabilities, if any, cannot be reliably determined.

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

41. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$100.6 million (2006 - HK$54.2 million) with respect to general banking facilities granted to certain subsidiaries of the Company. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loan and facilities. At the balance sheet date, no provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was not probable that the repayments of any loans or facilities would be at default.

42. OPERATING LEASE COMMITMENTS

The Group as Lessee

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

	2007 HK$'000	2006 HK$'000
Operating leases which expire:		
Within one year	14,754	13,344
In the second to fifth years inclusive	33,650	39,059
Over five years	8,880	10,576
	57,284	62,979

Operating lease payments represent rentals payable by the Group for its office properties and factories which are negotiated for an average term of seven years.

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

	2007 HK$'000	2006 HK$'000
Onerous lease contracts (Note 30)		
Within one year	3,704	3,098
In the second to fifth years inclusive	14,720	15,634
Over five years	—	236
	18,424	18,968

The Group as Lessor

At the balance sheet date the Group had contracted with tenants for the following minimum lease payments:

	2007 HK$'000	2006 HK$'000
Within one year	841	1,180
In the second to fifth years inclusive	2,596	2,198
Over five years	5,796	4,248
	9,233	7,626

Operating lease income represents the rental receivable by the Group for its leased properties under sub-lease agreements.

43. RELATED PARTY TRANSACTIONS

On 22nd June 2007, the Company entered into an agreement to purchase the remaining 38.2% of the share capital of S&J for a consideration of HK$33.5 million. The acquisition of the minority shares of S&J was deemed accomplished on 25th September 2007, by a merger of S&J with a wholly-owned subsidiary of the Company, Pantene Global Acquisition Corp. The majority interest in S&J had been acquired on 28th July 2006 when, the Group, entered into a stock purchase agreement with Jacuzzi Brands, Inc., a company incorporated in the State of Delaware, USA, listed on the New York Stock Exchange and acquired approximately 61.8% of the issued share capital of S&J, a company incorporated in the State of Nevada, USA and publicly traded electronically on the Over-the-counter Pink Sheets for a consideration of HK$38.75 million.

Other than the emoluments paid to the directors of the Company, as disclosed in Note 13, who are also considered as the key management of the Group, the Group has not entered into any other related party transactions.

44. POST BALANCE SHEET EVENTS

Disposal of an indirect subsidiary

On 7th January 2008, UPI's UK subsidiary, Bowers Metrology Limited, sold its wholly owned subsidiary, CV Instruments Europe BV Limited, a company incorporated in the Netherlands. The shares were sold for 38,000 Euros (approximately HK$434,000) and the settlement, prior to closing, of inter-company balances amounted to 705,000 Euros (approximately HK$8,044,000).

PRC enterprise income tax

Pursuant to the PRC Enterprise Income Tax Law (the "New Law") passed by the Tenth National People's Congress on 16th March 2007, the new PRC income tax rates for domestic and foreign enterprises are unified at 25% effective from 1st January 2008. Under the New Law, entities that are currently entitled to preferential tax rates may continue to enjoy the tax benefits. Detailed measures concerning the tax incentives have been issued by the State Council. The Group is in the process of assessing the impact, if any, of these measures.

RESULTS

	Year ended 31st March 2004 HK$'000	Year ended 31st March 2005 HK$'000	Year ended 31st March 2006 HK$'000	For the period from 1.4 2006 to 30.9.2006 HK$'000	Year ended 30.9.2007 HK$'000
Turnover	338,386	392,136	454,339	390,189	**1,402,305**
Cost of sales	(291,825)	(338,990)	(392,599)	(335,056)	**(1,060,451)**
Gross profit	46,561	53,146	61,740	55,133	**341,854**
Other Income	9,982	2,982	2,482	4,916	**15,225**
Selling and distribution costs	(1,398)	(3,892)	(3,140)	(31,590)	**(219,314)**
Administrative costs	(39,490)	(36,523)	(40,043)	(33,599)	**(93,099)**
Gain (loss) arising from changes in the fair value of investment properties	(8,329)	1,400	1,000	—	**—**
Gain on sale of land and buildings	—	—	—	—	**1,447**
Finance costs	(703)	(1,611)	(2,028)	(2,533)	**(8,773)**
Share of result of an associate	—	—	—	236	**1,528**
Discount on acquisition	—	—	—	26,200	**60,095**
Profit before taxation	6,623	15,502	20,011	18,763	**98,963**
Income tax (charge) credit	(20,350)	(2,521)	(4,357)	815	**(7,581)**
Profit for the year/period	(13,727)	12,981	15,654	19,578	**91,382**
Attributable to:					
Equity holders of the Company	(13,727)	12,981	15,654	19,009	**76,370**
Minority Interests	—	—	—	569	**15,012**
	(13,727)	12,981	15,654	19,578	**91,382**
Dividend	11,141	—	—	—	**—**
Earnings per share					
Basic	(2.5) cents	2.3 cents	2.81 cents	3.41 cents	**13.71 cents**
Diluted	N/A	2.3 cents	N/A	N/A	**13.61 cents**

Financial Summary

ASSETS AND LIABILITIES

	At 31st March			At 30th September	
	2004	2005	2006	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000 (restated)	**HK$'000**
TOTAL ASSETS	232,741	254,288	272,312	1,035,440	**1,062,943**
TOTAL LIABILITIES	(77,884)	(97,591)	(99,738)	(808,612)	**(725,748)**
	154,857	156,697	172,574	226,828	**337,195**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	154,857	156,697	172,574	182,817	**337,195**
MINORITY INTERESTS	—	—	—	44,011	**—**
	154,857	156,697	172,574	226,828	**337,195**

Certain amounts for the year ended 30th September have been restated to reflect the re-allocation of bank overdraft and cash balances.

United Pacific Industries
聯 太 工 業

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