New Horizons

INTERIM REPORT 2007/2008

United Pacific Industries

聯 太 工 業

Stock Code: 176

United Pacific Industries

United Pacific Industries Limited

(Incorporated in Bermuda with limited liability)

(stock code : 00176)

Website: http://unitedpacific.quamir.com

Financial Highlights

- Based on profits attributable to equity holders of HK$19.9 million (2007 – HK$13.2 million) in the six months ended 31 March 2008, basic earnings per share was 3.57 HK cents, an increase of 50% over the comparative figure of 2.38 HK cents for the six months ended 31 March 2007.
- The prior period benefited from the inclusion of a discount on acquisition of HK$2.4 million. Excluding the discount on acquisition from that period's earnings would result in a net profit attributable to equity holders of HK$10.8 million and an earnings per share calculated on that restated amount of 1.95 HK cents, as against 2.38 HK cents on the non-adjusted basis.
- Turnover increased by 6% to HK$712.0 million
- An operating profit of HK$34.7 million was generated in the period compared to a profit of HK$20.5 million in the prior period – an improvement of HK$14.2 million (69%).
- Profit before taxation increased by 44% to HK$30.6 million from HK$21.3 million in the prior period.
- The taxation charge for the current period was HK$10.7 million, an increase of HK$9.9 million over the prior period which benefited from certain one-time tax credits and benefits that were not available in the current period.
- Excluding pledged deposits, net cash and cash equivalents at the period end were HK$83.9 million (30 September 2007 – HK$105.0 million). After deduction of bank and other borrowings, net gearing was HK$52.3 million (30 September 2007 – HK$28.8 million).
- An interim dividend of 0.5 HK cents per share.
- A proposed bonus issue of one new share for every five shares held.

Business Review and Prospects

The following sets out the highlights of the financial results of United Pacific Industries Limited (the "Company") and its subsidiaries (the "Group") for the six-month period ended 31 March 2008 with the comparative figures for the six month period ended 31 March 2007.

	1.10.2007 to 31.3.2008 HK$ million (unaudited)	1.10.2006 to 31.3.2007 HK$ million (unaudited)	Change HK$ million	%
Turnover	**712.0**	670.1	41.9	6%
Earnings before interest, taxation, depreciation and amortization	**49.8**	33.0	16.8	51%
Depreciation and amortisation	**(15.1)**	(12.5)	(2.6)	21%
Operating profit	**34.7**	20.5	14.2	69%
Net finance costs	**(4.7)**	(2.2)	(2.5)	114%
Share of results of an associate	**0.6**	0.6	0.0	0%
Discount on acquisition	**0.0**	2.4	(2.4)	-100%
Profit before taxation	**30.6**	21.3	9.3	44%
Income tax charge	**(10.7)**	(0.8)	(9.9)	1,238%
Net profit for the period	**19.9**	20.5	(0.6)	-3%
Attributable to:				
Equity holders of the Company	**19.9**	13.2	6.7	51%
Minority interests	**0.0**	7.3	(7.3)	-100%
	19.9	20.5	(0.6)	

Of the "Profit before taxation" shown above, the amounts attributable to the trading operations of S&J and Pantene and to corporate expenses are as follows:

	Six Months Ended 31.3.2008			Six Months Ended 31.3.2007		
	Corporate	Pantene	S&J	Corporate	Pantene	S&J
	HK$ million (unaudited)	HK$ million (unaudited)	HK$ million (unaudited)	HK$ million (unaudited)	HK$ million (unaudited)	HK$ million (unaudited)
Turnover	—	257.8	454.2	—	248.2	421.9
Operating profit	3.3	6.2	25.2	(8.0)	4.1	24.4
Net finance costs	1.2	(2.0)	(3.9)	0.3	(0.9)	(1.6)
Share of results of an associate	—	—	0.6	—	—	0.6
Discount on acquisition	—	—	—	2.4	—	—
Profit before taxation	4.5	4.2	21.9	(5.3)	3.2	23.4
Total			30.6			21.3

Group Overview

Group Results

For the six months ended 31 March 2008, the group achieved a turnover of HK$712.0 million, which represents an increase of 6% when compared with the turnover of HK$670.1 million for the period ended 31 March 2007.

The Group's earnings before interest, taxation, depreciation and amortization (EBITDA) in the current period under review amounted to HK$49.8 million, an increase of HK$16.8 million over the prior period.

Consistent with the increase in EBITDA, the Group's operating profit (earnings before finance costs, share of associate's profits, other non-operating items and taxation) increased to HK$34.7 million in the six months ended 31 March 2008, up by HK$14.2 million, or 69%, from the prior period.

The tax charge in the six months ended 31 March 2008 was HK$10.7 million (2007 – HK$0.8 million).

Profit attributable to equity holders of the Company was HK$19.9 million (2007 – HK$13.2 million), an increase of 51% over the prior period.

Liquidity and Financial Resources

As at the balance sheet date, the Group had a net cash balance of HK$83.9 million. This comprised bank and cash balances of HK$94.2 million less certain UK bank overdrafts amounting to HK$10.3 million.

The Group's net asset value was HK$341.9 million, with a liquidity ratio (ratio of current assets to current liabilities) of 185% and a gearing ratio (ratio of net bank and other debt to net assets value) of 15.3%. The Group has continued to maintain low gearing levels and to operate well within its bank facilities. As a consequence, this high level of liquidity and available funding will enable the Group to meet its expected future working capital requirements, to implement reorganization initiatives and to take advantage of growth opportunities for the business.

During the period, there was no material change in the Group's funding and treasury policy. At 31 March 2008, the Group had sufficient levels of banking facilities from our major bankers to finance working capital requirements.

The Group is exposed to continuous fluctuations in currency values and raw material prices. These fluctuations can increase the costs of investing, financing and business operations. The Group manages the currency risks through the use of derivatives and other hedging operations. The Group adopts cautious financial measures to manage and minimize its exchange risk exposure and, in this regard, the Group has endeavored to use natural hedges, wherever possible, to match the currencies of its sales with those of its purchases in order to neutralize the effect of currency exposure, augmented, where necessary, by the execution of various forward exchange contracts. Furthermore, the Group also took appropriate financial actions to ensure that the borrowings in its Pantene group were primarily denominated in Hong Kong dollars, while its non-Hong Kong dollar loans were either directly tied in with the Group's business transactions that are denominated in those foreign currencies, or were matched by assets in the same foreign currencies.

Financial and Operations Review

The Board is pleased to report good trading results for the half-year ended 31 March 2008.

Group Results

The half-year sales of HK$712.0 million produced a net profit of HK$19.9 million giving earnings per share of 3.57 HK cents.

Gross margins have grown from 25.9% in the prior period to 27.7%, driven by the strong sales performance of high-end products in the Metrology and Magnetics divisions.

These results were achieved despite continuing cost pressures, particularly in the areas of utilities and raw materials, softening retail markets and adverse currency movements. These market pressures have adversely affected not only the Group but also manufacturers worldwide.

In the face of an uncertain global business environment, the Group's principal business segments still achieved encouraging results with segmental profits for Contract Manufacturing, Metrology and Magnetics jumping 45.8%, 10.7% and 108.2% respectively when compared to the same period in the prior year. Sales in Europe and Australasia recorded double-digit growth for the half-year ended 31 March 2008.

Divisional Results

Spear & Jackson

William Fletcher, CEO of Spear & Jackson, stated, "We operate in very competitive markets where trading conditions remain difficult as a result of increased costs, poor UK and French retail demand and unfavourable exchange rates. Our mission is to increase profitability and cash generation and to establish a platform for future growth and stability across each of our divisions. Our key focus areas are as follows:

- The continued introduction of new and innovative products;
- Cost reductions through manufacturing efficiencies and better procurement;
- Manufacturing reorganizations to increase plant efficiency;
- Management of the risk in the UK defined benefit pension plan to minimize cash outflows and reduce volatility;
- Brand promotion;
- Strict working capital control."

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

Tools Division

Neill Tools Ltd./Spear & Jackson Garden Products Ltd

Although demand in export markets remained strong, soft retail markets in the UK coupled with increased costs and adverse currency movements resulted in operating profits being lower than in the prior year.

Emphasis continues to be placed on the launch of new and innovative products and on reducing operating and manufacturing costs in order to recover lost sales and profitability. A reorganization of the division's woodsaws operation was announced in May and employee and union consultation is now underway. The restructuring will involve the transfer of the business's manufacturing base to the Far East.

Robert Sorby

In the six months ended 31 March 2008, the division was hampered by poor demand in the US, its principal overseas market, but sales recovered in the latter part of the period. Focus will be centred on new product launches and the penetration into new markets, particularly Australia.

Spear & Jackson France/Australasia

Both of these units performed well in the first half of the year. Although the French company faced soft local retail demand, both operations recorded higher sales and operating profit than in the same period last year.

Magnetics Division (Eclipse Magnetics Limited)

Sales in the first six-months of 2007/08 were higher than those in the comparable period of the prior year. Operating profit also showed an increase over 2007 despite raw material price increase pressures. The high margin "Applied Systems" area of the business (i.e. workholding, separation and filtration solutions) continues to flourish.

Strategic focus is centered on the development of the division's US presence and the identification of suitable acquisition targets to expand geographical reach and product ranges.

Metrology Division (Bowers Metrology Group)

Year to date for the six months ended 31 March 2008, sales were 22% and operating profit 10.7% up on the previous year. This was due to the continuing strong demand from the division's key markets of Germany, USA and the UK. Order intake continues to be strong with the order book twice as high as that at the same time last year. Such has been the level of demand that this has caused delivery problems on some of our core products as we were unable to increase production capacity to the required extent. Operating profit has also been diluted as a result of several adverse overhead variances, principally sales commission and rebate payments, due to key customers running well ahead of their targets.

The development and expansion of Bowers (Shanghai) has continued and manufacturing operations have now commenced. With the first production models of the Eseway® bench hardness testers now being shipped, we expect the business to be breaking even by the end of this financial year and then budgeting a modest profit for 2008/09.

The division's Dutch subsidiary, CV Instruments Europe BV, was sold during the period. The sales proceeds approximately equated to the net asset value of the subsidiary at the date of disposal.

Contract Manufacturing Division (The Pantene Group)

Kong Meng Lee, Chief Executive Officer of Pantene Industrial Co., Ltd. commented: "Although sales in the six months ended 31 March 2008 were HK$9.6 million higher and operating profit (after charging severance costs of HK$1.7 million) was HK$2.1 million higher than the previous year, we are continuing to trade in very difficult and competitive market conditions."

Our margins have been adversely affected by the ever strengthening RMB and rising raw material prices. For example, the copper price has run at US$8,500 per metric tonne and cold roll steel and paper prices have both risen beyond our estimates. This trend is set to affect other elements of our costs with plastic resins expected to increase as a consequence of oil prices moving toward US$120 per barrel during this period. As our customers are also under cost related and pricing pressures it is not possible for us to pass on all of these costs in the form of higher sales prices.

Looking forward, the competitive conditions under which the company has been operating do not show signs of significant improvement in the near future. Sales levels look uncertain in a number of areas with the down turn in the construction industry and less demand for life style products. The company is accordingly looking to expand its product offering and rationalize its cost structure so that it is well placed to take advantage of all opportunities as they arise. The SAP system that was introduced in 2006/07 is now operating well and is providing benefits in the cost control, planning and development aspects of our business.

Recent Developments

The acquisition of the 38% minority interest in Spear & Jackson, Inc. ("S&J") was formally completed in the first quarter of the current financial year. When we purchased our original 62% stake in S&J, we were aware of the need for significant capital investment to restructure and improve the company's operational efficiencies and also to eliminate the deficit in the S&J's under-funded UK pension plan within prescribed regulatory timeframes.

Restructuring initiatives have been ongoing since the acquisition of our initial stake in the company and this process has continued with the announcement in May of a reorganization of the Tools division's Woodsaws operation. The decision to transfer manufacturing has been made in light of significant increases in the price of raw materials and utilities and will allow us to realign these operations with changing market conditions. Employee and Union consultation is now underway. Assuming that agreement is reached with those parties, the costs of that initiative will be provided in the Group's financial statements at 30 September 2008.

Agreement in principle on a new contribution funding schedule has now been reached between the sponsoring employer and the trustees of the UK defined benefit plan. Under this arrangement, contributions are to continue at a fixed annual rate of £1.9 million (approximately HK$30 million) for the next two years. This gives the Group certainty with regard to the amount to be paid each year and, furthermore, has ensured that the amount of contributions payable shows no increase over that paid under the previous agreement.

The Group announced in February that it had entered into an agreement to purchase the entire share capital of a Singapore based computer lead frame manufacturer, Jade Precision Engineering Pte. Ltd. ("JPE"). The purchase consideration comprises approximately S$4 million (approximately HK$22 million) for JPE's net tangible assets at a 75% discount to their book value (stated prior to any fair value adjustments to be applied by the Group on acquisition), to be settled in shares and cash, and approximately S$2.5 million (approximately HK$14 million) for cash liabilities to be assumed by the Company, relating to the cost of new machinery and leased plant premises to be acquired by JPE. There have been a number of issues affecting the parent company of JPE that have delayed the completion of this purchase. JPE's parent will now convene an EGM for the middle of July at which the shareholders will be asked to approve the transaction. Subject to a favourable vote, it is anticipated that the purchase can be completed by 31 July.

Prospects

Each of the Group's divisions continue to operate in difficult trading environments, a situation that we expect to continue in the immediate future, especially given the uncertainties that currently affect economies across the world. Our ongoing business strategy is to expand our product ranges and customer base. Additionally, our executive Directors and group management team will look to expand the Group by suitable acquisitions where possible to develop synergies among its manufacturing business and create maximum value for the Group. It is hoped that the acquisition of Jade Precision Engineering Pte. Ltd. can be completed shortly and that further company purchases will follow.

In the year ended 30 September 2007 earnings per share calculated on earnings adjusted to exclude discounts on acquisition and other one time events, amounted to 2.92 HK cents. Despite the fragility of certain of our markets, we anticipate that, barring unforeseen circumstances, we will exceed that figure in the year ending 30 September 2008, although much will depend on current demand levels not deteriorating.

The Group intends to maintain leading roles in its principal markets and to continue to enhance profitability. Going forward, the Group will seek to expand its offerings of high value, high margin products in order to further improve operating performance.

Interim Dividend

In our report for the year ended 30 September 2007 we stated that, subject to acceptable levels of profitability, we expected to pay a dividend for the year ending 30 September 2008. The directors are pleased to declare an interim dividend of 0.5 HK cents per share for the six months ended 31 March 2008 payable to shareholders whose names are on the Register of Members as at 22 August 2008. The interim dividend will be paid on or about 29 August 2008.

Bonus issue of shares

The directors propose a bonus issue of one new ordinary share of HK$0.10 to be credited as fully paid, for every five shares held. If any fractional shares (interests smaller than a whole share) fall to be issued as part of this distribution, the fractional shares will not be issued to shareholders but will be aggregated and sold for the benefit of the Company.

The bonus issue is subject to shareholders' approval to be sought at a special general meeting to be convened.

Share option scheme adjustment

As at the Latest Practicable Date, there are 18,639,736 outstanding share options in aggregate (the "Options") granted under the Company's share option schemes adopted in April 1994 and in September 2004 (the "Share Option Schemes") which carry rights to acquire an aggregate of 18,639,736 Shares.

As a result of the Bonus Issue, adjustments may be required to both the exercise price and the number of outstanding Options granted under the Share Option Schemes.

Increase in authorized share capital

In order to provide the Company with flexibility for future expansion and growth by means of issuing new shares and fund raising activities as the directors may consider appropriate from time to time, the directors propose to increase the authorized share capital of the Company to HK$150,000,000, divided into 1,500,000,000 ordinary shares of HK$0.10 each by the creation of an additional 500,000,000 unissued shares. The increase in the authorized share capital of the Company is conditional upon the passing of an ordinary resolution by the shareholders at the special general meeting to be convened.

Notice of the special general meeting and the circular relating to the proposed bonus issue of shares and proposed increase in authorized share capital will be dispatched to the shareholders in due course.

Closure of Share Transfer Registration

The register of members of the Company will be closed from 18 to 22 August 2008 (both days inclusive) during which period no transfer of shares will be effected. The record date to qualify for the 2008 interim dividend and the proposed bonus shares (subject to shareholders' approval) is 22 August 2008. All transfers of shares, accompanied by the relevant share certificates must be lodged with Tricor Secretaries Limited, the Company´s transfer office and share registrar in Hong Kong, whose address is 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 pm on 15 August 2008.

Your directors look forward to the future with optimism.

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

Hong Kong, 27 June 2008

Independent Review Report

Grant Thornton
均富

均富國際會計師事務所成員

TO THE BOARD OF DIRECTORS OF UNITED PACIFIC INDUSTRIES LIMITED
(incorporated in the Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 14 to 50 which comprises the condensed consolidated balance sheet of United Pacific Industries Limited as of 31 March 2008 and the related condensed consolidated income statement, condensed consolidated statement of recognised income and expense and condensed consolidated cash flow statement for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of Review

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

Conclusion

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

Grant Thornton
Certified Public Accountants
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

27 June 2008

Condensed Consolidated Income Statement

For the six months ended 31 March 2008

	Notes	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
Turnover	3	712,018	670,146
Cost of sales		(514,614)	(496,403)
Gross profit		197,404	173,743
Other income		17,306	7,013
Selling and distribution costs		(118,561)	(110,110)
Administrative costs		(59,650)	(47,854)
Finance costs	4	(6,547)	(4,426)
Share of results of an associate		638	594
Gain on sale of a subsidiary	21	23	—
Discount on acquisition	5	—	2,411
Profit before taxation	6	30,613	21,371
Income tax charge	7	(10,745)	(822)
Profit for the period		19,868	20,549
Attributable to:			
Equity holders of the Company		19,868	13,260
Minority interests		—	7,289
		19,868	20,549
Dividends	8	2,785	—
Earnings per share	9		
Basic		3.57 cents	2.38 cents
Diluted		3.52 cents	N/A

Condensed Consolidated Balance Sheet

At 31 March 2008

	Notes	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	247,542	252,478
Prepaid lease payments		633	642
Interest in an associate		4,503	3,577
Available for sale investments		4,013	807
Deferred tax assets	18	92,616	104,842
		349,307	362,346
Current assets			
Inventories		306,089	285,452
Debtors and prepayments	11	318,008	301,397
Taxation recoverable		1,842	3,771
Derivative financial instruments	12	3,225	—
Pledged bank deposits		5,000	5,000
Bank balances and cash		94,191	104,977
		728,355	700,597
Current liabilities			
Creditors and accrued charges	13	281,726	270,406
Bank overdrafts	14	10,337	—
Bank borrowings			
– amounts due within one year	14	86,544	72,986
Obligations under finance leases			
– amounts due within one year	15	7,987	8,330
Provisions	16	4,643	4,733
Taxation payable		3,027	2,867
		394,264	359,322
Net current assets		334,091	341,275
Total assets less current liabilities		683,398	703,621

Condensed Consolidated Balance Sheet *(Continued)*

At 31 March 2008

	Notes	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Non-current liabilities			
Bank borrowings			
– amounts due after one year	14	**32,990**	43,742
Obligations under finance leases			
– amounts due after one year	15	**8,671**	8,732
Provisions	16	**13,077**	14,720
Retirement benefit plans	17	**266,498**	277,199
Deferred tax liabilities	18	**20,288**	22,033
		341,524	366,426
Net assets		**341,874**	337,195
Capital and reserves			
Share capital	19	**55,706**	55,706
Reserves	20	**286,168**	281,489
Total equity		**341,874**	337,195

Condensed Consolidated Statement of Recognised Income and Expense

For the six months ended 31 March 2008

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
Exchange difference arising on translation of foreign operations	(10,592)	7,874
Recognition of actuarial (losses) gains on defined benefit plan	(4,070)	74,117
Change in fair value in available for sale investments	(589)	—
Net expenses recognised directly in equity	(15,251)	81,991
Profit for the period	19,868	20,549
Total income and expense recognised for the period	4,617	102,540
Attributable to:		
Equity holders of the Company	4,617	64,365
Minority interests	—	38,175
	4,617	102,540

Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2008

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
Net cash generated from (used in) operating activities	**11,813**	(49,152)
Net cash used in investing activities		
Purchase of property, plant and equipment	**(4,827)**	(9,389)
Proceeds from disposal of property, plant and equipment	**1,296**	3,212
Disposal of a subsidiary, net of cash and cash equivalents sold *(note 21)*	**(3,408)**	—
Purchase of available for sale investments	**(3,816)**	—
Other investing cash flows	**1,799**	2,172
	(8,956)	(4,005)
Net cash used in financing activities		
New bank loans raised	**—**	1,650
Net cash inflow in trust receipts and export loans	**14,589**	2,905
Repayments of bank loans	**(12,261)**	(6,359)
Other financing cash flows	**(11,682)**	(5,165)
	(9,354)	(6,969)
Net decrease in cash and cash equivalents	**(6,497)**	(60,126)
Effect of foreign exchange rate changes	**(14,626)**	4,850
Cash and cash equivalents at the beginning of the period	**104,977**	159,547
Cash and cash equivalents at the end of the period	**83,854**	104,271
Analysis of the balance of cash and cash equivalents:		
Bank balances and cash	**94,191**	104,271
Bank overdrafts	**(10,337)**	—
	83,854	104,271

1. Basis of Preparation

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

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries (together referred to as "the Group") since the September 2007 annual financial statements. The condensed consolidated interim financial statements do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year end 30 September 2007 that is included in the condensed consolidated interim financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements.

2. Principal Accounting Policies

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

The accounting policies adopted in the condensed financial statements are consistent with those followed in the preparation of the audited financial statements of the Group for the period ended 30 September 2007 except the measurement of derivative financial instruments.

Derivative financial instruments, which include forward exchange contracts, are initially recognised at fair value on the date on which the derivative contracts are entered into and subsequently remeasured at their fair value. Fair values are based on quoted market prices in active markets. Changes in the fair value of the derivatives are recognised in profit or loss. The derivatives are classified as financial assets when their values are positive and as financial liabilities when their fair values are negative.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 October 2007. The Group so far has concluded that the adoption of these new and revised HKFRSs, to the extent that they are relevant to the Group and which are expected to be reflected in the annual financial statements for the year ending 30 September 2008, would not have a significant impact on the Group's results of operations and financial position, except for the adoption of the amendment to HKAS 1 "Presentation of financial statements: Capital disclosures" and HKFRS 7 "Financial instruments: Disclosures" which require additional disclosures to be made in the 2008 annual consolidated financial statements.

2. Principal Accounting Policies *(Continued)*

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

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK (IFRIC) – INT 12	Service Concession Agreements [3]
HK (IFRIC) – INT 13	Customer Loyalty Programmes [4]
HK (IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 January 2008

4 Effective for annual periods beginning on or after 1 July 2008

3. Turnover and Segment Information

Business segments

The Group's principal activities are: the contract manufacturing of OEM products and rechargeable battery products; and 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.

For the period from 1 October 2007 to 31 March 2008

	Contract manufacturing OEM products HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
Turnover						
External sales	257,819	309,870	91,156	53,173	—	712,018
Inter-segment sales	—	3,942	1,752	297	(5,991)	—
	257,819	313,812	92,908	53,470	(5,991)	712,018
Profit						
Segment profit	6,173	7,143	8,676	9,436	—	31,428
Unallocated corporate income and expenses						3,273
Interest income						1,798
Share of results of an associate						638
Profit on sale of a subsidiary						23
Finance costs						(6,547)
Profit before taxation						30,613
Income tax charge						(10,745)
Profit for the period						19,868

3. Turnover and Segment Information *(Continued)*

Business segments *(Continued)*

For the period from 1 October 2006 to 31 March 2007

	Contract manufacturing OEM products HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
Turnover						
External sales	248,270	299,586	77,174	45,116	—	670,146
Inter-segment sales	5,036	12,108	7,841	256	(25,241)	—
	253,306	311,694	85,015	45,372	(25,241)	670,146
Profit						
Segment profit	4,234	12,037	7,837	4,532	—	28,640
Unallocated corporate income and expenses						(8,001)
Interest income						2,153
Share of results of an associate						594
Discount on acquisition						2,411
Finance costs						(4,426)
Profit before taxation						21,371
Income tax charge						(822)
Profit for the period						20,549

3. Turnover and Segment Information *(Continued)*

Geographical segments

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

Turnover by geographical market

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
The People´s Republic of China (the"PRC"):		
Mainland China	**22,878**	23,379
Hong Kong	**19,958**	20,673
	42,836	44,052
United States of America, South America and Canada	**105,884**	105,355
Mainland Europe (excluding UK)	**208,616**	171,104
UK	**180,916**	187,119
Australasia	**84,689**	64,529
Asia (excluding the Mainland China and Hong Kong)	**55,340**	49,691
Others	**33,737**	48,296
	712,018	670,146

4. Finance Costs

Finance costs comprise:

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	**5,890**	3,536
Interest on obligations under finance leases	**657**	486
Interest on retirement benefit obligations	**—**	404
	6,547	4,426

5. Discount on Acquisition

During the six month period to 31 March 2007, part of the estimated professional cost accruals directly attributable to the acquisition of Spear & Jackson, Inc. was settled. Excess provisions of HK$2,411,000 were released in that period and were shown as an adjustment to the discount on acquisition initially recognized in the year to 30 September 2006.

6. Profit Before Taxation

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**15,107**	12,341
Allowance for (reversal of) bad and doubtful debts	**2,209**	(4,418)
Write-off of inventories	**2,177**	2,714
Release of prepaid lease payments	**8**	8
Share-based payment expenses in respect of share options granted	**62**	126
Retirement benefit plan expenses	**4,034**	5,090
Loss on disposal of property, plant and equipment	**129**	—
Severance payments	**1,665**	—
and after (crediting):		
Fair value gains on derivative financial instruments	**(3,225)**	—
Interest income	**(1,798)**	(2,153)
Gains on disposal of property, plant and equipment	**—**	(1,842)

7. Income Tax Charge

The charge for the period comprises:

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
Current Taxation		
Hong Kong	**—**	(42)
Mainland China	**(368)**	(8)
United States of America	**(63)**	—
France	**(273)**	(527)
New Zealand	**(376)**	(105)
	(1,080)	(682)
Deferred Taxation *(note 18)*	**(9,665)**	(140)
	(10,745)	(822)

Hong Kong Profits Tax is calculated at 17.5% (2007 – 17.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

On 16 March 2007 the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax ("the New Law"). On 6 December 2007 the State Council of the PRC issued Implementation Regulations of the New Law. Pursuant to the New Law and Implementation Regulations the enterprise income tax for domestic and foreign invested enterprises will be unified at 25% effective from 1 January 2008. There will be a transitional period for the PRC's subsidiaries that are currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an Enterprise Income Tax rate lower than 25% will continue to enjoy the lower tax rate and will be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008.

8. Dividends

Dividends attributable to the interim period:

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
Interim dividend declared and paid after the interim period end of 0.5 HK cents per ordinary share (2007 – nil)	**2,785**	—

At a Board meeting held on 17 June 2008, the directors approved the payment of an interim dividend of 0.5 HK cents per ordinary share for the six months ended 31 March 2008 (2007 – nil). The interim dividend will be distributed on or about 29 August 2008 to shareholders whose names appear on the register of members of the Company as at the close of business on 22 August 2008.

The interim dividend has not been recognised as a liability at the balance sheet date.

9. Earnings per Share

The calculation of the basic and diluted earnings per share for each of the six month periods ended 31 March 2008 and 31 March 2007 under review is computed based on the following data:

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to equity holders of the Company)	**19,868**	13,260
	Number '000	Number '000
Number of shares:		
Weighted average number of ordinary shares for purpose of calculating basic earnings per share	**557,058**	557,058
Deemed issue of ordinary shares – share option	**7,680**	—
Weighted average number of ordinary shares for purpose of calculating diluted earnings per share	**564,738**	n/a
Basic earnings per share	**3.57 cents**	2.38 cents
Diluted earnings per share	**3.52 cents**	n/a
Memorandum:		
Earnings per share excluding discount on acquisition		
Basic	**3.57 cents**	1.95 cents
Diluted	**3.52 cents**	n/a

9. Earnings per Share *(Continued)*

Diluted earnings per share have not been presented for the period from 1 October 2006 to 31 March 2007 because the exercise price of the Company's share options was higher than the average market price of the shares for the period.

10. Property, Plant and Equipment

During the period, the Group spent approximately HK$9,113,000 (1.10.2006 – 31.3.2007 HK$19,380,000) on property, plant and equipment.

During the period, the Group disposed of certain items of property, plant and equipment with a carrying value of approximately HK$1,425,000 for proceeds of approximately HK$1,296,000 resulting in a loss on disposal of HK$129,000.

11. Debtors and Prepayments

Debtors and prepayments include trade debtors of HK$297,822,000 (30.9.2007 – HK$285,438,000). The aged analysis of trade debtors at the balance sheet date is as follows:

	31.3.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(audited)
Within 0-60 days	**262,790**	222,000
Within 61-90 days	**14,739**	24,455
Within 91-120 days	**10,443**	15,525
After more than 120 days	**9,850**	23,458
	297,822	285,438

The Group allows credit periods ranging from 30 to 120 days (30.9.2007 – 30 to 120 days) to its trade customers depending on their credit status and geographical location. The directors consider that the carrying amount of debtors and prepayments approximates its fair value.

12. Derivative Financial Instruments

	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Foreign exchange forward contracts	**3,225**	—

13. Creditors and Accrued Charges

Creditors and accrued charges include trade creditors of HK$201,090,000 (30.9.2007 – HK$186,700,000). The aged analysis of trade creditors at the balance sheet date is as follows:

	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Due within 0 – 60 days	**186,306**	174,762
Due within 61 – 90 days	**9,273**	6,692
Due after 90 days	**5,511**	5,246
	201,090	186,700

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

14. Bank Overdrafts and Bank Borrowings

	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Bank overdrafts	**10,337**	—
Bank borrowings comprise:		
Export invoices/loan financing	**65,109**	40,744
Trust receipts/finance loans	**10**	9,308
Other bank loans	**54,415**	66,676
	119,534	116,728
Total overdrafts and bank borrowings	**129,871**	116,728
Analysed as:		
Secured	**129,871**	116,728
Unsecured	—	—
	129,871	116,728
Bank overdrafts and bank borrowings are repayable as follows:		
Within one year or on demand	**96,881**	72,986
More than one year, but not exceeding five years	**32,990**	43,742
	129,871	116,728

The bank overdrafts and borrowings are denominated in Hong Kong Dollars, Pounds Sterling and Euros and 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 5.54% to 8.5% per annum (30.9.2007 – 6% to 12.8% per annum).

The fair values of the Group´s bank overdrafts and 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.

15. Obligations Under Finance Leases

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

	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Within one year	**8,847**	9,212
In the second to fifth years inclusive	**9,526**	9,341
	18,373	18,553
Less future finance charges	**(1,715)**	(1,491)
Present value of lease obligations	**16,658**	17,062
Amounts due for settlement:		
Within one year	**7,987**	8,330
After one year	**8,671**	8,732
	16,658	17,062

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair values of the Group's finance lease obligations, determined by the present value of estimated future cash flows discounted using the prevailing market rate at the balance sheet date, approximate to their carrying values.

16. Provisions

	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1 October 2006	18,968	12,449	31,417
Utilisation of provision	(1,670)	(11,258)	(12,928)
Provision for the period	1,127	107	1,234
Exchange differences	717	281	998
At 31 March 2007	19,142	1,579	20,721
Utilisation of provision	(1,758)	(1,192)	(2,950)
Provision for the period	425	369	794
Exchange differences	615	273	888
At 30 September 2007	18,424	1,029	19,453
Utilisation of provision	(1,712)	—	(1,712)
Provision for the period	401	—	401
Exchange differences	(399)	(23)	(422)
At 31 March 2008	**16,714**	**1,006**	**17,720**

	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Analysed for reporting purposes as:		
Current liabilities	**4,643**	4,733
Non-current liabilities	**13,077**	14,720
	17,720	19,453

The onerous contract provisions represent the estimated present value of the future lease payments that the Group is presently obligated to make under non-cancelable operating lease contracts in respect of unoccupied UK leased premises, less revenue expected to be earned on the 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.

17. Retirement Benefits Plans

The Group operates a defined contribution retirement benefits scheme and a defined benefit plan. The details of the defined contribution retirement benefit scheme are consistent with those disclosed in the financial report of the Group for the year ended 30 September 2007. Details of the defined benefit plan are described as below.

The Group operates a contributory defined benefit pension plan covering certain of its employees in the UK based subsidiaries of Spear & Jackson ("S&J") named the James Neill Pension Plan ("the Plan"). The benefits covered by the Plan are based on years of service, compensation history and final salaries of participating employees. 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 Group's contributions for the period from 1 October 2006 to 30 September 2007 amounted to £1.9 million Sterling (approximately HK$28.2 million). These contributions represented payments under two successive funding arrangements agreed between the sponsoring employer and the trustees of the Plan. From 1 October 2006 to 31 July 2007 contributions were made at an annual rate of £1.5 million Sterling (approximately HK$22 million). When this funding arrangement came to an end, an interim arrangement was reached between the employer and 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 paid to the Plan on 1 August 2007 and that employer contributions would then continue at an annual rate of £1.9 million Sterling (approximately HK$30 million) until a revised schedule of contributions was formally agreed by the parties involved. This interim arrangement has now been agreed in principle and, subject to UK Pension Regulator approvals and the satisfactory execution of a charge in favour of the Plan representing 50% of the value of the Group's manufacturing plant in Sheffield, England, contributions are to continue at a fixed annual rate of £1.9 million Sterling (approximately HK$30 million) for two years. Thereafter, contributions will rise to £3.65 million Sterling (approximately HK$57 million) for the following two years and will then revert to £3.25 million Sterling (approximately HK$50 million) for a further three and a half years. This contribution schedule may be subject to revision and amendment in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of Plan investments and liabilities.

17. Retirement Benefits Plans *(Continued)*

The last formal valuation of the Pension Plan, for accounting valuation purposes, was carried out by the Group's actuary at 30 September 2007. This valuation has been updated to 31 March 2008 for the purposes of this Interim Report.

The principal financial assumptions used for the purpose of the actuarial valuations of the Pension Plan at 31 March 2008 and 30 September 2007 are detailed below:

	31.3.2008	30.9.2007
Long term rate of increase in pensionable salaries	**3.70%**	3.40%
Rate of increase of benefits in payment	**3.30%**	3.00%
Rate of increase of benefits in payment	**2.90%**	2.70%
Discount rate	**6.55%**	5.95%
Inflation assumption	**3.50%**	3.20%
Expected return on equities	**n/a**	8.70%
Expected return on bonds	**n/a**	5.95%
Expected return on cash	**n/a**	5.75%

The methodology and criteria underlying the calculation and setting of the assumptions at 31 March 2008 are consistent with those used to determine the comparable assumptions disclosed in the financial report of the Group for the year ended 30 September 2007.

17. Retirement Benefits Plans *(Continued)*

The amount recognised in the condensed consolidated balance sheet in respect of the Plan is as follows:

	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Fair value of Plan assets:		
Equities	738,322	818,840
Bonds	672,382	715,815
Cash	5,494	10,146
Insurance policies	21,650	23,046
	1,437,848	1,567,847
Present value of funded obligations	(1,704,346)	(1,845,046)
Net liability recognised in the balance sheet	(266,498)	(277,199)

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

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 30.3.2007 HK$'000 (audited)
Current service cost	4,676	4,681
Expected return on assets	(53,794)	(47,590)
Interest cost	53,152	47,999
	4,034	5,090

The charge for the period in respect of the current service cost is included in administrative costs in the condensed consolidated income statement. The net excess or deficit of expected return on assets over interest cost is disclosed in interest income or finance costs, as appropriate.

17. Retirement Benefits Plans *(Continued)*

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

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.4.2007 to 30.9.2007 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
At the beginning of the period	**1,845,046**	1,881,297	1,879,386
Currency realignment	**(41,385)**	59,838	73,693
Current service cost	**4,676**	5,859	4,681
Interest cost	**53,152**	49,786	47,999
Member contributions	**2,475**	2,582	2,803
Benefit payments	**(41,341)**	(19,864)	(41,991)
Actuarial gains	**(118,277)**	(134,452)	(85,274)
At the end of the period	**1,704,346**	1,845,046	1,881,297

Changes in the fair values of the Plan´s assets

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.4.2007 to 30.9.2007 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
At the beginning of the period	**1,567,847**	1,536,615	1,467,610
Currency realignment	**(35,325)**	49,302	57,758
Employer contributions	**14,323**	30,067	14,002
Member contributions	**2,475**	2,582	2,803
Expected return on assets	**53,794**	50,318	47,590
Benefit payments	**(41,341)**	(19,864)	(41,991)
Actuarial losses	**(123,925)**	(81,173)	(11,157)
At the end of the period	**1,437,848**	1,567,847	1,536,615

17. Retirement Benefits Plans *(Continued)*

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

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.4.2007 to 30.9.2007 HK$'000 (unaudited)	1.10.2006 to 31.3.2007 HK$'000 (unaudited)
Actuarial (losses) gains	**(5,648)**	53,279	74,117

The cumulative amount of actuarial gains, before tax, recognised in the condensed consolidated statement of recognised income and expense, is HK$111,092,000 (30.9.2007 – HK$116,740,000).

The history of experience adjustments is as follows:

	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Present value of defined benefit obligation	**(1,704,346)**	(1,845,046)
Fair value of plan assets	**1,437,848**	1,567,847
Deficit	**(266,498)**	(277,199)
Experience gains adjustment on Plan liabilities	**118,277**	219,726
Experience losses adjustment on Plan assets	**(123,925)**	(92,330)

17. Retirement Benefits Plans *(Continued)*

The actuarial valuation showed that the market value of the Plan assets at 31 March 2008 was HK$1,437,848,000 (30.9.2007 – HK$1,567,847,000) and that the actuarial value of these assets represented 84% (30.9.2007 – 85%) of the benefits that had accrued to members. The shortfall of HK$266,498,000 (30.9.2007 – HK$277,199,000) is to be cleared in accordance with a repayment and funding schedule compliant with current UK pensions legislation and determined after consultation with, and agreement by, the Trustees of the Plan. As detailed above, a funding agreement has now been agreed in principle between the sponsoring employer and the trustees of the Plan and, as a result, the Group currently estimates that the shortfall will be cleared in approximately 7.5 years. This arrangement remains subject to agreement by the UK Pensions Regulator. The Company believes that this settlement will be formally ratified by the UK Pensions Regulator in due course.

18. 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 1 October 2006	(1,825)	6,814	(21,019)	96,243	12,036	2,598	94,847
(Charged) credited to condensed consolidated income statement *(note 7)*	(398)	843	335	—	(920)	—	(140)
Exchange differences	—	266	(788)	3,758	531	—	3,767
At 31 March 2007	(2,223)	7,923	(21,472)	100,001	11,647	2,598	98,474
(Charged) credited to condensed consolidated income statement	2,223	3,217	1,510	(11,393)	(1,685)	1,305	(4,823)
Recognition of actuarial gains on retirement benefit obligation	—	—	—	(13,830)	—	—	(13,830)
Exchange differences	—	304	(600)	2,844	297	143	2,988
At 30 September 2007	—	11,444	(20,562)	77,622	10,259	4,046	82,809
(Charged) credited to condensed consolidated income statement *(note 7)*	—	(1,877)	264	(2,963)	(4,189)	(900)	(9,665)
Recognition of actuarial losses on retirement benefit obligation	—	—	—	1,578	—	—	1,578
Reclassifications	—	—	—	93	(93)	—	—
Exchange differences	—	(390)	10	(1,724)	(205)	(85)	(2,394)
At 31 March 2008	**—**	**9,177**	**(20,288)**	**74,606**	**5,772**	**3,061**	**72,328**

18. Deferred Tax *(Continued)*

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	31.3.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(audited)
Deferred tax liabilities	**(20,288)**	(22,033)
Deferred tax assets	**92,616**	104,842
	72,328	82,809

The majority of the Group's deferred tax assets relate to temporary differences originating in its UK subsidiaries relating to the UK pension plan and other items including tax losses and tax credits. The Group records deferred tax assets in respect of tax losses and other tax credits only when there is a reasonable expectation that these tax losses and credits will be utilized in the foreseeable future.

18. Deferred Tax *(Continued)*

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

	31.3.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(audited)
Unused tax losses	**379,351**	394,897
Capital losses	**130,765**	124,821
Other temporary differences	**48,608**	49,716
Other tax credits	**457,354**	467,755
	1,016,078	1,037,189

The tax losses and other tax credits principally arise in Hong Kong, the UK, France and Australia and can be carried forward indefinitely. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilization of any significant portion of the above tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future.

19. Share Capital

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 March 2008 and 30 September 2007	1,000,000,000	100,000
Issued and fully paid		
At 31 March 2008 and 30 September 2007	557,058,400	55,706

20. Reserves/Minority Interests

	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000
At 1 October 2006 (audited)	13,527	479	1,442	19,870	(1,302)	—	93,095	127,111	44,011
Exchange differences arising on translation of foreign operations	—	—	—	—	5,301	—	—	5,301	2,573
Recognition of actuarial gains on defined pension plan (net of tax)	—	—	—	—	—	—	45,804	45,804	28,313
Net expenses recognised directly in equity	—	—	—	—	5,301	—	45,804	51,105	30,886
Profit for the period	—	—	—	—	—	—	13,260	13,260	7,289
Total income and expense recognised for the period	—	—	—	—	5,301	—	59,064	64,365	38,175
Recognition of equity settled share based payments	—	126	—	—	—	—	—	126	—
At 31 March 2007 (unaudited)	13,527	605	1,442	19,870	3,999	—	152,159	191,602	82,186
Exchange differences arising on translation of foreign operations	—	—	—	—	2,271	—	—	2,271	3,373
Recognition of actuarial gains on defined benefit plan (net of tax)	—	—	—	—	—	—	24,380	24,380	15,069
Net expenses recognised directly in equity	—	—	—	—	2,271	—	24,380	26,651	18,442
Profit for the period	—	—	—	—	—	—	63,110	63,110	7,723
Total income and expense recognised for the period	—	—	—	—	2,271	—	87,490	89,761	26,165
Acquisition of minority interests	—	—	—	—	—	—	—	—	(108,351)
Recognition of equity settled share based payments	—	126	—	—	—	—	—	126	—
At 30 September 2007 (audited)	13,527	731	1,442	19,870	6,270	—	239,649	281,489	—
Exchange differences arising on translation of foreign operations	—	—	—	—	(10,592)	—	—	(10,592)	—
Change in fair value	—	—	—	—	—	(589)	—	(589)	—
Recognition of actuarial losses on defined benefit plan (net of tax)	—	—	—	—	—	—	(4,070)	(4,070)	—
Net expenses recognised directly in equity	—	—	—	—	(10,592)	(589)	(4,070)	(15,251)	—
Profit for the period	—	—	—	—	—	—	19,868	19,868	—
Total income and expense recognised for the period	—	—	—	—	(10,592)	(589)	15,798	4,617	—
Recognition of equity settled share based payments	—	62	—	—	—	—	—	62	—
At 31 March 2008 (unaudited)	**13,527**	**793**	**1,442**	**19,870**	**(4,322)**	**(589)**	**255,447**	**286,168**	—

21. Disposal of a Subsidiary

On 7 January 2008 Bowers Metrology Limited, a subsidiary undertaking of United Pacific Industries Limited, disposed of its wholly owned subsidiary, CV Instruments Europe BV Limited, a company incorporated in the Netherlands. Details of the net assets sold and the gain arising on the sale are as follows:

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)
Net assets disposed:	
Property, plant and equipment	1,297
Inventories	7,940
Debtors and prepayments	2,570
Amounts receivable from group companies	987
Cash and cash equivalents	3,867
Creditors and accruals	(1,308)
Intercompany debt	(14,917)
	436
Gain on sale	23
Total consideration received satisfied by cash	459
Net cash outflow arising on sale:	
Cash consideration received	459
Cash and cash equivalents sold	(3,867)
	(3,408)

22. Major Non-cash Transactions

During the period, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$4,286,000 (1.10.2006 to 31.3.2007 – HK$9,991,000).

23. 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 (30 September 2007 – HK$27,500,000).

The Group has pledged land and buildings and plant and machinery having a net book value of approximately HK$125,825,000 (30 September 2007 – HK$130,713,000) to secure general banking facilities granted to the Group.

24. Related Party Transactions

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

	1.10.2007 to 31.3.2008 HK$'000 (unaudited)	1.10.2006 to 30.3.2007 HK$'000 (unaudited)
Short-term benefits	**4,935**	1,029
Mandatory provident fund contribution	**6**	6
Share-based payments	**15**	87
	4,956	1,122

Other than the emoluments paid to the directors and other key management of the Group, the Group has not entered into any other related party transactions.

25. 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 Company's PRC based subsidiaries in respect of the fiscal years 2000 to 2004. In the opinion of the directors no provision is required in these accounts since this enquiry is ongoing and the amount of the liabilities, if any, cannot be reliably determined.

25. Contingent Liabilities *(Continued)*

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.

26. Derivative Financial Instruments

The Company has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. A change in the fair values of non-hedging currency derivatives amounting to HK$3,225,000 was credited to the income statement during the period.

27. Commitments

(a) Capital commitments

The Group announced in February 2008 that it had entered into an agreement to purchase the entire share capital of a Singapore-based computer lead frame manufacturer, Jade Precision Engineering Pte. Ltd., ("JPE"). The purchase consideration comprises approximately S$4 million (approximately HK$22 million) for JPE's net tangible assets at a 75% discount to their book value (stated prior to any fair value adjustments to be applied by the Group on acquisition), to be settled in shares and cash, and approximately S$2.5 million (approximately HK$14 million) for cash liabilities to be assumed by the Company, relating to the cost of new machinery and leased plant premises to be acquired by JPE. There have been a number of issues affecting the parent company of JPE that have delayed the completion of this purchase. JPE's parent will now convene an EGM for the middle of July at which the shareholders will be asked to approve the transaction. Subject to a favourable vote, it is anticipated that the purchase can be completed by 31 July 2008.

The Group did not have any other significant capital commitments as at 31 March 2008 and 30 September 2007.

27. Commitments *(Continued)*

(b) Operating lease commitments

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

	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Operating leases which expire:		
Within one year	**14,704**	14,754
In the second to fifth years inclusive	**29,902**	33,650
Over five years	**10,025**	8,880
	54,631	57,284

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-cancelable operating lease commitments, the following liabilities have been recognized:

	31.3.2008 HK$'000 (unaudited)	30.9.2007 HK$'000 (audited)
Onerous lease contracts *(Note 16)*		
Within one year	**3,637**	3,704
In the second to fifth years inclusive	**13,077**	14,720
	16,714	18,424

27. Commitments *(Continued)*

(c) The Group as lessor

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

	31.3.2008	30.9.2007
	HK$'000	HK$'000
	(unaudited)	(audited)
Within one year	**1,238**	841
In the second to fifth years inclusive	**542**	2,596
Over five years	**4,704**	5,796
	6,484	9,233

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

28. Post Balance Sheet Events

On 12 May 2008 Neill Tools Limited, a UK based subsidiary of United Pacific Industries Limited, announced the proposed re-location of its Wood Saws, Builders Tools and Hand Tools manufacturing operations to an overseas partner. This initiative could affect sixty workers. Consultation procedures are underway that will allow employees to put forward suggestions that may change the scope of this proposal. The decision to transfer manufacturing has been made in light of significant increases in the price of raw materials and utilities and will allow the Group to realign these operations with changing market conditions.

In the opinion of the Company's Directors, it is not practical to assess the full financial impact of the above.

In June 2008 the directors proposed a bonus issue of one new ordinary share of HK$0.10 to be credited as fully paid, for every five shares held. The bonus issue is subject to shareholders' approval to be sought at a special general meeting to be convened. As a result of the Bonus Issue, adjustments may be required to both the exercise price and the number of outstanding Options granted under the Share Option Schemes operated by the Company.

In order to provide the Company with flexibility for future expansion and growth by means of issuing new shares and fund raising activities as the directors may consider appropriate from time to time, the directors have also proposed to increase the authorized share capital of the Company to HK$150,000,000, divided into 1,500,000,000 ordinary shares of HK$0.10 each by the creation of an additional 500,000,000 unissued shares. The increase in the authorized share capital of the Company is conditional upon the passing of an ordinary resolution by the shareholders at the special general meeting to be convened.

Notice of the special general meeting and the circular relating to the proposed bonus issue of shares and proposed increase in authorized share capital will be dispatched to the shareholders in due course.

Review by Audit Committee

The unaudited interim results for the six months ended 31 March 2008 have been reviewed by the Company's Audit Committee. The information in these interim results does not constitute statutory accounts.

Interim Dividend

The directors have declared an interim dividend of 0.5 HK cents per ordinary share for the six months ended 31 March 2008 (six months ended 31 March 2007 – Nil). The interim dividend will be paid on or about 29 August 2008 to shareholders whose names appear in the register of members as at the close of business on 22 August 2008.

Bonus issue of shares

The directors propose a bonus issue of one new ordinary share of HK$0.10 to be credited as fully paid, for every five shares held. If any fractional shares (interests smaller than a whole share) fall to be issued as part of this distribution, the fractional shares will not be issued to shareholders but will be aggregated and sold for the benefit of the Company.

The bonus issue is subject to shareholders' approval to be sought at a special general meeting to be convened.

Share option scheme adjustment

As at the Latest Practicable Date, there are 18,639,736 outstanding share options in aggregate (the "Options") granted under the Company's share option schemes adopted in April 1994 and in September 2004 (the "Share Option Schemes") which carry rights to acquire an aggregate of 18,639,736 Shares.

As a result of the Bonus Issue, adjustments may be required to both the exercise price and the number of outstanding Options granted under the Share Option Schemes.

Increase in authorized share capital

In order to provide the Company with flexibility for future expansion and growth by means of issuing new shares and fund raising activities as the directors may consider appropriate from time to time, the directors propose to increase the authorized share capital of the Company to HK$150,000,000, divided into 1,500,000,000 ordinary shares of HK$0.10 each by the creation of an additional 500,000,000 unissued shares. The increase in the authorized share capital of the Company is conditional upon the passing of an ordinary resolution by the shareholders at the special general meeting to be convened.

Notice of the special general meeting and the circular relating to the proposed bonus issue of shares and proposed increase in authorized share capital will be dispatched to the shareholders in due course.

Closure of Share Transfer Registration

The register of members of the Company will be closed from 18 to 22 August 2008 (both days inclusive) during which period no transfer of shares will be effected. The record date to qualify for the 2008 interim dividend and the proposed bonus shares (subject to shareholders' approval) is 22 August 2008. All transfers of shares, accompanied by the relevant share certificates must be lodged with Tricor Secretaries Limited, the Company´s transfer office and share registrar in Hong Kong, whose address is 26/F Tesbury Centre, 28 Queen´s Road East, Hong Kong no later than 4:30 pm on 15 August 2008.

Employees

At 31 March 2008 the Group employed 705 executive and clerical staff and 2,230 factory workers. The remuneration of such staff and workers is determined by overall guidelines for each category of employees, commensurate with qualification and experience. The Group has adopted a discretionary bonus program, share option scheme, medical insurance and personal accident insurance for certain categories of employees. Incentive awards for certain categories of employees are determined annually based on various criteria, including the performance of the Group as a whole and the careful assessment of the performance of each participating employee individually.

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

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

As at 31 March 2008, 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. The Company

Name	Capacity	Number of ordinary shares	Percentage interest in the Company's issued
Mr. Brian C Beazer	Interest in a controlled corporation *(Note1)*	136,827,775	24.56%
Mr. David H Clarke	Interest in a controlled corporation *(Note2)*	127,439,723	22.88%
Mr. Simon N Hsu	Interest in a controlled corporation *(Note3)*	3,787,158	0.68%

Notes:

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

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

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

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

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 31 March 2008, neither the directors nor chief executive, nor any of their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Shareholders with Notifiable Interests

As at 31 March 2008, 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	Capacity	Number of ordinary shares	Percentage interest in the Company's issued share capital
Mr. Brian C Beazer	Interest in a controlled corporation *(Note1)*	136,827,775	24.56%
Mr. David H Clarke	Interest in a controlled corporation *(Note2)*	127,439,723	22.88%
Investor AB	Interest in a controlled corporation *(Note3)*	74,836,000	13.43%

Notes:

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

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

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

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

Save as disclosed above, as at 31 March 2008, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

Share Options and Directors' Rights to Acquire Shares or Debentures

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

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

Name of directors	Date of grant	Exercise price HK$	Number of option shares outstanding at 30.9.2007 and 31.3.2008
Mr. Brian C Beazer	23.7.2003	0.36	2,000,000
Mr. Simon N Hsu	23.7.2003	0.36	3,000,000
			5,000,000

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

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

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

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

Name of directors	Date of grant	Exercise price HK$	Outstanding at 30.9.2007	Lapsed during the period	Outstanding at 31.3.2008
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	28.9.004	0.242	1,638,405	—	1,638,405
	20.12.004	0.250	1,392,645	—	1,392,645
			13,639,736	—	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.

Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding share options as set out above, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 March 2008 and there had been no exercise of convertible securities, options, warrants or similar rights during the period.

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

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

Pre-Emptive Rights

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

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the unaudited interim consolidated financial statements for the six months ended 31 March 2008.

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

Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 March 2008, with the exception of the following deviations:

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

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

Model Code for Securities Transactions

The Company has adopted its own Code for Securities Transactions by Officers (the "Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Listing Rules of The Stock Exchange. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code during the period under review.