United Pacific Industries
聯太工業

Stock Code: 176

2008
Annual Report

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 prudently manage our key business assets and to optimally allocate internal resources.
- To expand progressively by optimizing growth opportunities both by mergers and acquisitions.

Chairman's Report

For the fiscal year ended 30 September 2008 the UPI Group posted record sales and profits after excluding the effects of discounts on acquisition and restructuring costs. This was achieved despite deteriorating conditions in both the industrial and financial worlds.

Our sales of HK$1,437.6 million compare favourably with 2007's sales of HK$1,402.3 million, an increase of 2.5%. Profit attributable to shareholders was HK$66.7 million (2007 - HK$76.4 million) and basic earnings per share ("EPS") was 9.74 HK cents (2007 - 11.28 HK cents).

The above earnings figures are stated after inclusion of discounts on acquisition of HK$46.7 million (2007 - HK$60.1 million) and restructuring costs of HK$17.7 million (2007 - HK$0.5 million). The 2008 adjusted EPS (calculated after deducting discounts on acquisition in both years, adding back restructuring costs in both years and adjusting both years' figures for the bonus share issue in 2008) is 5.51 HK cents, an increase of 3.04 HK cents over last year's 2.47 HK cents, calculated on the same basis.

The economic backdrop in 2008 was one of increasing difficulty created initially by rising raw material prices and increased labour costs, and latterly by large fluctuations in currencies, increased turmoil in the financial world and increasingly skittish consumers of end products.

The restriction in credit markets has created a substantial downturn in trade. Businesses have been unable to finance ongoing programs as banks have curtailed their own operations. The near collapse of a number of major financial institutions has caused uncertainty and fear in many markets leading to extreme financial care. While all of these trends were set in motion early in our Fiscal 2008 they have worsened in the initial months of Fiscal 2009.

Beyond these general issues, during 2008 we have had to contend specifically with a spike in the price of oil to over US$145 per barrel, an increase in the price of copper to over US$8,000 per ton, labour cost increases in China in excess of 20% and an appreciation of the value of the RMB of about 10% against the US dollar. As a result of these items, our margins have been under severe pressure and it has simply not been possible, in the current market conditions, to pass these increases through to end customers. Interestingly, due to the rapid economic deterioration most raw material prices have dramatically retreated from their highs earlier this past summer but this has come too late to quickly improve the sales of manufactured products.

Set against this background we decided to restructure our wood saws and builders' tools businesses by eliminating their UK manufacturing operations and transferring these to Asia. We have reduced workers and staff which will result in substantial savings. This restructuring, which we expect to be completed by the end of March 2009, will make us more competitive and efficient resulting in enhanced profitability when the upturn comes. The Fiscal 2008 restructuring costs in respect of these reorganisation initiatives amounted to HK$9.1 million.

Turning attention to the results of our five individual businesses in 2008, they have all had to contend with the volatile market environment that I have described above. Despite these difficult conditions, both the Magnetics and the Metrology units achieved stellar results in sales, profitability and growth. These are specialized businesses which produce highly engineered industrial products that help reduce costs and improve efficiencies in a wide range of manufacturers. They also have the advantage of having less exposure to adverse raw material costs fluctuations. Our Tools and Contract Manufacturing units did not fare as well with sales and margins under pressure throughout the year. In response to these sales pressures, workforce numbers in Pantene were reduced in the year at a cost of HK$4.5 million.

Lastly, toward the end of the year we purchased Jade Precision Engineering Pte Ltd ("JPE"), a Singapore-based manufacturer of leadframes to the semi-conductor industry. Strategies have been put in place to realign the Company's manufacturing cost base and reorganisation costs of HK$4.1 million have been provided in the 2008 accounts in relation to these turn-round initiatives.

Prospects

As we enter the initial months of Fiscal 2009, your directors and management are highly focused on our ongoing financial stability and strength. The start of the current year has coincided with a period of rapid deterioration in almost all economic benchmarks and there is a great amount of uncertainty concerning the depth and duration of this downturn. The maintenance of a strong balance sheet therefore becomes of primary importance.

In commercial terms, current trading in the first quarter has shown a significant drop in sales and new orders when compared to the previous year. Our Magnetics and Metrology units are holding up well compared to the broad economy but still show signs of softness. The Tool and Contract Manufacturing units continue to see reductions in sales and orders. We expect that, on present trends, our results will be lower in 2009 than those on which we are currently reporting.

The currency markets are also proving difficult for your Group as our main functional currency is the British Pound which has lost considerable value since 30 September 2008. As a group we are benefiting from lower material costs but, in profit terms, this will not fully offset reduced sales or the adverse effects of currency fluctuations.

Long term, however, we remain optimistic. The systemic economic problems facing the world economy are being aggressively addressed by China, the United States, England, Japan, Europe and other countries. We are encouraged to see the major countries of the world acting swiftly to cure a seriously negative world economic situation and we are totally confident that the steps being taken will achieve the desired goals over time.

In the meantime, we will continue to operate defensively but will also consider opportunities which can be executed safely. In August 2008 we announced we were in discussion with Alford Industries Ltd to acquire the whole of their equity. Those negotiations are ongoing, and in an advanced stage. Assuming this transaction closes, UPI will have access to more advanced technology in high grade consumer goods.

- We intend to continue our dividend policy and the Board will recommend a final dividend of 0.5 HK cent per share, which, if approved, will be paid to shareholders whose names are on the Register of Members as at 27 February 2009.
- The dividend will be paid on or about 5 March 2009.

Staff

To all who work with us we convey our gratitude, be they shareholders, customers, bankers or suppliers. No statement would, however, be complete without reference to the commitment of our colleagues in these challenging times, without whom your Group would not function successfully.

Faithfully yours
BRIAN C BEAZER
Executive Chairman

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)*
Mr. William Fletcher
Mr. Patrick J Dyson

Non-executive Director:
Mr. Teo Ek Tor

Independent Non-executive Directors:
Mr. Henry W Lim
Mr. Ramon Sy Pascual
Dr. Wong Ho Ching, Chris
Mr. Robert B Machinist

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

General Counsel

Ms. Nila Ibrahim

Chief Financial Officer

Mr. Patrick J Dyson

Auditors
Grant Thornton

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

Head Office and Principal Place of Business in Hong Kong
Suite 2705-06, 27/F Vicwood Plaza,
199 Des Voeux Road Central, Hong Kong
Tel : (852) 2802 9988, Fax : (852) 2802 9163
Websites: www.upi.com.hk, http://unitedpacific.quamir.com

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

Chief Executive Officer, Spear & Jackson Group
Mr. William Fletcher

Chief Executive Officer, Pantene Group
Mr. Ho Hon Ching, Lewis

Chief Executive Officer, Jade Precision Engineering
Mr. Simon Lim Teng Seng

Chief Accounting Officer and Chief Taxation Officer
Ms. Alaina Shone

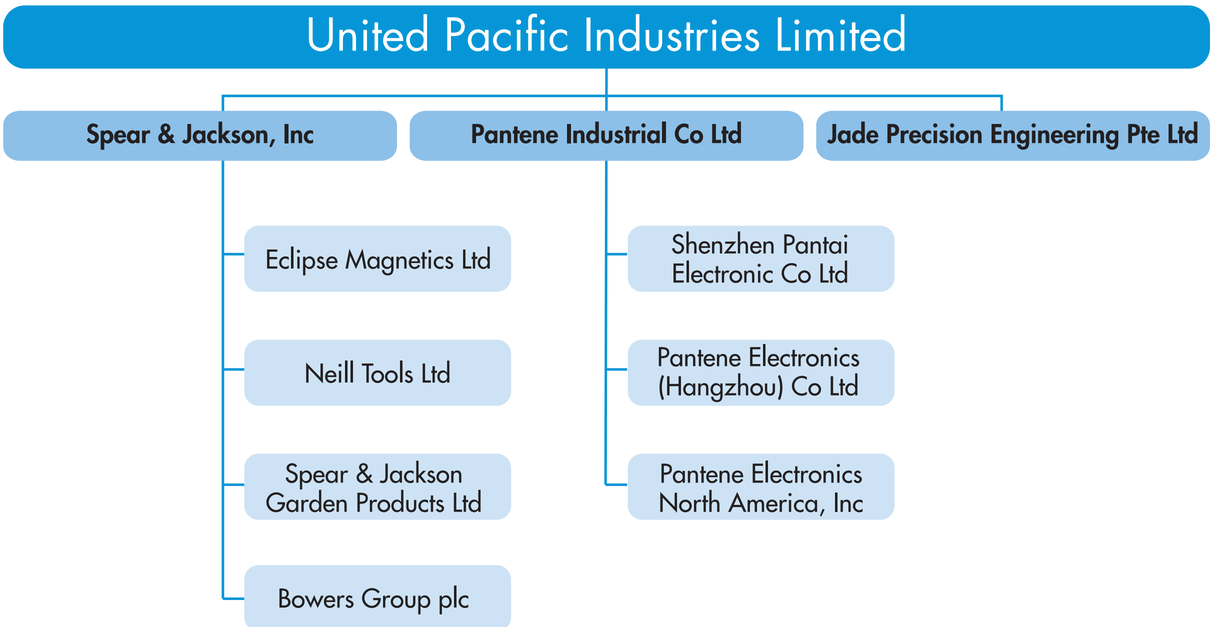
Group Financial Controller (Asia)
Mr. Fung Chow Man, Charles

Company Secretary
Mr. Som Wai Tong, Ivan

Group Profile and Financial Highlights

Group Profile

The Company and Principal Subsidiaries



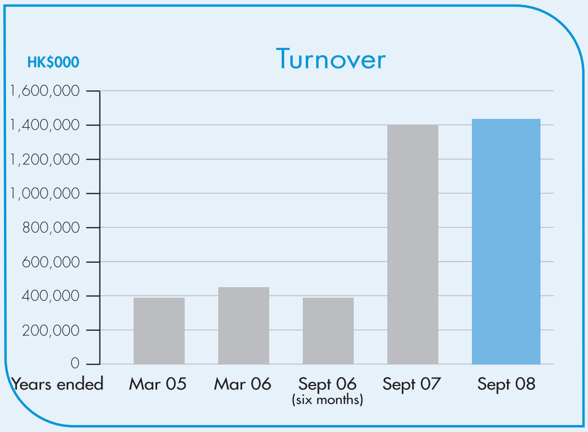
United Pacific Industries Limited ("United Pacific Industries", "UPI" or the "Company") is a diversified investment holding company. Its three principal subsidiaries are engaged in a broad range of business operations.

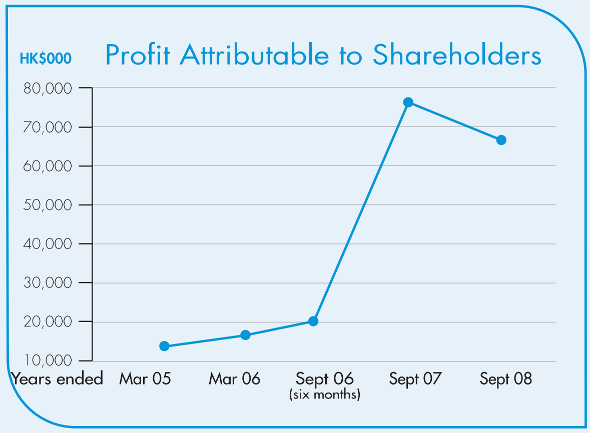
Pantene Industrial Co Ltd ("Pantene"), a wholly-owned subsidiary of the Company, and its subsidiaries (the "Pantene Group") are principally engaged in the design, production and sale of electronic and electrical products to serve consumer, business and industrial needs. Pantene also provides OEM and EMS services, as a vertically-integrated manufacturer providing a one-stop solution, from conceptualisation to design, tooling, safety and quality approvals, trial runs through mass production. Pantene's core product range includes voltage converters, cables, solenoid coils and high-voltage transformers, components for electronic/electrical/mechanical products, chargers and rechargeable battery products, security products and alarms for business and residential use.

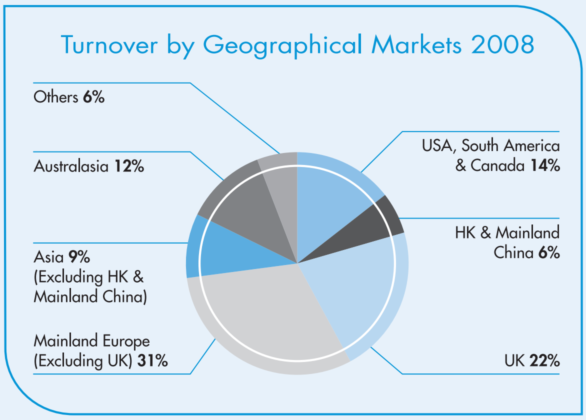
The Company acquired a majority 61.8% interest in Spear & Jackson, Inc ("Spear & Jackson", "S&J" or the "S&J Group") on 28 July 2006 and on 18 October 2007 completed the purchase of the remaining 38.2% of that company. The S&J Group is principally engaged in the manufacture, procurement and distribution of a broad line of hand, lawn and garden tools, magnetic tools and products and provision of magnetic-based industrial solutions and metrology and measurement tools.

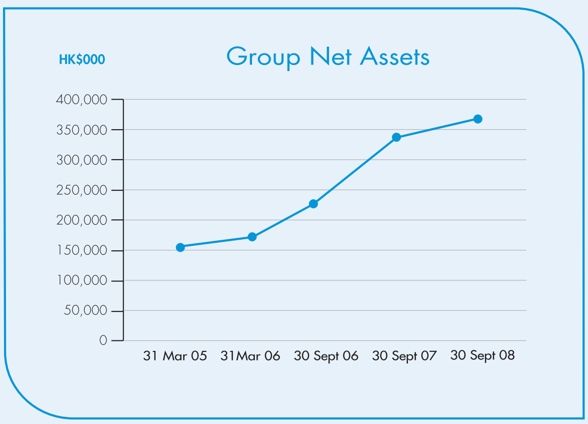
On 28 July 2008, the Company acquired a 100% interest in Jade Precision Engineering Pte Ltd ("JPE"), a company registered in Singapore, which is engaged in the manufacture and distribution of high-precision stamped, etched and plated integrated circuit leadframes for the semi-conductor industry.

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
Years ended
Mar 05
Mar 06
Sept 06
(six months)
Sept 07
Sept 08


HK$000
Profit Attributable to Shareholders
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
Years ended
Mar 05
Mar 06
Sept 06
(six months)
Sept 07
Sept 08


Turnover by Geographical Markets 2008
Others 6%
Australasia 12%
Asia 9%
(Excluding HK &
Mainland China)
Mainland Europe
(Excluding UK) 31%
USA, South America
& Canada 14%
HK & Mainland
China 6%
UK 22%


HK$000
Group Net Assets
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
31 Mar 05
31Mar 06
30 Sept 06
30 Sept 07
30 Sept 08

Financial Highlights

The following sets out the financial highlights for the year ended 30 September 2008.

	2008 HK$million
Turnover	1,437.6
Discounts on acquisition	46.7
Profit attributable to shareholders	66.7
Net assets	368.3
Cash and cash equivalents and pledged bank deposits	109.9
Net debt	(22.9)
Gearing ratio	6.23%
Basic earnings per share (in HK cents)	9.74
Diluted earnings per share (in HK cents)	9.64

Historical financial information:

	Years ended 30 September		Six month period from 1.4.2006 to	Years ended 31 March	
	2008	2007	30.9.2006	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	1,437,608	1,402,305	390,189	454,339	392,136
Cost of sales	(1,063,198)	(1,060,451)	(335,056)	(392,599)	(338,990)
Gross profit	374,410	341,854	55,133	61,740	53,146
Other income	21,844	15,225	4,916	2,482	2,982
Selling and distribution costs	(235,806)	(219,314)	(31,590)	(3,140)	(3,892)
Administrative costs	(106,633)	(92,623)	(33,599)	(40,043)	(36,523)
Restructuring costs	(17,713)	(476)	—	—	—
Gain arising from changes in fair value of investment properties	—	—	—	1,000	1,400
Gain on sale of a subsidiary	23	—	—	—	—
Gain on sale of land and buildings	—	1,447	—	—	—
Finance costs	(12,474)	(8,773)	(2,533)	(2,028)	(1,611)
Share of results of an associate	1,525	1,528	236	—	—
Discounts on acquisition	46,674	60,095	26,200	—	—
Profit before tax	71,850	98,963	18,763	20,011	15,502
Income tax (charge)/credit	(5,176)	(7,581)	815	(4,357)	(2,521)
Profit for the year/period	66,674	91,382	19,578	15,654	12,981
Attributable to:					
Equity holders of the Company	66,674	76,370	19,009	15,654	12,981
Minority interests	—	15,012	569	—	—
	66,674	91,382	19,578	15,654	12,981
Dividends	3,000	—	—	—	—
Earnings per share					
Basic	9.74 cents	11.28 cents	3.41 cents	2.81 cents	2.3 cents
Diluted	9.64 cents	11.19 cents	N/A	N/A	2.3 cents

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 73, was appointed a director of United Pacific Industries Limited in March 1998, and was appointed Executive Chairman on 9 June 2003. He is also a director of various Group subsidiaries, a member of the Compensation Committee and Nominating and Corporate Governance Committee, and non-voting secretary of the Audit Committee. Mr. Beazer is the Chairman of Beazer Homes USA, Inc a leading United States homebuilder listed on the New York Stock Exchange. Mr. Beazer also serves as a director of Numerex Corp (Nasdaq).

David H Clarke – *Executive Vice Chairman*

Mr. Clarke, aged 67, was appointed a director and Executive Vice Chairman of United Pacific Industries Limited on 28 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 Chief Executive Officer 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 48, was appointed a director of United Pacific Industries Limited in July 1996, and was appointed Executive Vice Chairman on 9 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 motorbikes 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.

William Fletcher – *Chief Executive Officer, Spear & Jackson plc and Bowers Group plc*

Mr. Fletcher, aged 63, was appointed a director of UPI on 11 April 2008 and was appointed Chief Executive Officer of Spear & Jackson plc and Bowers Group plc in April 2004. He had previously been Chief Financial Officer 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 he was then appointed Group Finance Director in May 2002. Mr. Fletcher completed his education at Sheffield Hallam University and is a qualified Mathematician. He is currently the Chairman and Chief Executive Officer of Spear & Jackson plc and Bowers plc.

Patrick J Dyson – *Chief Financial Officer, UPI*

Mr. Dyson, aged 52, was appointed a director on 11 April 2008 and 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.

Non-Executive Director

Teo Ek Tor

Mr. Teo, aged 55, 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 57, was appointed as an independent non-executive director of the Company on 28 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 49, 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 61, 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 specialises 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 PhD in management engineering from Xian Jiao Tung University. He has been a member of the First Hong Kong Special Administrative Region Election Committee and now is a member of the Hong Kong Special Administration Region Selection Committee.

Robert B Machinist

Mr. Robert B Machinist, aged 56, was appointed as an independent non-executive director of the company on 11 April 2008. He is currently Chairman, Chief Executive Officer and a managing partner of MB Investment Partners, a diversified wealth management company in New York; and also runs a private family investment company. From 1998 until December of 2001 Mr. Machinist served as managing director and head of investment banking for the Bank of New York and its Capital Markets division.

Presently Mr. Machinist is also Chairman of the American Committee for the Weizmann Institute of Science, and serves on its International Board of Governors and its Endowment. In addition, Mr. Machinist serves on the Board of Directors of Centre Pacific LLC. He is a member of the Board of Directors of Deerfield Triarc Capital Corp. and Chairman of its Audit Committee, and also serves on its Compensation and Nominating & Corp. Governance Committees. Additionally, Mr. Machinist serves on the board of Traffix, Inc (NASDAQ: TRFX) as well as its Audit Committee, and is a member of the board of directors of InsiteOne.

Previously, he has been a trustee of Vassar College, a member of its Executive Committee, and one of three trustees responsible for managing the college's Endowment. He has also been a board member of Jamie Marketing Services, Inc, Doctor Leonard's Healthcare Direct, and Ringier America, among many other Executive Boards.

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

Group Management Team

Nila Ibrahim
– General Counsel, UPI

Ms. Ibrahim, aged 52, has been associated with UPI as legal consultant since July 2003 and was engaged as General Counsel from 1 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.

Alaina Shone
– Chief Accounting Officer and Chief Taxation Officer, UPI

Ms. Shone, aged 46, 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.

Fung Chow Man, Charles
– Group Financial Controller (Asia) and Chief Financial Officer, Pantene Group

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

Ivan Som
– Group Finance Manager and Company Secretary, UPI

Mr. Som, aged 37, was appointed Group Finance Manager and Company Secretary of the Group in September 2008. He joined the Company in October 2005, and is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He holds a Master's degree in Accountancy from Curtin University of Technology, Australia. In addition, he has over 10 years experience in accounting, auditing and taxation.

Spear & Jackson Group

Lee Wells
– Managing Director, Neill Tools Ltd & Eclipse Magnetics Ltd

Mr. Wells, aged 39, has worked within the S&J Group for 16 years. In 2002 he was appointed Managing Director of Eclipse Magnetics Ltd and in 2006 he was also appointed 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 S&J Group.

Stephen P White

– Managing Director, Bowers Group plc

Mr. White, aged 42, was appointed Managing Director of the Bowers Group plc in April 2002. He has overall responsibility for the metrology businesses within Spear & Jackson, which include facilities in the UK and PRC. 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 57, holds an honours degree from the University of Sheffield in modern languages. He joined the S&J Group as a graduate trainee in 1973 and has subsequently held a number of international sales and marketing positions within S&J 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 55, 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 50, was appointed 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 and is responsible for overall business strategy and development. Before joining Spear & Jackson, Mr. Champain worked for Laurenty S.A. for nearly 10 years before it was purchased by Spear & Jackson in 1990.

Pantene Group

Ho Hon Ching, Lewis

– Chief Executive Officer

Mr. Ho, aged 47, joined Pantene in 1999 and, after holding a variety of senior management roles, was appointed Chief Executive Officer in September 2008. 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.

Wong Chi Kwan, Stanley

– Chief Operations Officer

Mr. Wong, aged 43, joined Pantene in July 2001. He is responsible for the whole of the Pantene Group's plant operation excluding Customer Services and Finance. Mr. Wong has over 17 years of experience in manufacturing including production, 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 58, is responsible for the customer service operations, sales and marketing of Pantene Group. 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 Group. 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 53, 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.

Paul Dachdjian

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

Mr. Dachdjian, aged 59, 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.

Jade Precision Engineering

Simon Lim Teng Seng

– Chief Executive Officer

Mr. Lim, aged 54, is Chief Executive Officer of Jade Precision Engineering Pte Ltd ("JPE"). He joined JPE as Quality Assurance Manager in 1981. He became Manufacturing Manager in 1998, Manufacturing Director in December 2002, Chief Operating Officer in November 2004 prior to his promotion to Chief Executive Officer in July 2008. Mr. Lim holds a high school certificate in Economics.

Towards

New Goals

The Board is pleased to report good trading results for the year ended 30 September 2008.

Group Results

For the year ended 30 September 2008, the Group recorded a turnover of HK$1,437.6 million, which represents an increase of 2.5% when compared to the turnover of HK$1,402.3 million for the year ended 30 September 2007.

The Group's operating profit (earnings before finance costs, share of associate's profits, other non-operating items and taxation) increased to HK$53.8 million in the year ended 30 September 2008, up by HK$7.2 million, or 15.5%, from the prior year.

Gross margins have grown from 24.4% in the prior year to 26.0% in the current year, driven by the strong sales performance of high-end products in the Metrology and Magnetics divisions. The overall improvement of HK$32.5 million in the 2008 gross profit compared to 2007, together with the benefit of net increases in other income of HK$6.6 million (principally attributable to exchange gains crystallizing in 2008) more than offset increases in overhead costs of HK$30.5 million.

Consistent with the increase in operating profit, the Group's EBITDA (i.e. earnings before finance costs, share of associate's profits, non-operating items, taxation, depreciation and amortisation) for the year under review amounted to HK$82.9 million (2007 - HK$72.3 million), an increase of HK$10.6 million, or 14.7% over the prior year.

The acquisition of JPE was completed in July 2008. The purchase consideration represented a 70% discount to the adjusted fair value of the company's assets at acquisition resulting in a discount on acquisition of HK$46.7 million.

Including the discount on acquisition, the Group's net profit before tax was HK$71.9 million. This compares to a net profit in the prior year of HK$99.0 million. 2007 benefited from the inclusion of a HK$60.1 million discount arising on the acquisition of the minority interests in Spear & Jackson.

The tax charge for the year ended 30 September 2008 was HK$5.2 million (2007 - HK$7.6 million).

Profit attributable to equity holders of the Company was HK$66.7 million (2007 - HK$76.4 million), a decrease of 12.7% compared to the prior year.

2008 earnings per share were 9.74 HK cents compared to earnings per share of 11.28 HK cents in 2007. Basing the earnings per share calculations on earnings excluding the one time impact of discounts on acquisition and restructuring costs, produces an adjusted earnings per share of 5.51 HK cents in 2008 compared to 2.47 HK cents per share in the prior year.

Group Operations Review

Divisional Results Overview

Although the Contract Manufacturing division saw its operating profits fall by 97.1% in the face of increasingly aggressive competition, the Group's other principal business segments achieved encouraging results with segmental profits for the Tools, Metrology and Magnetics divisions jumping 648.9%, 26.9% and 43.8% respectively when compared to the same period in the prior year. The JPE operation, included for the first time in 2008 following its acquisition in July 2008, recorded a loss of HK$0.4 million.

These results were achieved in the face of an uncertain global business environment and despite continuing cost pressures, particularly in the areas of utilities and raw materials, softening retail markets and adverse currency movements.

These market pressures are not unique to the Group but have adversely affected manufacturers worldwide.

Detailed divisional trading reviews are as follows:

Contract Manufacturing Division (The Pantene Group)

Pantene Industrial Co Ltd, our original contract manufacturing business, is based in Shenzhen, China. Pantene was founded in 1978. Pantene 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. Pantene also provides OEM and EMS services, as a vertically-integrated manufacturer providing a one-stop solution, from conceptualization to design, tooling, safety and quality approvals, trial runs through mass production. Its core electronic power supply business covers a wide product range that includes voltage converters, power tool chargers, battery chargers, high voltage transformers, cables, coils and solenoids, and components for electronic/electrical/mechanical products. Increasingly, we are utilizing new technologies including optics, ultrasonic, RF (radio frequency), and magneto-electric technologies to produce more sophisticated and complex product lines such as security products and alarms for business and residential use, digital laser measurement devices, laserbeam units, ultrasonic detection devices, thermostat controls, RF alert systems, portable generators and accessory products. Rechargeable battery chargers are sold to the consumer market under the Powerhaus brand name.

Trading conditions in the contract manufacturing sector have been extremely competitive and this situation has been exacerbated by the turmoil in world financial and commercial markets. In a softening sales environment, 2008 revenues were 4.6% down on those recorded in the prior year and margins were put under significant pressure due to increasing raw material, labour and utility costs and adverse exchange movements.

Lewis Ho, Chief Executive Officer of the Pantene Group, stated:

"The trading environment became increasingly difficult during the year. Sales revenues fell from HK$529.7 million in the year ended 30 September 2007 to HK$505.3 million in fiscal 2008. The sales reduction coupled with increases in raw material and labour costs earlier in the year resulted in operating profit falling from HK$3.5 million in 2007 to HK$0.1 million in 2008. These trading conditions have deteriorated further in the first quarter of fiscal 2009 and significant additional restructuring costs have been incurred to realign the division's cost base with current sales demand. Such restructuring will leave us better positioned to benefit from up turns in the market as these arise."

Spear & Jackson

William Fletcher, Chief Executive Officer of Spear & Jackson commented, "The Spear & Jackson group through its principal divisions, Tools, Metrology and Magnetics, operates across a number of different world-wide markets. Each has faced challenging sector conditions as a result of increased costs, softening retail demand, unfavourable exchange rates and the escalating financial turmoil.

The UK and French hand and garden tool businesses have suffered from falling demand but, despite the adverse trading environment, the Metrology and Magnetics businesses have continued to perform excellently delivering improved sales and increased margins. The Australasian operations have again performed well.

To counter increasing costs, the UK reorganisation program has continued with the announcement, in May, of the closure of the Sheffield based woodsaws and builders' tools operations with production now being relocated to Taiwan.

In these difficult trading arenas, emphasis will be placed on core strategies and values to ensure that assets are safeguarded, costs and working capital are controlled and shareholder value maximized."

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 subsidiaries in France, Australia and New Zealand 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 manufacturing and assembly 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 recognised brands such as Spear & Jackson, WHS and Tyzack. The Division's policy is to continuously extend and refresh its core product offering with a stream of new products and range extensions.

These companies procure, manufacture, distribute and sell hand hacksaw, hacksaws blades, hacksaw frames, builders' tools, riveter guns, wood saws and lawn, garden and agricultural tools, all non-powered, together with a portfolio of electric powered garden tools.

Trading conditions in the UK were highly competitive, exacerbated by a worsening economic environment, particularly in the retail sector. This channel is unlikely to see improvement in 2009 and the division is therefore focused on initiatives to take market share from competitors.

Export markets fared better, however, with sales up on the previous year driven by the beneficial impact of new product development and improved volumes in Thailand and Dubai. As in the UK, the worldwide recessionary markets are likely to soften demand in these foreign sales sectors.

Major restructuring carried out in the UK over the past two years has significantly improved the trading position and this reorganisation program has continued in the current year with the relocation of the builders' tools and woodsaws operations to Taiwan.

In the year ahead, the senior management team, led by managing director Lee Wells, will continue to develop and launch new product ranges, further increase the distribution base, continue to grow brand franchise income and forge relationships with partners in low cost economies to improve margins and sales.

Robert Sorby, a niche business supplying high-quality English designed and manufactured speciality hand tools for woodworkers, has had a difficult year, mainly attributable to declining sales arising from its direct exposure to the UK retail market and softening sales in the US where overstocking by key customers has had a negative impact on 2008 sales. These sales shortfalls were mitigated by increased sales in the operations retail/e-commerce business.

The distribution and sales outlet in France has again performed creditably with sales and operating profit ahead of the previous year - this against the backdrop of a weakening garden tools market sector.

In our Australian business, all segments of the operation performed well as a result of aggressive sales strategies across all market segments thanks to new product lines, range extensions and increased promotional sales across air, garden, handtools, masonry, measuring and magnetic products. Sales in New Zealand were negatively impacted by a softening retail market and the loss of compressor and tools business with a major national retailer.

Metrology Division

The Metrology division comprises three principal companies: Bowers Metrology Ltd, Bowers Metrology (UK) Ltd and Bowers Equipment Shanghai Co Ltd. These businesses are based in Bradford, UK, Bordon, UK, and Shanghai, PRC, respectively. Prior to its sale in January 2008, the division also had a subsidiary, CV Instruments Europe BV, based in Maastricht, The Netherlands.

The Metrology division, led by managing director Steve White, 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. 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 Company completed the sale of the CV Instruments Europe BV to a team led by its former managing director. Up to that date, that division had been involved in the sale and distribution of a range of portable hardness testing equipment.

2007 - 08 proved to be a record year for the Bowers Metrology Group, driven mainly by strong exports of the core 3-point bore gauging products. Throughout the year, our distributors in Germany and the USA were placing orders at exceptional levels, resulting in severe capacity pressures on the Bradford manufacturing facility. Overall sales were up 30% compared to the previous year, even when taking into account the more subdued growth in the UK of 15%. Most of this demand was driven by strong economic growth in our key markets, but also in the winning of market share against our main competitors.

Despite the strong sales growth, gross margins were a little disappointing throughout the year. This was mainly due to the capacity pressures, where certain component manufacturing had to be sub-contracted out rather than being done in house. In recent months, negative currency fluctuations also started to affect margins on imported products, particularly with regards to the Swiss Franc and US Dollar.

Our Bowers Shanghai facility continued to develop well throughout the year, reaching a break even point on a monthly basis in August 2008. The business is now in full production with the Eseway bench hardness testers, which were launched in May 2008. Additionally, sales from Shanghai of Moore & Wright hand tools increased significantly, with many new markets being developed, particularly in Asia and South America.

Cash generation for the year was strong, helped by the sale of the CV Instruments Maastricht facility in January 2008. A further injection of capital was made to the Bowers Shanghai subsidiary but it is anticipated that the business will now be self-financing, therefore not requiring any funding from the UK in the future.

Many new products were launched throughout the year, particularly in the Moore & Wright hand tool product grouping. New listings have been won with a number of the UK catalogue houses, the benefit of which will not be seen until early 2009.

The outlook for the coming financial year is less positive. The first quarter should be in line with budget because of the healthy order book, but incoming orders are slowing sharply due to the recent economic turbulence. The UK market is not slowing as much as some of the key export markets, but there is the added problem in the UK of the adverse currency fluctuations. This situation will be monitored very closely over the coming months, with a reduction in employees likely to be required if market conditions do not improve.

Magnetics Division

Eclipse Magnetics 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. The company's strong management team, led by Lee Wells, continues to embrace the many challenging opportunities to ensure continued growth in their 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 Magnetics 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.

The company'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 2009, particularly in the high value added handling and separation markets.

Leadframes

The acquisition of the JPE Leadframes business was completed on 28 July 2008 and the company's post acquisition results for August and September have been included in the 2008 consolidated income statement.

Simon Lim, Chief Executive Officer of JPE, noted "We are excited at the opportunities that being part of the UPI Group will offer. Following the acquisition of the company by UPI in July 2008, operating losses were recorded in the months of August and September. In a very tough trading climate, leadframe demand from our major customers has softened and this situation has been exacerbated by adverse currency movements between the Singapore and US dollar. Significant restructuring initiatives have been put in place in September relating to workforce reductions and the transfer of the company's stamping operation to Pantene's PRC facility. This realignment of the company's manufacturing cost base will leave us better positioned to take advantage of upturns in our markets as they arise."

Brands

Significant emphasis within the Group's operations is focused on 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. In the Metrology division, the Moore & Wright brand has been recognised 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 recognised brand name in the UK manufacturing industry because of its long history of supplying quality magnetic tools and magnetic applications. Robert Sorby is a recognised specialist in marketing its wood turning 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

As at 30 September 2008, cash and cash equivalents and pledged bank deposits of HK$109.9 million with interest-bearing bank borrowings and obligations under finance leases amounting to HK$132.8 million (net debt of HK$22.9 million), while the Group's net asset value as at 30 September 2008 was HK$368.3 million.

The Group's net debt position as at 30 September 2008 and corresponding gearing ratio (together with prior year comparatives) are as follows:

	2008 HK$million	2007 HK$million
Cash and cash equivalents and pledged bank deposits	109.9	110.0
Less: interest-bearing bank borrowings and obligations under finance leases	(132.8)	(133.8)
Net debt	(22.9)	(23.8)
Total equity	368.3	337.2
Net debt to total equity	6.23%	7.06%
Interest-bearing bank borrowings and obligations under finance leases to total equity	36.1%	39.7%

The working capital position of the Group remains healthy. As at 30 September 2008, the liquidity ratio (ratio of current assets to current liabilities) was 170.5% (2007 - 195.0%). 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 generated from operating activities was HK$69.6 million (2007 - cash used in operating activities of HK$13.8 million). Contributing to the 2008 inflow were working capital reductions of HK$32.2 million. The 2007 outflow was attributable to, amongst other factors, working capital increases of HK$28.3 million, reorganisation costs in the S&J UK operations of HK$15.9 million and annual and special contributions of HK$15.3 million paid into the UK Retirement Benefit Plan.

Cash Flow from Investing Activities

The 2008 net cash outflow from investing activities amounted to HK$34.3 million (2007 - HK$61.5 million). Included in the outflow is HK$17.1 million expended to acquire JPE. The 2007 comparative includes HK$48.3 million relating to the acquisition of the minority interests in Spear & Jackson.

Cash Flow from Financing Activities

The net cash outflow from financing activities for the year under review amounted to HK$25.0 million (2007 - inflow of HK$20.6 million), which included a net decrease in bank borrowings of HK$1.9 million and principal repayments of obligations under finance leases of HK$10.6 million. The 2007 comparative included HK$45.2 million of new loans that were drawn down to finance the acquisition of the minority interests in S&J. Repayments of these loans and related interest costs are reflected in the 2008 outflow.

Capital Expenditure

Capital expenditure in the year financed by internal resources and credit facilities, amounted to HK$13.0 million (2007 - 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 actively monitor foreign exchange exposure to minimize the impact of adverse currency movements.

Major Customers and Major Suppliers

For the year under review, sales to the largest customer and the five major customers accounted for 5.7% and 17.3%, respectively, of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 4.2% and 17.4%, 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 30 September 2008, the Group employed approximately 660 executive and clerical staff and 2,199 factory workers. These numbers have reduced in the first quarter of fiscal 2009 following the implementation of a number of employee retrenchment initiatives across the Group in order to realign the manufacturing and overhead cost bases with declines in sales demand.

The remuneration of such staff and workers is determined by overall guidelines within the relevant industries. The Group has also adopted certain bonus programs, share option schemes, 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

Trading performance in the year was adversely affected by softening retail demand, increasing competition and the fall out from the financial markets meltdown. This challenging market environment was made more difficult by rises in raw material and other costs, adverse currency movements and severe downward pricing pressures from customers.

These difficult market conditions were particularly hard felt in the Tools and Contract Manufacturing divisions but the negative impact of these factors has been mitigated, however, by strong trading results recorded by the Magnetics division (increased magnetic application 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 has experienced gross profit margin dilution due to increases in labour, utility and raw material costs and adverse currency fluctuations in the earlier part of fiscal 2008. Likewise, the Tools division has continued to face difficult trading conditions across its major UK multiple retail, industrial and trade accounts where housing market difficulties, and financial restrictions in the wake of the credit crunch have adversely affected consumer demand. These factors are in addition to the long-standing issues relating to the mature UK hand tool market that continues to 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 UK restructuring program which was initiated in Spear & Jackson in prior years has been further extended in the final quarter of fiscal 2008 with the announcement of the transfer of the woodsaws and builders' tools operations from the Group's UK manufacturing facility in Sheffield to Taiwan.

As with other areas of our operations, sales demand in our Leadframes division is slowing as a result of the recessionary trends in world economic markets. We believe, however, that the acquisition of JPE will add diversity and depth to our metal stamping operations and enhance our competitiveness as a contract manufacturer of electronic/electrical components and metal stamped parts including leadframes. We will be able to advance more rapidly into high-precision engineering work and, going forward, the new range of leadframes products planned by JPE will give us the opportunity to penetrate new markets, especially in China. At the same time, JPE will benefit from our low-cost structure, economics of scale and other operational synergies.

Prospects and Strategies

Each of the Group's divisions continues to operate under increasingly competitive market conditions. We see no alleviation to this situation. Indeed, in the initial months of our 2009 financial year we are experiencing a further deterioration in our trading conditions. This is largely due to the current turmoil in financial markets and is affecting many manufacturing industries world wide. This will inevitably lead to an increasingly stark business environment in our Tool and Contract Manufacturing divisions which have most exposure to the fragile retail market.

This difficult trading landscape is made more challenging, in the case of Tools, by the negative influence of cheap imports which put margins under constant pressure. These difficulties are not unique to your Company but are being experienced across the whole range of manufacturing businesses worldwide. We believe that we are better positioned than most to ride this storm because of the product diversity within the Group and the spread of sales markets, both geographically and by product range, that the Group serves.

We have already reacted decisively to softening sales demand by reducing workforce numbers, particularly in the Contract Manufacturing and Leadframes businesses, and we will continue to drive further cost reductions and efficiencies. Additionally, 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, customer service, combined with unique brand offerings enable us to build and maintain customer loyalty.

As a Group, we are benefiting at this time from lower material costs, but this will not fully offset reduced sales or the current adverse effects of currency fluctuations.

The UK tools operations continue to experience particularly tough trading conditions in both their export and home markets. Management will continue to place particular emphasis on new product development and brand franchising.

Similarly, Pantene is adversely affected by weakening sales demand and downward pressures on pricing. Competition is becoming ever stronger and there is no current indication that this situation will improve. Our customer base includes some of the world's biggest names in the consumer product industry. We are proud to be associated with such companies but with this relationship goes the need to consistently deliver high quality products and service levels whilst simultaneously being able 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 offering base is continually refreshed and improved and sales concentration is better diversified. Our ongoing commitment to excellent customer service and competitive pricing will aid these initiatives. Additionally, the Group will continue to explore opportunities to reduce the cost of its operating base in order to maintain margins and to retain its competitive edge.

In July we completed the purchase of JPE at a significant discount to book value. We are working to realize the potential synergies that can be achieved for the Group from this acquisition and also to restructure the business to reduce its cost base and eliminate inefficiencies. Workforce reductions have already been effected in the first quarter of fiscal 2009 and further manufacturing reorganization initiatives will be implemented in the rest of the year.

Following the completion of the acquisition of JPE, our executive directors and the Group management team continue to look for further acquisitions to extend the Group's activities, where synergistic opportunities at attractive prices can be identified.

In August 2008 we announced we were in discussion with Alford Industries Ltd to acquire the whole of their equity. Those negotiations are on-going and are at an advanced stage. Assuming this transaction closes, UPI will have access to more advanced technology in high grade consumer goods.

In 2008 the profit attributable to shareholders benefits from the full year inclusion of 100% Spear & Jackson's trading results and the discount on acquisition of HK$46.7 million relating to the acquisition of JPE.

The 2009 trading climate is far less benign with the start of the current year being marked by huge uncertainty and a deepening of the economic downturn. Trading in the first quarter of fiscal 2009 has shown a significant drop in sales and new orders when compared to the previous year. Results from our Magnetics and Metrology units are holding up well compared to general market trends but even these divisions are exhibiting signs of softness.

Most badly affected are the Tool and Contract Manufacturing units where reductions in sales and orders persist. We anticipate that these trends will persist and, as a consequence, we expect that our results will be lower in 2009 than those which are being reported for the year ended 30 September 2008.

Maximising

Shareholder Value

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30 September 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 and both the Board and senior management of the Group have significantly benefited from the leadership, support and considerable management 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 summarised below:

Board of Directors

The Board comprises ten directors, of whom five are executive directors, one is a non-executive director, and four 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, the Chief Financial Officer, the General Counsel 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 Listing Rules, and it considers them to be independent.

The Board meets regularly and Board meetings are held at least four times a year, and at such other times as the Board may determine, 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 30 September 2008 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
Mr. William Fletcher (appointed on 11 April 2008)	3/5	NA	NA	NA
Mr. Patrick J Dyson (appointed on 11 April 2008)	3/5	NA	NA	NA
Non-executive directors:				
Mr. Teo Ek Tor	5/5	NA	NA	NA
Independent non-executive directors:				
Dr. Wong Ho Ching, Chris	5/5	5/5	3/3	NA
Mr. Henry W Lim	4/5	4/5	2/3	2/3
Mr. Ramon Sy Pascual	4/5	5/5	NA	3/3
Mr. Robert B Machinist (appointed on 11 April 2008)	3/5	NA	NA	NA
Number of meetings attended from 1 October 2007 to 30 September 2008	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 ("INED") (within the meaning of the Listing Rules). The Chairman of the Audit Committee is an INED, Mr. Henry W Lim, a CPA, who has the appropriate accounting qualifications and experience 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 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 of the Board 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.

In fiscal 2008 the NCGC recommended the appointment to the Board of two members of the senior management team, Mr. William Fletcher and Mr. Patrick J Dyson and one independent director, Mr. Robert B Machinist. These recommendations were duly approved by the Board.

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 of the Board 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 of the Listing Rules. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code during the 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's external auditors are Grant Thornton. The remuneration paid and payable to Grant Thornton in respect of audit services and non-audit services for the year ended 30 September 2008 amounted to approximately HK$3,722,000 and HK$1,697,000, respectively.

Responsibilities in respect of the Financial Statements

All Directors acknowledge their responsibility for preparing the accounts for the year ended 30 September 2008.

The external auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 30 September 2008 and as set out in the "Independent Auditors' Report" on page 44.

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 shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

For both institutional and retail investors, the website http://unitedpacific.quamir.com 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 Board of Directors (the "Directors") is pleased to present their report and the audited consolidated financial statements for the year ended 30 September 2008.

Principal Activities

United Pacific Industries Limited ("United Pacific Industries", "UPI", or the "Company") is a diversified investment holding company. The principal operations of the Group comprise:

- Contract Manufacturing
  Pantene Industrial is the Company's founding OEM and EMS service provider, providing a one-stop solution, as a vertically-integrated manufacturer, from conceptualisation to design, tooling, safety and quality approvals, trial runs through mass production. Its core product range includes voltage converters, cables, solenoid coils and high voltage transformers, components for electronic, electrical/mechanical products, chargers and rechargeable battery products. Increasingly the Division is utilising 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, security products and alarms for business and residential use utilising RF alert systems and portable magneto-electric generators.

- Tools
  The Tools division comprising Spear & Jackson Garden Products and Neill Tools, is involved in the manufacturing, 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 specialises in niche high-quality English designed and manufactured speciality hand tools for woodworkers together with subsidiaries based in France, Australia and New Zealand that act as distributors.

- Metrology
  The Metrology 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.

- Leadframes
  The Group's Leadframes division is operated through its subsidiary, JPE, that was acquired in July 2008. JPE is a long-established Singapore-based manufacturer of high-precision stamped, etched and plated integrated circuit leadframes for the semi-conductor industry. Its customers are global leaders in the electronics field and, since 2007, UPI's wholly-owned subsidiary Pantene Industrial Co Ltd has been JPE's strategic partner in China for the manufacture of high-precision stamped leadframes.

Results and Appropriations

The results of the Group for the year ended 30 September 2008 are set out in the consolidated income statement on page 46 and the accompanying notes to the consolidated financial statements.

The directors declared an interim dividend of 0.5 HK cent per share on 17 June 2008 which was paid in August 2008 and they now recommend the payment of a final dividend of 0.5 HK cent per share for the year ended 30 September 2008.

Assuming the final dividend is approved by shareholders at the Annual General Meeting, total dividends for the year will be 1.0 HK cent per share.

Pursuant to an ordinary resolution passed in the special general meeting on 21 August 2008, one bonus share was issued for every existing five shares held by shareholders whose names were on the Register on 21 August 2008. The bonus shares rank pari passu with existing shares in all respects but they did not rank for the interim dividend distributed by the Company in respect of the six months ended 31 March 2008.

Acquisitions

The Company acquired the entire issued share capital of JPE on 28 July 2008. On 18 October 2007, the Company completed the purchase of the remaining 38.2% of S&J that was not already owned by UPI. The acquisition of these minority shares in S&J was accomplished in the financial year ended 30 September 2007 by a merger of S&J with a wholly-owned subsidiary of the Company, Pantene Global Acquisition Corp.

Financial Summary

A financial summary of the Group is set out on pages 123 and 124.

Share Capital

Details of the Company's share capital are set out in note 35 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 17 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 50.

At 30 September 2008, the Company's reserves available for distribution amounting to HK$4,658,000 consisted of a contributed surplus of HK$70,911,000 and an accumulated loss of HK$66,253,000.

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)*
Mr. William Fletcher *(appointed 11 April 2008)*
Mr. Patrick J Dyson *(appointed 11 April 2008)*

Non-executive Director:
Mr. Teo Ek Tor

Independent Non-executive Directors:
Dr. Wong Ho Ching, Chris
Mr. Ramon Sy Pascual
Mr. Henry W Lim
Mr. Robert B Machinist *(appointed 11 April 2008)*

In accordance with Bye-Law 111(A) and 111(B) and 115 of the Company's Bye-laws, Mr. David H Clarke, Mr. William Fletcher, Mr. Patrick J Dyson, Mr. Robert B Machinist, Mr. Henry W Lim and Dr. Wong Ho Ching, Chris ("Dr. Wong") will retire as directors at the forthcoming annual general meeting ("AGM"). All of them, being eligible, will offer themselves for re-election. All other directors will continue in office.

Dr. Wong, who was re-elected as an independent non-executive director at the last annual general meeting for a one year term until the next annual general meeting, will also retire at the AGM, and being eligible, offers himself for re-election pursuant to Bye-Law 111(A) of the Bye-Laws. As Dr. Wong has been an independent non-executive director since 1994, the re-election of Dr. Wong is subject to a separate resolution to be approved by the Shareholders in compliance with Provision A.4.3 of the Recommended Best Practices in the Corporate Governance Code. Notwithstanding that Dr. Wong has served the Company continuously since 1994, the Board is satisfied that Dr. Wong is a person of integrity and stature, 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. Consequently, the Board recommends the re-election of Dr. Wong as an independent non-executive director at the AGM.

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 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 30 September 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) 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(1)	164,193,330	22.80%
Mr. David H Clarke	Interest in a controlled corporation(2)	152,927,667	21.24%
Mr. Simon N Hsu	Interest in a controlled corporation(3)	4,544,590	0.63%
Mr. William Fletcher	Beneficial owner	1,205,130	0.17%
Mr. Patrick J Dyson	Beneficial owner	955,113	0.13%

(1) Mr. Brian C Beazer is the beneficial owner of 480,000 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	6,037,263	6,037,263
Mr. David H Clarke	Beneficial owner	1,818,633	1,818,633
Mr. Simon N Hsu	Beneficial owner	10,874,527	10,874,527
		18,730,423	18,730,423

Other than as disclosed above, and except for nominee shares in certain subsidiaries held in trust for the Group at 30 September 2008, 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 30 September 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 of shareholders	Nature of interest	Number of ordinary shares held	Percentage interest in the Company's issued share capital
Mr. Brian C Beazer	Interest in a controlled corporation[1]	164,193,330	22.80%
Mr. David H Clarke	Interest in a controlled corporation[2]	152,927,667	21.24%
Investor AB	Interest in a controlled corporation[3]	89,803,200	12.47%

(1) Mr. Brian C Beazer is the beneficial owner of 480,000 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 in 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 30 September 2008, 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 ranted 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[1] HK$	Outstanding at 1.10.2007	Bonus issue in the year	Outstanding at 30.9.2008
Mr. Brian C Beazer	23.7.2003	0.30	2,000,000	400,000	2,400,000
Mr. Simon N Hsu	23.7.2003	0.30	3,000,000	600,000	3,600,000
			5,000,000	1,000,000	6,000,000

(1) The original exercise price has been adjusted to account for the bonus issue.

(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"). The Stock Limit was refreshed at the annual general meeting held on 28 July 2006 with the result that 27,852,920 underlying share options, representing 5% of the issued shares as at 28 July 2006 are available for future grants under the 2004 Scheme. Following a one for five bonus issue in August 2008, the available options were accordingly increased to 33,423,504.

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, 8,847,396 options at an exercise price of HK$0.202 and 7,520,287 options at HK$0.208 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 year under review are as follows:

Name of directors	Date of grant	Exercise price[1] HK$	Number of option shares: Outstanding at 1.10.2007	Bonus Issue in the year	Outstanding at 30.9.2008
Mr. Brian C Beazer	28.9.2004	0.202	1,638,407	327,681	1,966,088
	20.12.2004	0.208	1,392,646	278,529	1,671,175
Mr. David H Clarke	28.9.2004	0.202	819,204	163,841	983,045
	20.12.2004	0.208	696,323	139,265	835,588
Mr. Simon N Hsu	28.9.2004	0.202	3,276,814	655,363	3,932,177
	20.12.2004	0.208	2,785,292	557,058	3,342,350
			10,608,686	2,121,737	12,730,423
Other employees	28.9.2004	0.202	1,638,405	327,680	1,966,085
	20.12.2004	0.208	1,392,645	278,530	1,671,175
			13,639,736	2,727,947	16,367,683

(1) The original exercise price has been adjusted to account for the bonus issue.

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 5.7% and 17.3%, respectively of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 4.2% and 17.4% 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 30 September 2008 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 30 September 2008.

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.

A fuller report on the Audit Committee is set out in the Corporate Governance Report at page 30.

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 faster 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 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. For the year under review, the Compensation Committee reviewed the current compensation of directors and senior management.

A fuller report on the Compensation Committee is set out in the Corporate Governance Report at page 31.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee (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 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.

A fuller report on the NCGC is set out in the Corporate Governance Report at page 31.

Emolument Policy

The emolument policy of Group employees is set up by the Compensation Committee on the basis of the 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 36 to the consolidated financial statements.

Public Float

Based on the information that is publicly available to the Company and within 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 Listing Rules.

Corporate Governance

Principal corporate governance practice as adopted by the Company is set out in the Corporate Governance Report on pages 29 to 33.

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 during the year.

Deloitte Touche Tohmatsu resigned as auditors of the Company and its Hong Kong subsidiaries with effect from 23 August 2007. Messrs. Grant Thornton were appointed with effect from 23 August 2007, and were re-appointed at the last annual general meeting.

On behalf of the Board

BRIAN C BEAZER
EXECUTIVE CHAIRMAN

Hong Kong
12 January 2009

Grant Thornton
均富

Member of Grant Thornton International Ltd

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 46 to 122, which comprise the consolidated and company balance sheets as at 30 September 2008, 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 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 30 September 2008 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

12 January 2009

Consolidated Income Statement

For the year ended 30 September 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	1,437,608	1,402,305
Cost of sales		(1,063,198)	(1,060,451)
Gross profit		374,410	341,854
Other income	7	21,844	15,225
Gain on sale of land and buildings	8	—	1,447
Selling and distribution costs		(235,806)	(219,314)
Administrative costs		(106,633)	(92,623)
Restructuring costs	9	(17,713)	(476)
Finance costs	10	(12,474)	(8,773)
Share of results of an associate	21	1,525	1,528
Gain on sale of a subsidiary	38	23	—
Discount on acquisition of a subsidiary	39	46,674	—
Discount on acquisition of minority interests	40	—	60,095
Profit before tax	11	71,850	98,963
Income tax charge	13	(5,176)	(7,581)
Profit for the year		66,674	91,382
Attributable to:			
Equity holders of the Company	15	66,674	76,370
Minority interests		—	15,012
		66,674	91,382
Dividends	14	3,000	—
Earnings per share			
Basic	16	9.74 cents	11.28 cents
Diluted	16	9.64 cents	11.19 cents

Consolidated Balance Sheet

At 30 September 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	17	272,771	252,478
Prepaid land lease payments under operating leases	18	625	642
Other intangible assets	19	1,848	—
Interest in an associate	21	3,768	3,577
Available-for-sale financial assets	22	2,912	807
Deferred tax assets	34	95,129	104,842
		377,053	362,346
Current assets			
Inventories	23	288,283	285,452
Trade and other receivables	24	311,232	301,397
Tax recoverable		1,839	3,771
Derivative financial instruments	25	473	—
Pledged bank deposits	26	5,000	5,000
Cash and cash equivalents	27	104,915	104,977
		711,742	700,597
Current liabilities			
Trade and other payables	28	296,177	270,406
Interest-bearing bank borrowings - amounts due within one year	29	92,956	72,986
Obligations under finance leases - amounts due within one year	30	8,026	8,330
Provisions	31	18,277	4,733
Tax payable		2,087	2,867
		417,523	359,322
Net current assets		294,219	341,275
Total assets less current liabilities		671,272	703,621

Consolidated Balance Sheet

At 30 September 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Interest-bearing bank borrowings - amounts due after one year	29	21,899	43,742
Obligations under finance leases - amounts due after one year	30	9,982	8,732
Provisions	31	10,673	14,720
Retirement benefit obligations	33	240,571	277,199
Deferred tax liabilities	34	19,870	22,033
		302,995	366,426
Net assets		368,277	337,195
Capital and reserves			
Share capital	35	72,000	55,706
Reserves	37(a)	296,277	281,489
Total equity attributable to equity holders of the Company		368,277	337,195

The consolidated financial statements on pages 46 to 122 were approved and authorised for issue by the Board of Directors on 12 January 2009 and are signed on its behalf by:

BRIAN C BEAZER
EXECUTIVE CHAIRMAN

PATRICK J DYSON
DIRECTOR

Company Balance Sheet

At 30 September 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment in subsidiaries	20	97,802	76,361
Available-for-sale financial assets	22	348	—
		98,150	76,361
Current assets			
Trade and other receivables		647	189
Amounts due from subsidiaries	20	202,713	161,718
Cash and cash equivalents		4,556	685
		207,916	162,592
Current liabilities			
Trade and other payables		5,301	2,582
Amounts due to subsidiaries	20	209,160	162,898
Interest-bearing bank borrowings - amounts due within one year	29	402	402
		214,863	165,882
Net current liabilities		(6,947)	(3,290)
Total assets less current liabilities		91,203	73,071
Non-current liabilities			
Interest-bearing bank borrowings - amounts due after one year	29	205	607
Net assets		90,998	72,464
Capital and reserves			
Share capital	35	72,000	55,706
Reserves	37(b)	18,998	16,758
Total equity attributable to equity holders of the Company		90,998	72,464

Consolidated Statement of Recognised Income and Expense

For the year ended 30 September 2008

	2008 HK$'000	2007 HK$'000
Exchange difference arising on translation of foreign operations	(38,614)	13,518
Recognition of actuarial (losses)/gains on defined benefit pension plan	(8,912)	113,566
Change in fair value of available-for-sale financial assets	(3,465)	—
Net (expense)/income recognised directly in equity	(50,991)	127,084
Profit for the year	66,674	91,382
Total income and expense recognised for the year	15,683	218,466
Attributable to:		
Equity holders of the Company	15,683	154,126
Minority interests	—	64,340
	15,683	218,466

Consolidated Cash Flow Statement

For the year ended 30 September 2008

	2008 HK$'000	2007 HK$'000
Cash flows from operating activities		
Profit before tax	71,850	98,963
Adjustments for:		
Interest income	(3,195)	(3,955)
Interest on interest-bearing bank borrowings	11,085	7,375
Interest on obligations under finance leases	1,389	1,398
Retirement benefit plan expenses	8,966	10,540
Share of results of an associate	(1,525)	(1,528)
Discount on acquisition	(46,674)	(60,095)
Loss/(gain) on disposal of property, plant and equipment	228	(1,392)
Revaluation of available-for-sale financial assets	(169)	—
Gain on sale of a subsidiary	(23)	—
Amortisation of other intangible assets	1,643	—
Depreciation of property, plant and equipment	27,452	25,674
Amortisation of prepaid land lease payments under operating leases	17	17
Impairment loss of trade receivables	4,316	2,067
Write-off of inventories	2,713	—
Share-based payment expenses	63	252
Operating profit before movements in working capital	78,136	79,316
Increase in inventories	(7,849)	(12,647)
Decrease/(increase) in trade and other receivables	21,631	(28,538)
Increase in trade and other payables	18,393	12,947
Decrease in provisions	(10,326)	(15,878)
Decrease in retirement benefit obligations	(29,754)	(45,593)
Net cash generated from/(used in) operations	70,231	(10,393)
Income tax received	2,177	—
Income tax paid	(2,774)	(3,369)
Net cash generated from/(used in) operating activities	69,634	(13,762)

Consolidated Cash Flow Statement

For the year ended 30 September 2008

	2008 HK$'000	2007 HK$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,496)	(21,272)
Purchase of other intangible assets	(3,588)	—
Purchase of available-for-sale financial assets	(5,593)	—
Interest received	3,195	3,955
Proceeds from disposal of property, plant and equipment	—	3,439
Dividend received from an associate	1,691	648
Dividends paid	(3,000)	—
Purchase of minority interests	—	(48,255)
Payments to discharge liabilities on acquisition of a subsidiary	(15,725)	—
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(1,409)	—
Disposal of a subsidiary (net of cash and cash equivalents acquired)	(3,408)	—
Net cash used in investing activities	(34,333)	(61,485)
Cash flows from financing activities		
Principal repayment of obligations under finance leases	(10,634)	(10,011)
Interest paid on interest-bearing bank borrowings	(11,085)	(7,375)
Interest paid on obligations under finance leases	(1,389)	(1,398)
Net cash inflow in trust receipts and export loans	21,062	6,907
Repayment of bank loans	(22,935)	(12,726)
New bank loans raised	—	45,177
Net cash (used in)/generated from financing activities	(24,981)	20,574
Net increase/(decrease) in cash and cash equivalents	10,320	(54,673)
Effect of foreign exchange rates	(10,382)	103
Cash and cash equivalents at 1 October	104,977	159,547
Cash and cash equivalents at 30 September	104,915	104,977

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 contract manufacturing of OEM products and rechargeable battery products, hand, lawn and garden tools, magnetic tools and products and metrology and measurement tools. With the acquisition of Jade Precision Engineering Pte Ltd in July 2008, the Group's existing business activities widened to encompass the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry. Details of the principal activities of the Company's subsidiaries are set out in note 20.

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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirement of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except in certain cases that have given rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material impact on these financial statements.

HKAS 1 (Amendment)	Presentation of Financial Statements - Capital Disclosures
HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment
HK (IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions

In accordance with the HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in the annual report. The new disclosures that become necessary due to this change in HKAS 1 are detailed in note 49.

HKAS 39 and HKFRS 7 (Amendments) – Reclassification of Financial Assets: These amendments permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendments also permit an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments to HKAS 39 and HKFRS 7 have had no effect on these financial statements.

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

HKFRS 7 – Financial Instruments: Disclosure is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32, Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 30 September 2008. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature a sensitivity analysis, to explain the Group's market risk exposure in regards to its financial instruments and a maturity analysis that shows the remaining contractual maturities of financial liabilities.

The Group has not early applied the following new and revised 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.

HKFRS (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing Costs [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [6]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [2]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items [6]
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs and HKAS27 Consolidated & Separate Financial Statements – Cost of an Investment in a Subsidiary, Joint Venture and Associates [2]
HKFRS 2 (Amendment)	Share-based Payments – Vesting Conditions and Cancellation [2]
HKFRS 3 (Revised)	Business Combinations [6]
HKFRS 8	Operating Segments [2]
HK (IFRIC) – INT 12	Service Concession Arrangements [4]
HK (IFRIC) – INT 13	Customer Loyalty Programmes [3]
HK (IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [4]
HK (IFRIC) – INT 15	Agreements for the Construction of Real Estate [2]
HK (IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation [5]
HK (IFRIC) – INT 17	Distributions of Non-cash Assets to Owners [6]

Notes:

1. Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009
2. Effective for annual periods beginning on or after 1 January 2009
3. Effective for annual periods beginning on or after 1 July 2008
4. Effective for annual periods beginning on or after 1 January 2008
5. Effective for annual periods beginning on or after 1 October 2008
6. Effective for annual periods beginning on or after 1 July 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all of the years presented unless otherwise stated.

The consolidated financial statements have been prepared under the historical cost basis, except for the certain financial assets and liabilities, which are stated at their fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September 2008.

Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

The results of subsidiaries acquired or disposed of during the year 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.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

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.

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

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 recognised 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 consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured as the minority's proportion of the net fair value of all identifiable 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.

3. 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. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, on the following bases:

(a) Sales of goods are recognised when goods are delivered and title has been passed. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

(b) Rental income, including rentals invoiced in advance from freehold land and building under operating lease, is recognised on a straight line basis over the term of the lease.

(c) 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.

Freehold land is stated at cost and related carrying amounts are not depreciated, as freehold land is considered infinite.

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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Other intangible assets

Intangible assets include externally acquired intellectual property rights. They are initially recognised at cost. After initial recognition, they are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of one to ten years. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the intellectual property rights to which it relates. All other expenditure is expensed as incurred.

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

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.

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 trade receivables, 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 profit or loss 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 profit or loss. Any impairment loss on available-for-sale financial assets is recognised in profit or loss. Impairment losses on available-for-sale financial assets will not reverse in profit or loss in subsequent periods.

For available-for-sale financial assets 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 profit or loss 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.

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

Financial instruments *(Continued)*

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 trade payables and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

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 recognised 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.

Derivative financial instruments and hedging

The Group uses derivative financial instruments (forward currency contracts) to hedge its risks associated with foreign currency fluctuations.

Derivatives are initially recognised at fair value on the date of a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

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

Financial instruments *(Continued)*

Derivative financial instruments and hedging *(Continued)*

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in equity. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised.)

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedge forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit and loss.

Derivative financial instruments that do not qualify for hedge accounting are classified as held-for-trading and carried at fair value, with changes in fair value included in the income statement. Trading derivatives are classified as a current asset or liability.

Any gains or losses arising from changes in the fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated 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.

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

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 (legal or constructive) 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.

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 unless the relevant asset is carried at a revalued amount under the Group's accounting policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessment of time value of money and the risk specific to the asset. An impairment loss is recognised as an expense immediately.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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.

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

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.

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 profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss 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 monthly 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.

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

Foreign currencies *(Continued)*

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 April 2005 have been treated as assets and liabilities of the foreign operation and translated in Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operation before 1 April 2005 has been translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchanges differences arising from the translation of the net investment in foreign entities and of borrowings are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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.

Prepaid land lease payments under operating leases

Leasehold interests in land are up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

The Group as lessor

Rental income from operating leases is recognised in the consolidated 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 profit or loss 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. Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. Finance charges are charged directly to profit or loss.

3. 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 statements of changes in equity. 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 profit or loss 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.

3. 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 profit or loss 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

The Group's principal segments for internal reporting purposes are the contract manufacturing of OEM and EMS basis of a wide range of power-related and electrical/electronic products ("Contract manufacturing") and the manufacture, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"), magnetic tools and products and provision of magnetic-based industrial solutions ("Magnetics") and metrology or measurement tools ("Metrology"). With the acquisition of Jade Precision Engineering Pte Ltd in July 2008, the Group's activities have been widened to encompass the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry ("Leadframes"). 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.

4. 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 a 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 recognise 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 amortisation. 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.

4. 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 capitalised as a deferred tax asset because of doubts concerning their short term realisation against future profits.

The Company has recorded significant deferred tax assets in its current and prior year 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 realising the deferred tax benefits which potentially arise on its property, plant and equipment, the UK pension defined 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 realised.

The Group will continue to review the recoverability of its deferred tax assets and, based on such periodic reviews, the Group could recognise 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.

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

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, the Singapore dollar and the Hong Kong dollar will affect the translation of the UK, French, Chinese, New Zealand, Australian, American and Singaporean subsidiaries' financial results into Hong Kong dollars for the purposes of reporting the consolidated financial results.

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 monthly 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 changes in equity. 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 UK based subsidiaries of Spear & Jackson plc.

Company 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 Company'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.

The Group's contributions for the period from 1 October 2006 to 30 July 2007 were fixed at £1.58 million sterling (approximately HK$23.3 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 continue at the 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, contributions are to continue at a fixed annual rate of £1.9 million Sterling (approximately HK$25 million) for the next two years. Thereafter, contributions will rise to £3.65 million Sterling (approximately HK$48 million) for the following two years and will then revert to £3.25 million Sterling (approximately HK$43 million) for a further three and a half years. In addition to the repayment schedule, a second charge was executed in favour of the Plan representing 50% of the value of the Group's manufacturing plant in Sheffield, UK.

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

Retirement benefit costs *(Continued)*

The above contribution schedule is subject to amendment should current economic and company circumstances change. Revisions to the assumptions used to measure liabilities or movements in the market value of the Plan's investments may cause the carrying value of the Plan's deficit to move significantly and, with it, the amount of annual contributions that the Group is required to put into the Plan.

The Pension Plan assets are invested primarily in equity securities and fixed-income government and corporate securities. At present, the Pension Plan has pension liabilities that exceed its assets. Under applicable law, the Group is required to make cash contributions to an under funded pension plan to the extent necessary to comply with minimum funding requirements imposed by regulatory demands. The amount of such cash contributions is based on an actuarial valuation of the Plan.

A number of statistical and other factors which attempt to anticipate future events are used by the actuaries in calculating the expense and liability related to the plan. These factors include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases as determined by the Group, within certain guidelines, and in conjunction with the Group's actuarial consultants and auditors. Our actuarial consultants also use subjective factors such as withdrawal and mortality rates to estimate the expense and liability related to these plans. The actuarial assumptions used by the Group may differ significantly, either favourably or unfavourably, from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants.

The funding status of the Plan can therefore alter as a result of changes in the actuarial assumptions used, changes in market conditions and a number of other factors. The Group cannot provide assurance that the value of the Pension Plan assets, or the investment returns on those Plan assets, will continue to be sufficient in the future. It is therefore possible that the Group may be required to make significant additional cash contributions to the Plan which would reduce the cash available for other business requirements, or that the Group will have to recognised a significant pension liability adjustment which would decrease the net assets of the Group.

The use of different assumptions may have a significant impact on the measurement of the profit and loss account pension expense and the balance sheet pension liability that are to be recognised in the Group's financial statements.

Certain of these assumptions have judgmental aspects. There is, therefore, the potential for a range of acceptable values to be available for several of the assumptions at any time, all of which could be justified and considered appropriate for the purposes of compiling the necessary disclosures under HKAS 19.

The range of possible acceptable assumptions reflects, inter alia, degrees of optimism and caution that the actuaries can build into their assumption models concerning certain macro and micro economic conditions and other demographic factors. Further, because of the constantly evolving nature of such economic and demographic factors, assumptions will not remain constant over time but will move to reflect changes in the principal calculation drivers that underpin them.

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

Retirement benefit costs *(Continued)*

The following sensitivity table illustrates the impact on the Company's balance sheet and the amounts charged against the Company's earnings in respect of HKAS 19 pension expense as a result of making changes in certain of the key assumptions used in calculating the assets and liabilities of the pension plan:

	Impact on 2009 Pre-Tax Pension Expense HK$	Impact on 30 September 2008 Pension Deficit HK$
Change in assumption		
25 basis point decrease in discount rate	+$0.72 million	+$57.30 million
25 basis point increase in discount rate	-$0.72 million	-$57.30 million
25 basis point decrease in expected return on assets	+$3.58 million	—
25 basis point increase in expected return on assets	-$3.58 million	—
25 basis point increase in compensation assumption	+$0.72 million	+$5.73 million
25 basis point decrease in compensation assumption	-$0.72 million	-$5.73 million
25 basis point increase in inflation assumption	+$2.15 million	+$21.49 million
25 basis point decrease in inflation assumption	-$2.15 million	-$21.49 million
Increase mortality assumption by 1 Year	+$2.87 million	+$42.95 million

5. REVENUE AND TURNOVER

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

6. SEGMENT INFORMATION

Business segments

The Group's principal activities are: the contract manufacturing of OEM and EMS basis of a wide range of power-related and electrical/electronic products ("Contract Manufacturing"); the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"), magnetic tools and products and provision of magnetic-based industrial soulutions ("Magnetics") and metrology and measurement tools ("Metrology"). With the acquisition of Jade Precision Engineering Pte Ltd ("JPE") in July 2008 the Group's principal segments widened to encompass the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry ("Leadframes"). These five business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented below.

	Contract Manufacturing HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Leadframes HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
For the year ended 30 September 2008							
External sales	504,109	619,340	178,992	109,277	25,890	—	1,437,608
Inter-segment sales	1,197	9,420	1,258	598	—	(12,473)	—
	505,306	628,760	180,250	109,875	25,890	(12,473)	1,437,608
Segment profit/(loss)	103	15,419	18,687	18,661	(396)	—	52,474
Unallocated corporate expenses							(1,854)
Interest income							3,195
Restructuring costs							(17,713)
Share of results of an associate							1,525
Gain on sale of a subsidiary							23
Discount on acquisition of a subsidiary							46,674
Finance costs							(12,474)
Profit before tax							71,850
Income tax charge							(5,176)
Profit for the year							66,674
Other information							
Additions to property, plant and equipment	3,621	6,084	1,737	240	1,028	329	13,039
Depreciation of property, plant and equipment	9,492	10,044	3,960	825	356	2,775	27,452
Share-based payment expenses	—	—	—	—	—	63	63

Inter-segment sales are charged at prevailing market rates.

6. SEGMENT INFORMATION *(Continued)*

Business segments (Continued)

	Contract Manufacturing HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Lead-frames HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
At 30 September 2008							
Balance Sheet							
Assets							
Segment assets	240,781	473,393	181,908	96,985	113,223	—	1,106,290
Unallocated corporate assets	—	—	—	—	—	(17,495)	(17,495)
Total assets	240,781	473,393	181,908	96,985	113,223	(17,495)	1,088,795
Liabilities							
Segment liabilities	176,582	366,466	75,425	62,532	52,911	—	733,916
Unallocated corporate liabilities	—	—	—	—	—	(13,398)	(13,398)
Total liabilities	176,582	366,466	75,425	62,532	52,911	(13,398)	720,518

6. SEGMENT INFORMATION *(Continued)*

Business segments (Continued)

	Contract Manufacturing HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
For the year ended 30 September 2007						
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
Segment profit	3,446	2,059	14,725	12,988	—	33,218
Unallocated corporate expenses						7,969
Interest income						3,955
Restructuring costs						(476)
Gain on sale of land and buildings						1,447
Share of results of an associate						1,528
Discount on acquisition of minority interests						60,095
Finance costs						(8,773)
Profit before tax						98,963
Income tax charge						(7,581)
Profit for the year						91,382
Other information						
Additions to 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	—	—	—	—	252	252

6. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Contract Manufacturing HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
At 30 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

Geographical Segments

The Group's operations are mainly located in Mainland China, Hong Kong, United States of America, South America, Canada, Mainland Europe, the United Kingdom ("UK"), Australasia, Singapore 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

	2008 HK$'000	2007 HK$'000
The People's Republic of China (the "PRC"):		
Mainland China	**47,530**	61,791
Hong Kong	**39,711**	42,521
	87,241	104,312
United States of America, South America and Canada	**207,693**	254,802
Mainland Europe (excluding UK)	**443,113**	317,703
UK	**310,108**	404,567
Australasia	**170,895**	139,098
Asia (including Singapore but excluding Mainland China and Hong Kong)	**134,446**	109,351
Others	**84,112**	72,472
	1,437,608	1,402,305

6. 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:

	2008 HK$'000	2007 HK$'000
UK	548,130	494,520
Hong Kong	183,460	176,646
Singapore	113,223	—
Australasia	102,200	107,553
Mainland China	89,601	116,225
Mainland Europe (excluding UK)	64,322	58,865
United States of America and Canada	5,354	1,699
	1,106,290	955,508

Additions to property, plant and equipment:

	2008 HK$'000	2007 HK$'000
UK	4,038	15,513
Mainland China	2,895	5,798
Singapore	1,028	—
Hong Kong	950	5,059
Others including Europe and Australasia	4,128	5,258
	13,039	31,628

7. OTHER INCOME

Other income comprises:

	2008 HK$'000	2007 HK$'000
Exchange gains	—	5,508
Gain on derivative financial instruments	11,972	—
Interest earned on bank deposits and balances	2,025	3,832
Interest credit on retirement benefit obligations	1,170	123
Property rental income	3,457	1,999
Others	3,220	3,763
	21,844	15,225

8. GAIN ON SALE OF LAND AND BUILDINGS

	2008 HK$'000	2007 HK$'000
Sale proceeds net of selling, professional and other costs	—	2,301
Less: net book value	—	(854)
	—	1,447

The gain arises on the disposal, in March 2007, of a parcel of land at the company's Atlas site at Sheffield, UK that was surplus to current requirements.

9. RESTRUCTURING COSTS

	2008 HK$'000	2007 HK$'000
Manufacturing reorganisation	17,713	476

In May 2008 Neill Tools Limited, a UK based subsidiary of the Company, announced the relocation of its Wood Saws and Builders' Tools manufacturing operations to an overseas partner and a provision was established for employee severance payments and relocation costs. The relocation commenced in quarter 4 of fiscal 2008 and is expected to be completed in quarter 2 of fiscal 2009. Likewise, in September 2008, JPE, the Group's newly acquired subsidiary, announced a reduction in its manpower and the relocation of the remaining element of its stamping operations to the PRC. The provision at 30 September 2008 in relation to this reorganisation includes employee retrenchment costs and relocation costs. Additionally, retrenchment and severance costs were also incurred during the year by the Pantene Group's operation.

10. FINANCE COSTS

Finance costs comprise:

	2008 HK$'000	2007 HK$'000
Interest on interest-bearing bank borrowings wholly repayable within five years	11,085	7,375
Interest on obligations under finance leases	1,389	1,398
	12,474	8,773

11. PROFIT BEFORE TAX

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

	2008 HK$000	2007 HK$000
Labour and related costs:		
Directors' remuneration (note 12)	8,477	2,463
Staff salaries, allowances and welfare	171,229	162,562
Provident fund contributions	4,159	2,716
Mandatory provident fund obligations	683	616
Share-based payment expenses to other employees	—	82
Retirement benefit plan expenses	8,966	10,540
Direct labour costs	125,243	121,727
	318,757	300,706
Other items:		
Amortisation of prepaid lease payments under operating leases	17	17
Auditors' remuneration	3,722	3,425
Depreciation of property, plant and equipment	27,452	25,674
Amortisation of other intangible assets	1,643	—
Net allowance/(credit) for bad and doubtful debts	3,747	(3,728)
Write-off of inventories	2,713	1,784
Minimum lease payments in respect of rented premises	12,161	10,385
Cost of inventories recognised as expenses	1,063,198	1,060,451

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 10 (2007 - 8) directors were as follows:

For the year ended 30 September 2008

	Fees HK$'000	Basic salaries and allowances HK$'000	Bonuses HK$'000	Benefits in kind HK$'000	Retirement benefits scheme contribution HK$'000	Pension payments (see below) HK$'000	Consulting fee HK$'000	Total HK$'000
Executive directors:								
Mr. Brian C Beazer	—	—	750	—	—	—	935	1,685
Mr. David H Clarke	100	—	750	—	—	—	—	850
Mr. Simon N Hsu	—	480	—	—	12	—	—	492
Mr. William Fletcher	—	1,850	—	168	—	837	—	2,855
Mr. Patrick J Dyson	—	1,393	—	163	279	—	—	1,835
Non-executive directors:								
Dr. Wong Ho Ching, Chris*	180	—	—	—	—	—	—	180
Mr. Ramon Sy Pascual*	100	—	—	—	—	—	—	100
Mr. Teo Ek Tor	180	—	—	—	—	—	—	180
Mr. Henry W Lim*	210	—	—	—	—	—	—	210
Mr. Robert B Machinist*	90	—	—	—	—	—	—	90
	860	3,723	1,500	331	291	837	935	8,477

The pension payments made to Mr. Fletcher are paid directly by the James Neill Pension Plan and not by the Company itself.

* Independent non-executive directors

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

For the year ended 30 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:						
Dr. 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

* Independent non-executive directors

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

The management considers that the Directors of the Company are the key management of the Group.

Employees' emoluments

The five highest paid individuals of the Group included 2 directors (2007 - nil), details of whose emoluments are set out above. The emoluments of the 3 (2007 - 5) highest paid employees for the year ended 30 September 2008, other than the Directors of the Company, were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	4,248	7,591
Expenses of retirement benefit plan	495	815
	4,743	8,406

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

Emoluments of these employees were within the following bands:

	Number of employees 2008	2007
HK$1,000,000 - HK$2,000,000	3	4
HK$2,000,000 - HK$3,000,000	—	1
	3	5

13. INCOME TAX CHARGE

The income tax charge for the year comprises:

	2008 HK$'000	2007 HK$'000
Current income tax:		
Hong Kong	—	68
Mainland China	127	1,626
United States of America	62	—
France	869	821
New Zealand	243	104
	1,301	2,619
Deferred tax (note 34)	3,875	4,962
	5,176	7,581

(a) Hong Kong profits tax is calculated at 16.5 % (2007 - 17.5%) on the estimated assessable profits for the year. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

13. INCOME TAX CHARGE *(Continued)*

(b) The income tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2008 HK$'000	2007 HK$'000
Profit before tax	**71,850**	98,963
Tax at the average income tax rate of 21.85% (2007 - 23.25%)	**(15,699)**	(23,005)
Tax effect of expenses not deducible for tax purposes	**(5,704)**	(5,211)
Tax effect of income not taxable for tax purposes	**9,369**	16,597
Tax effect of losses not recognised	**(3,984)**	(6,223)
Utilisation of tax losses previously not recognised	**5,401**	14,744
Effect of prior year adjustments	**1,596**	263
Effect of different tax rates applicable to subsidiaries operating in non Hong Kong jurisdictions	**—**	680
Increase/(decrease) on recoverable amount of UK deferred tax assets (note c)	**3,845**	(5,024)
Others	**—**	(402)
Income tax charge	**(5,176)**	(7,581)

(c) The adjustment of HK$3.8 million for the year ended 30 September 2008 relates to changes in UK tax legislation regarding the tax treatment of capital expenditure on industrial buildings.

With regard to the adjustment of HK$5.0 million for the year ended 30 September 2007, the majority of the Group's deferred tax assets relate to temporary differences originating in its UK subsidiaries. At 30 September 2006 such deferred tax balances had been provided for at a rate of 30%. Legislation enacted during 2007, applicable from 6 April 2008, reduced the rate to 28%. The deferred tax assets were reduced at 30 September 2007 to reflect this change in rate.

(d) 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 rate for domestic and foreign invested enterprises will be unified at 25% 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.

14. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim dividend declared and paid of 0.5 HK cent per ordinary share (2007 - nil)	3,000	—

At a Board Meeting held on 17 June 2008, the Directors approved the payment of an interim dividend of 0.5 HK cent per share. The interim dividend was distributed on 29 August 2008 to shareholders whose names appeared on the share register of members of the Company as at the close of business on 21 August 2008.

The Directors propose the payment of a final dividend of HK$3,600,000 (0.5 HK cent per ordinary share) for the year ended 30 September 2008. Subject to shareholders' approval, this final dividend will be distributed on or about 5 March 2009 to shareholders whose names appear on the register of members of the Company as at the close of business on 27 February 2009.

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

Assuming the final dividend is approved by Shareholders at the Annual General Meeting, total dividends for the year will be 1.0 HK cent per share.

15. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit of HK$66,674,000 (2007 - HK$76,370,000) attributable to the equity holders of the Company, a profit of HK$6,600,000 (2007 - HK$4,139,000 loss) has been dealt with in the financial statements of the Company.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of HK$66,674,000 (2007 - HK$76,370,000) and the weighted average number of ordinary shares for basic and diluted earnings per share of 684,587,886 shares and 691,365,971 shares (2007 - 677,058,400 and 681,935,072) respectively, calculated as follows:

(i) Weighted average number of ordinary shares

	2008	2007
Issued ordinary shares at 1 October	557,058,400	557,058,400
Effect of new shares issued (note a)	7,529,486	—
Effect of bonus issue (note b)	120,000,000	120,000,000
Weighted average number of ordinary shares at 30 September	684,587,886	677,058,400
Basic earnings per share (HK$)	9.74 cents	11.28 cents

16. EARNINGS PER SHARE *(Continued)*

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

	2008	2007
Issued ordinary shares at 1 October	557,058,400	557,058,400
Effect of new shares issued (note a)	7,529,486	—
Effect of bonus issue (note b)	120,000,000	120,000,000
Effect of deemed issue of shares under the Company's share option scheme	6,778,085	4,876,672
Weighted average number of ordinary shares at 30 September	691,365,971	681,935,072
Diluted earnings per share (HK$)	9.64 cents	11.19 cents

(a) Relates to consideration shares issued in respect of the acquisition of JPE on 28 July 2008 (note 39).

(b) The number of shares for 2007 includes the impact of the bonus issue of 1 bonus share for every 5 shares held, which was implemented in 2008 (note 35).

17. 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 1 October 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 30 September 2007	201,344	56,192	24,226	85,848	367,610
Additions	30	2,188	6,543	4,278	13,039
Acquired on acquisition of subsidiary	40,080	—	—	12,349	52,429
Disposals	—	(193)	(4,250)	(7,017)	(11,460)
Disposals of a subsidiary	—	(188)	—	(1,422)	(1,610)
Currency realignment and others	(13,993)	2,555	(1,435)	5,966	(6,907)
At 30 September 2008	227,461	60,554	25,084	100,002	413,101
Depreciation, amortisation and impairment					
At 1 October 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 30 September 2007	9,111	31,243	12,374	62,404	115,132
Provided for the year	4,991	7,361	6,844	8,256	27,452
Disposals	—	(94)	(4,240)	(6,678)	(11,012)
Disposal of a subsidiary	—	(203)	—	(109)	(312)
Currency realignment and others	621	2,385	(476)	6,540	9,070
At 30 September 2008	14,723	40,692	14,502	70,413	140,330
Carrying values					
At 30 September 2008	212,738	19,862	10,582	29,589	272,771
At 30 September 2007	192,233	24,949	11,852	23,444	252,478

17. 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
Land and 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:

	2008 HK$'000	2007 HK$'000
Properties held outside Hong Kong that are:		
Freehold	159,086	177,552
Long leasehold	39,969	2,069
Held under medium-term leases	13,683	12,612
	212,738	192,233

Additions for the year include HK$6,543,000 (2007 - HK$10,356,000) 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, motor vehicles and plant and machinery of HK$19,862,000 (2007 - HK$24,949,000), HK$10,582,000 (2007 - HK$11,852,000) and HK$29,589,000 (2007- HK$23,444,000) includes amounts of HK$5,809,000 (2007 - HK$7,329,000), HK$10,258,000 (2007 - HK$11,386,000) and HK$5,864,000 (2007 - HK$nil), respectively, in respect of assets held under finance leases.

18. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

GROUP	2008 HK$'000	2007 HK$'000
The Group's prepaid lease payments comprise:		
Medium-term land use right in the PRC	625	642

19. OTHER INTANGIBLE ASSETS

GROUP	Intellectual property rights 2008 HK$'000
Additions	3,588
Amortisation	(1,643)
Currency alignment	(97)
Carrying amount at 30 September	1,848

20. INTERESTS IN SUBSIDIARIES

COMPANY	2008 HK$'000	2007 HK$'000
Unlisted investments, at cost	97,802	76,361
Due from subsidiaries (note a)	202,713	161,718
Due to subsidiaries (note b)	209,160	162,898

(a) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(b) Except for the loan to a subsidiary amounting to approximately HK$15,725,000 (2007 - HK$nil) which is unsecured, interest-bearing at 6.25% fixed and repayable on demand, all other amounts due are unsecured, interest-free and repayable on demand.

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 Equipment Shanghai Co Limited	PRC*	Ordinary RMB 4,026,000	—	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%	Manufacture and distribution of precision measuring equipment
Bowers Metrology (UK) Limited	UK	Ordinary £100	—	100%	Distribution of precision measuring equipment
Coventry Gauge Limited	UK	Ordinary £2	—	100%	Manufacture of precision gauges and associated metrology products
CV Instruments Limited	UK	Ordinary £100	—	100%	Assembly and distribution of precision measuring equipment

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
Eclipse Magnetics Limited	UK	Ordinary £80,000	—	100%	Procurement and manufacture of permanent magnets, magnetic work holding systems and other associated products, marketing and sales of micrometers and other precision measuring tools
Jade Precision Engineering Pte Ltd	Singapore	Ordinary S$22,003,000	—	100%	Manufacture and distribution of stamped, etched and plated leadframes for the semi-conductor industry
James Neill Holdings Limited	UK	Ordinary £44,773,788 4.2% preference £300,000	—	100%	Investment holding
Magnacut Limited	UK	Ordinary £9,000	—	100%	Procurement and manufacture of permanent magnets and assemblies
Neill France SA	France	Ordinary Euro 198,184	—	100%	Investment holding
Neill Tools Limited	UK	Ordinary £25,597,000	—	100%	Procurement and manufacture of hacksaw blades, engineers cutting tools, micrometer and other precision measuring tools
Pan Electrium Industrial Company Limited	Hong Kong	Ordinary HK$5,000,000	—	100%	Manufacture of and trading in electric/electrical parts and 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
Pantene Global Acquisition Corp	USA	Ordinary US$10	—	100%	Investment holding
Pantene Global Holdings Limited	Hong Kong	Ordinary HK$5,000,000	100%	100%	Investment Holding in Hong Kong
Pantene Industrial Co Limited	Hong Kong	Ordinary HK$10,000	—	100%	Sale and distribution of rechargeable battery products
Rise up International Limited	British Virgin Islands	Ordinary US$1	100%	100%	Investment holding in Hong Kong
Spear & Jackson (Australia) Pty Limited	Australia	Ordinary AU$4,640,000	—	100%	Marketing and sale of group tools and other related products
Spear & Jackson France SA	France	Ordinary Euro1,300,000	—	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

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
Pin Xin Resources (Shenzhen) Co Limited	PRC*	Registered HK$2,000,000	—	100%	Sale and distribution of rechargeable battery products
Shenzhen Pantai Electronic Co Limited	PRC*	Registered US$700,000	—	100%	Manufacture and sale of electronic products

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

Unless otherwise specified under "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 for the year 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 30 September 2008 or at any time during the year.

21. INTEREST IN AN ASSOCIATE

GROUP	2008 HK$'000	2007 HK$'000
At 1 October	3,577	3,142
Reclassification to available-for-sale financial assets	—	(443)
Currency realignment	484	(2)
Share of profit before tax for the year	1,525	1,528
Share of tax for the year (note a)	(127)	—
Dividends received	(1,691)	(648)
At 30 September	3,768	3,577

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	RMB6,559,293	25%	25%

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

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

	2008 HK$'000	2007 HK$'000
Total assets	33,342	29,047
Total liabilities	(18,271)	(14,739)
Net assets	15,071	14,308
Share of an associate's net assets	3,768	3,577
Sales	84,015	78,117
Profit for the year after tax	5,592	6,114
Share of result of an associate (net of tax)	1,398	1,528

(a) In prior years, no tax had been paid on the profits of an associate due to the availability of a PRC tax holiday. During the year the tax holiday came to an end and tax of HK$127,000 is attributable to the associate's profit for the year.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP	2008 HK$'000	2007 HK$'000
Unlisted equity investments at purchase cost	1,995	2,071
Impairment loss	(1,264)	(1,264)
Unlisted equity investments at fair value (note a)	731	807
Listed equity investments at purchase cost	3,813	—
Changes in fair value	(3,465)	—
Listed equity investments at fair value (note b)	348	—
Other investments at fair value (note c)	1,833	—
Equity securities listed in Hong Kong at fair value (note d)	—	—
Total	2,912	807

COMPANY	2008 HK$'000	2007 HK$'000
Listed equity investments at purchase cost	3,813	—
Change in fair value	(3,465)	—
Listed equity investments at fair value (note b)	348	—
Equity securities listed in Hong Kong at fair value (note d)	—	—
Total	348	—

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

(a) The 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 wide that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity securities above, are Bowers Metrologie SARL ("BML") and Bipico Industries (Tools) Private Limited ("BITPL").

BML is a company incorporated and operating in France, and, after impairment write downs has a carrying amount of HK$nil (2007 - HK$nil). 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 the company.

BITPL is a company incorporated and operating in India, with a carrying amount of HK$580,000 (2007 - 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 investors, the Group has no right to appoint directors of BITPL and the Group does not possess the ability to exercise significant influence over the company.

(b) This represents the Group's investment in the shares of Jed Oil Inc (Symbol: JDO), a Canda-based company quoted on the AMEX.

(c) This represents the Group's investment in PowerShares DB US Dollar Bullish Fund (Symbol: UUP) which is listed on the NYSE Arca.

(d) 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 SEHK, representing a holding of approximately 0.30% (2007 - 1.015%) of the issued share capital of CICL as at 30 September 2008.

In the opinion of the Directors, because 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 HK$nil (2007 - HK$nil).

23. INVENTORIES

GROUP	2008 HK$'000	2007 HK$'000
Raw materials	62,312	62,030
Work in progress	36,609	36,924
Finished goods	189,362	186,498
	288,283	285,452

24. TRADE AND OTHER RECEIVABLES

Trade and other receivables of HK$311,232,000 (2007 - HK$301,397,000) include trade receivables of HK$284,605,000 (2007 - HK$285,438,000). At the reporting date, the aged analysis of trade receivables, which is stated after provisions for impairment is as follows:

GROUP	2008 HK$'000	2007 HK$'000
0 - 60 days	230,398	222,000
61 - 90 days	32,142	24,455
91 - 120 days	9,552	15,525
Greater than 120 days	12,513	23,458
	284,605	285,438

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 trade and other receivables approximate to their fair value.

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

GROUP	2008 HK$'000	2007 HK$'000
Balance at 1 October	10,298	13,096
Impairment losses recognised	4,316	2,067
Impairment losses reversed	(569)	(5,795)
Currency realignment	(865)	930
Acquisition of a subsidiary	567	—
Balance at 30 September	13,747	10,298

The provision relates to individually impaired trade debtors that were in default in settlements and no portion of the receivables is expected to be recovered.

Debtors that are past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality.

25. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP	2008 HK$'000	2007 HK$'000
Forward foreign exchange contracts - cash flow hedges	473	—

The fair values for the above contracts have been estimated using relevant market exchange and interest rates.

The Group uses forward foreign exchange contracts to mitigate exposure arising from forecast inventory purchases in US dollars. All US dollar forward foreign exchange contracts have been designated as hedging instruments in cash flow hedges in accordance with HKAS 39.

The cash flows are expected to occur between 1 and 3 months from 30 September 2008. The amount recognised in equity during the year was HK$473,000 (2007 - HK$nil). The amount recognised in equity will be transferred to profit or loss during the same year when the inventory purchased affects profit and loss (when it is sold or impaired).

26. 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 (2007 - 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 that the carrying value of the amount at the balance sheet date approximates to its fair value.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term bank deposits carrying interest at prevailing market rates. The Directors consider that the carrying value of the deposits at the balance sheet date approximate to their fair value.

28. TRADE AND OTHER PAYABLES

Trade and other payables of HK$296,177,000 (2007 - HK$270,406,000) include trade payables of HK$191,879,000 (2007 - HK$186,700,000). At the reporting date, the aged analysis of trade payables is as follows:

GROUP	2008 HK$'000	2007 HK$'000
0 - 60 days	172,316	174,762
61 - 90 days	14,522	6,692
Greater than 90 days	5,041	5,246
	191,879	186,700

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

29. INTEREST-BEARING BANK BORROWINGS

GROUP	2008 HK$'000	2007 HK$'000
Bank borrowings (all secured) comprise:		
Export invoices/loan financing	71,114	40,744
Trust receipts/finance loans	—	9,308
Other bank loans	43,741	66,676
	114,855	116,728
Bank borrowings are repayable as follows:		
Within one year or on demand	92,956	72,986
More than one year, but not exceeding two years	21,899	43,742
	114,855	116,728
Less: Amounts due within one year shown under current liabilities	(92,956)	(72,986)
Amounts due after one year shown under non-current liabilities	21,899	43,742

COMPANY	2008 HK$'000	2007 HK$'000
Bank borrowings (all secured) comprise:		
Other bank loans	607	1,009
Bank borrowings are repayable as follows:		
Within one year or on demand	402	402
More than one year, but not exceeding two years	205	607
	607	1,009
Less: Amounts due within one year shown under current liabilities	(402)	(402)
Amounts due after one year shown under non-current liabilities	205	607

The bank borrowings which are denominated in Hong Kong Dollars and US Dollars, carry variable interest rates linked to the Hong Kong Dollar Prime Rate and fixed interest rates.

The effective interest rates on the Group's floating rate borrowings range from mainly 4.75% to 8.5% per annum (2007 - 6% to 12.8% per annum).

The fair values of the Group's bank borrowings, determined by 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.

30. OBLIGATIONS UNDER FINANCE LEASES

GROUP	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Amount payable under finance leases:				
Within one year	8,936	9,212	8,026	8,330
In the second to fifth years inclusive	11,230	9,341	9,982	8,732
	20,166	18,553	18,008	17,062
Less: Future finance charges	(2,158)	(1,491)	—	—
Present value of lease obligations	18,008	17,062	18,008	17,062
Less: Amount due for settlement within one year shown under current liabilities			(8,026)	(8,330)
Amount due for settlement after one year shown under non-current liabilities			9,982	8,732

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 3.3% 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.

31. PROVISIONS

GROUP	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1 October 2006	18,968	12,450	31,418
Utilisation of provision	(3,428)	(12,450)	(15,878)
Provision for the year	1,552	476	2,028
Currency realignment	1,332	553	1,885
At 30 September 2007	18,424	1,029	19,453
Utilisation of provision	(3,427)	(6,899)	(10,326)
Re-analysis from other creditors	358	—	358
Provision for the year	3,838	17,713	21,551
Currency realignment	(1,587)	(499)	(2,086)
At 30 September 2008	17,606	11,344	28,950

	2008 HK$'000	2007 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**18,277**	4,733
Non-current liabilities	**10,673**	14,720
	28,950	19,453

The onerous contract provisions represent the present value of the future lease payments that the Group is presently obligated to make under non-cancelable 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 approximately three years.

At 30 September 2006 the provision for manufacturing reorganisation costs comprised 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 30 November 2006 and the provisions include employee severance payments, site closure and relocation costs. Additionally, provisions were also made in respect of 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.

In May 2008 Neill Tools Limited, a UK based subsidiary of the Company, announced the relocation of its Wood Saws and Builders' Tools manufacturing operations to an overseas partner and a provision was established for employee severance payments and relocation costs. The relocation commenced in quarter 4 of fiscal 2008 and is expected to be completed in quarter 2 of fiscal 2009. Likewise, in September 2008, JPE, the Group's newly acquired subsidiary, announced a reduction in its manpower and the relocation of the remaining element of its stamping operations to the PRC. The provision at 30 September 2008 in relation to this reorganisation includes employee retrenchment costs and relocation costs. Additionally, retrenchment and severance costs were also incurred during the year by the Pantene Group's operation.

32. DEFINED CONTRIBUTION PLANS

Hong Kong

With effect from 1 December 2000, the Group joined a Mandatory Provident Fund Scheme (the "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. For the year ended 30 September 2008, the retirement benefit scheme contributions charged to the consolidated income statement amounted to HK$683,000 (2007 - HK$616,000), representing 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 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 made for the year ended 30 September 2008 was HK$4,159,000 (2007 - HK$2,716,000). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

33. 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 5 April 2007 by PricewaterhouseCoopers LLP. This valuation has been updated to 30 September 2008 for the purposes of this annual report.

The Group's contributions for the year ended 30 September 2008 amounted to £1.9 million Sterling (approximately HK$29.7 million) (2007 - £2.9 million (approximately HK$45.6 million)).

The Group's contributions for the period from 1 October 2006 to 31 July 2007 were fixed at £1.58 million sterling (approximately HK$23.3 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 continue at the 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, contributions are to continue at a fixed annual rate of £1.9 million Sterling (approximately HK$25 million) for two years. Thereafter, contributions will rise to £3.65 million Sterling (approximately HK$48 million) for the following two years and will then revert to £3.25 million Sterling (approximately HK$43 million) for a further three and a half years. In addition to the repayment schedule, a second charge was executed in favour of the Plan representing 50% of the value of the Group's manufacturing plant in Sheffield, UK.

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The principal financial assumptions used in the updated actuarial valuations at 30 September 2008 and 30 September 2007 for the purpose of the accounting disclosures in this annual report were as follows:

	2008	2007
Long term rate of increase in pensionable salaries	3.50%	3.40%
Rate of increase of benefits in payment (note a)	3.10%	3.00%
Rate of increase of benefits in payment (note b)	2.80%	2.70%
Discount rate	7.50%	5.95%
Inflation assumption	3.30%	3.20%
Expected return on equities	8.70%	8.70%
Expected return on bonds	7.05%	5.95%
Expected return on cash	5.00%	5.75%

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

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

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

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 15.0 years	Female 17.7 years
Future pensioner when aged 65:	Male 20.2 years	Female 23.0 years

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

	2008 HK$'000	2007 HK$'000
Fair value of Plan assets:		
Equities	602,009	818,840
Bonds	606,637	715,815
Cash	7,650	10,146
Insurance policies	16,732	23,046
	1,233,028	1,567,847
Present value of funded obligations	(1,473,599)	(1,845,046)
Net liabilities recognised	(240,571)	(277,199)

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2008 HK$'000	2007 HK$'000
Current service cost	8,966	10,540
Expected return on assets	(106,820)	(97,908)
Interest cost	105,641	97,785
	7,787	10,417

The current service cost charge for the year 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:

	2008 HK$'000	2007 HK$'000
At 1 October	1,845,046	1,879,386
Currency realignment	(169,223)	133,531
Current service cost	8,966	10,540
Interest cost	105,641	97,785
Member contributions	4,822	5,385
Benefit payments	(94,043)	(61,855)
Actuarial gains	(227,610)	(219,726)
At 30 September	1,473,599	1,845,046

Changes in the fair values of the Plan's assets are as follows:

	2008 HK$'000	2007 HK$'000
At 1 October	1,567,847	1,467,610
Currency realignment	(142,184)	107,060
Employer contributions	29,754	44,069
Member contributions	4,822	5,385
Expected return on assets	106,820	97,908
Benefit payments	(94,043)	(61,855)
Actuarial losses	(239,988)	(92,330)
At 30 September	1,233,028	1,567,847

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The amount, before tax, recognised in the consolidated statement of changes in equity is as follows:

	2008 HK$'000	2007 HK$'000
Actuarial (loss)/gain	(12,378)	127,396

The total cumulative amount of actuarial gains recognised in the consolidated statement of recognised income and expense, before tax is HK$104,362,000 (2007 - HK$116,740,000).

The history of experience adjustments is as follows:

	2008 HK$'000	2007 HK$'000
Present value of defined benefit obligation	(1,473,599)	(1,845,046)
Fair value of plan assets	1,233,028	1,567,847
Deficit	(240,571)	(277,199)
Experience gain adjustment on Plan liabilities	—	219,726
Experience loss adjustment on Plan assets	(84,141)	(92,330)

The actuarial valuation showed that the market value of the Plan assets at 30 September 2008 was HK$1,233,028,000 (2007 - HK$1,567,847,000) and that the actuarial value of these assets represented 84% (2007 - 85%) of the benefits that had accrued to members. The shortfall of HK$240,571,000 (2007 - HK$277,199,000) 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 8 years, subject to agreement by the Trustees and the UK Pensions Regulator.

34. DEFERRED TAX

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

	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 consolidated income statement	1,825	4,060	1,845	(11,393)	(2,604)	1,305	(4,962)
Recognition of actuarial gain on retirement benefit obligation	—	—	—	(13,830)	—	—	(13,830)
Currency realignment	—	570	(1,388)	6,602	827	143	6,754
At 30 September 2007	—	11,444	(20,562)	77,622	10,259	4,046	82,809
(Charged)/credited to consolidated income statement	—	2,931	675	(8,631)	1,091	59	(3,875)
Recognition of actuarial loss on retirement benefit obligation	—	—	—	3,466	—	—	3,466
Currency realignment	—	(1,797)	1,349	(5,097)	(1,264)	(332)	(7,141)
At 30 September 2008	—	12,578	(18,538)	67,360	10,086	3,773	75,259

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.

	2008 HK$'000	2007 HK$'000
Deferred tax liabilities	(19,870)	(22,033)
Deferred tax assets	95,129	104,842
	75,259	82,809

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% (2007 - 28%).

34. 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, analysed as follows:

	2008 HK$'000	2007 HK$'000
Unused tax losses	658,242	394,897
Capital losses	137,699	124,821
Other temporary differences	578,834	49,716
Other tax credits	423,353	467,755
	1,798,128	1,037,189

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 utilised in the foreseeable future. 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, UK, France, Australia, and Singapore and can be carried forward indefinitely.

35. SHARE CAPITAL

Ordinary shares of HK$0.1 each

	Number of shares	Amount HK$
Authorised:		
At 1 October 2007	1,000,000,000	100,000,000
Increase in authorised share capital (note a)	500,000,000	50,000,000
At 30 September 2008	1,500,000,000	150,000,000
Issued and fully paid:		
At 1 October 2007	557,058,400	55,705,840
Consideration shares (note b)	42,941,600	4,294,160
Bonus issue (note c)	120,000,000	12,000,000
At 30 September 2008	720,000,000	72,000,000

(a) Pursuant to an ordinary resolution passed at the special general meeting held on 21 August 2008, the authorised share capital of the Company was increased from HK$100,000,000 to HK$150,000,000 by the creation of an additional 500,000,000 unissued ordinary shares of HK$0.1 each.

(b) On 28 July 2008, the Group completed the acquisition of the entire share capital of JPE, a Singapore-based leadframes manufacturer. The consideration for the acquisition was settled by HK$2,816,851 in cash and the issue of 42,941,600 ordinary shares at an issue price of HK$0.427 per share. The new shares rank pari passu with the existing shares in all respects.

(c) Pursuant to an ordinary resolution passed in the special general meeting on 21 August 2008, one bonus share was issued for every existing five shares held by shareholders whose names were on the Register on 21 August 2008. The bonus shares rank pari passu with existing shares in all respects but they did not rank for the interim dividend recommended by the Company in respect of the six months ended 31 March 2008.

36. 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 vested.

Pursuant to an ordinary resolution passed in the special general meeting on 21 August 2008, one bonus share was issued for every existing five shares held by shareholders whose names were on the Register on 21 August 2008. As a result, therefore, the number of share options and the exercise price of those options have been adjusted at 30 September 2008 to take account of the bonus issue. The number of share options has increased from 5,000,000 to 6,000,000 and the exercise price has been adjusted from HK$0.36 to HK$0.30.

	Date of grant	Exercisable period	Exercise price HK$
1994 Scheme	23.7.2003	23.7.2003 - 22.7.2013	0.30

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:

	2008	2007
1994 Scheme	6,000,000	5,000,000

36. SHARE OPTIONS *(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") 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 30 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 board of directors but not exceeding 10 periods from the date of grant shall determine the exercise period. 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.

Pursuant to an ordinary resolution passed in the special general meeting on 21 August 2008, one bonus share was issued for every existing five shares held by shareholders whose names were on the Register on 21 August 2008. The share option exercise price and outstanding share options have been adjusted accordingly.

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

	Date of grant	Exercise price HK$	Outstanding at 1.10.2007	Bonus issue	Outstanding at 30.9.2008
Directors	28.9.2004	0.202	5,734,425	1,146,885	6,881,310
	20.12.2004	0.208	4,874,261	974,852	5,849,113
Other employees	28.9.2004	0.202	1,638,405	327,681	1,966,086
	20.12.2004	0.208	1,392,645	278,529	1,671,174
			13,639,736	2,727,947	16,367,683

The options granted on 28 September 2004 and 20 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 27 September 2007 and 19 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.

37. RESERVES

(a) GROUP

	Reserves								
	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Translation reserve[1] HK$'000	Investment revaluation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000
At 1 October 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 income 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 in 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 30 September 2007	13,527	731	1,442	19,870	6,270	—	239,649	281,489	—

37. RESERVES *(Continued)*

(a) GROUP (Continued)

	Reserves								
	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Translation reserve[1] HK$'000	Investment revaluation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000
At 30 September 2007	13,527	731	1,442	19,870	6,270	—	239,649	281,489	—
Exchange differences arising on translation of foreign operations	—	—	—	—	(38,614)	—	—	(38,614)	—
Change in fair value	—	—	—	—	—	(3,465)	—	(3,465)	—
Recognition of actuarial losses on defined benefit plan (net of tax)	—	—	—	—	—	—	(8,912)	(8,912)	—
Net expenses recognised directly in equity	—	—	—	—	(38,614)	(3,465)	(8,912)	(50,991)	—
Profit for the year	—	—	—	—	—	—	66,674	66,674	—
Total income and expense recognised in the year	—	—	—	—	(38,614)	(3,465)	57,762	15,683	—
Recognition of equity settled share-based payments	—	63	—	—	—	—	—	63	—
Dividends	—	—	—	—	—	—	(3,000)	(3,000)	—
Issue of shares at a premium	14,042	—	—	—	—	—	—	14,042	—
Bonus issue	(12,000)	—	—	—	—	—	—	(12,000)	—
	2,042	63	—	—	(38,614)	(3,465)	54,762	14,788	—
At 30 September 2008	15,569	794	1,442	19,870	(32,344)	(3,465)	294,411	296,277	—

(1) Included within the translation reserve for the year ended 30 September 2008 is a hedging reserve of HK$473,000 arising from the cash flow hedges of forward exchange contracts (note 25).

37. RESERVES *(Continued)*

(b) COMPANY

	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contribution surplus HK$'000	Investment valuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 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 in the income statement	—	252	—	—	—	—	252
	—	252	—	—	—	(4,139)	(3,887)
At 30 September 2007	13,527	731	1,442	70,911	—	(69,853)	16,758
Profit for the year	—	—	—	—	—	6,600	6,600
Change in fair value	—	—	—	—	(3,465)	—	(3,465)
Recognition of equity settled share-based payments in the income statement	—	63	—	—	—	—	63
Dividends paid	—	—	—	—	—	(3,000)	(3,000)
Issue of shares at a premium	14,042	—	—	—	—	—	14,042
Bonus issue	(12,000)	—	—	—	—	—	(12,000)
	2,042	63	—	—	(3,465)	3,600	2,240
At 30 September 2008	15,569	794	1,442	70,911	(3,465)	(66,253)	18,998

38. DISPOSAL OF A SUBSIDIARY

On 7 January 2008 Bowers Metrology Limited, a subsidiary undertaking of the Company, 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:

	2008 HK$'000
Net assets disposed:	
Property, plant and equipment	1,298
Inventories	7,939
Trade and other receivables	2,570
Amounts receivable from group companies	987
Cash and cash equivalents	3,867
Trade and other payables	(1,308)
Intercompany debt	(14,917)
	436
Gain on sale of a subsidiary	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)

39. ACQUISITION OF A SUBSIDIARY

On 6 February 2008, the Group entered into an agreement to purchase the entire share capital of JPE, a company incorporated in Singapore, from an independent third party, Jade Technology Holdings Limited, for a consideration of HK$21,652,000. The purchase was duly completed on 28 July 2008.

The discount on acquisition arose from purchasing the net assets of JPE at approximately 70% of their fair value. This recognises both JPE's poor recent trading results and future costs to restructure the business.

The acquired business contributed revenue of approximately HK$25,900,000 and a net loss of approximately HK$600,000 in the period from acquisition to 30 September 2008.

If the acquisition had taken place on 1 October 2007, the Group's revenue for the year would have been approximately HK$1,568,600,000 and the profit for the year would have been approximately HK$130,100,000 including a credit of approximately HK$87,800,000 in respect of group loan waivers by Jade Technology Holdings Limited, JPE's former holding company. This pro forma information is for illustrative purposes only and is not necessarily indicative of the revenue and results of the Group that would have been achieved had the acquisition been completed on 1 October 2007, nor is it intended to be a projection of future results.

The net assets acquired in the transaction and the discount on acquisition arising are as follows:

	Acquiree's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	62,479	(10,050)	52,429
Inventories	20,834	(2,120)	18,714
Trade and other receivables	48,831	(1,005)	47,826
Cash and cash equivalents	1,907	—	1,907
Trade and other payables	(52,465)	347	(52,118)
Obligations under finance leases	(432)	—	(432)
	81,154	(12,828)	68,326
Discount on acquisition			(46,674)
Legal and professional fees			(499)
Less: shares issued			(18,336)
Total consideration satisfied by cash			2,817
Net cash outflow arising on acquisition:			
Cash consideration paid			(2,817)
Legal and professional fees			(499)
Cash and cash equivalents acquired			1,907
			(1,409)

40. ACQUISITION OF MINORITY INTERESTS

On 28 July 2006, the Group acquired, pursuant to a stock purchase agreement dated 23 March 2006 with Jacuzzi Brands, Inc, a company incorporated in the State of Delaware, USA, and listed on the New York Stock Exchange, approximately 61.8% of the issued share capital of Spear & Jackson, a company incorporated in the State of Nevada, USA and traded electronically on the Over-the-Counter Bulletin Board of the National Association of Securities Dealers of America, for a consideration of HK$38.75 million.

With effect from 23 September 2007, the Group entered into an agreement to acquire the remaining 38.2% of the share capital of Spear & Jackson for a consideration of HK$33.5 million.

The net assets acquired in the acquisition of the minority interests of Spear & Jackson effective as of September 2007 and the discount on acquisition arising are as follows:

	2007 HK$'000
Net assets acquired:	
Property, plant and equipment	211,639
Available-for-sale financial assets	807
Interest in an associate	3,577
Deferred tax assets	104,134
Inventories	213,174
Trade and other receivables	190,317
Tax recoverable	1,662
Cash and cash equivalents	49,843
Trade and other payables	(159,137)
Tax payable	(1,836)
Obligations under finance leases	(11,855)
Provisions	(19,453)
Deferred tax liabilities	(22,033)
Retirement benefit obligation	(277,199)
	283,640
Minority interests	(175,290)
Discount on acquisition	(60,095)
Legal and professional fees	(14,798)
Total consideration satisfied by cash	33,457
Net cash outflow arising on acquisition:	
Cash consideration paid	(33,457)
Legal and professional fees	(14,798)
	(48,255)

41. 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$6,543,000 (2007 - HK$10,356,000).

42. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged bank deposits of HK$5,000,000 to certain banks to secure credit facilities granted by those banks to the extent of approximately HK$27,500,000 (2007 - HK$27,500,000).

The Group has pledged plant and machinery having a net book value of approximately HK$1,538,000 (2007 - HK$3,027,000) to secure general banking facilities granted to the Group.

The banking facility of the UK subsidiaries of Spear & Jackson comprises an overdraft facility of £3,000,000 Sterling (approximately HK$43,000,000). This overdraft facility is secured by a first fixed charge on the freehold land and buildings at Atlas Way, Sheffield, the UK and fixed and floating charges on the other assets and undertaking of Spear & Jackson plc, its UK trading subsidiaries and certain fellow UK subsidiary undertakings. Amounts drawn down under this facility at 30 September 2008 were HK$nil (2007 - HK$nil).

During the year, in accordance with UK pension regulatory requirements, a pension contribution schedule was agreed between the Group and the Trustees of the James Neill Pension Plan covering contributions payable to the Plan over the next 8 years to make good the Plan deficit over that period (note 33). As part of this agreement, the Group executed a second charge in favour of the Plan representing 50% (approximately HK$56,500,000) of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, the UK.

43. 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. 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 with the aggregate amount of such liabilities, if any, in excess of amounts accrued or covered by insurance, will not have a material adverse effect on the consolidated financial position or results of operations of the Group.

44. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$137,500,000 (2007 - HK$100,600,000) 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 in default.

45. CAPITAL COMMITMENTS

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

46. OPERATING LEASE COMMITMENTS

The Group as Lessee

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:

	2008 HK$'000	2007 HK$'000
Operating leases which expire		
Within one year	**15,362**	14,754
In the second to fifth years inclusive	**26,644**	33,650
Over five years	**24,380**	8,880
	66,386	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 recognised:

	2008 HK$'000	2007 HK$'000
Onerous lease contracts (note 31)		
Within one year	**6,934**	3,704
In the second to fifth years inclusive	**10,672**	14,720
	17,606	18,424

The Group as Lessor

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

	2008 HK$'000	2007 HK$'000
Within one year	**797**	841
In the second to fifth years inclusive	**1,947**	2,596
Over five years	**6,375**	5,796
	9,119	9,233

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

47. RELATED PARTY TRANSACTIONS

Eclipse Magnetics Limited, a subsidiary undertaking of United Pacific Industries Limited, purchases manufactured products directly from Ningbo Hi-tech Assemblies Co Ltd ("Ningbo Hi-tech"), a company in which it has a 25% interest (note 21). For the year ended 30 September 2008 goods to the value of approximately HK$29,000,000 were purchased from Ningbo Hi-tech.

The Group operates a contributory defined benefit pension plan covering certain of its employees in the UK based subsidiaries of Spear & Jackson ("the Plan"). The Group pays contributions to the Plan each year according to a schedule of contributions agreed between the Plan trustees and the Group. Full details of the contributions paid by the Group to the Plan during the year are disclosed in note 33.

Other than the emoluments paid to the directors of the Company, as disclosed in note 12, who are also considered as the key management of the Group and the points referred to above, the Group has not entered into any other related party transactions.

48. FINANCIAL RISK MANAGEMENT AND POLICIES

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price risk), fair value risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the Board of Directors. The Group does not have written risk management policies. However, the Board of Directors meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

Foreign currency risk

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal operating subsidiaries carry out their operations in the PRC (including Hong Kong), Singapore, UK, France and Australasia. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the selling and purchase of products. As a consequence of the various trading activities, certain trade receivables and borrowings of the Group are denominated in foreign currencies. While the Group has no formal hedging policy it does seek to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward exchange contracts to minimize any currency exposure risks.

The Group's foreign currency risk is mainly concentrated on the fluctuation of the US dollar against the Singapore Dollar and Pound Sterling and the fluctuation of the Euro against Pound Sterling. The following table details the Group's sensitivity to a 5% increase or decrease in relation to the above currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The negative figures represent a decrease in the profit for the year where the Singapore dollar strengthens against the US dollar; an increase in profit where Pound sterling strengthens against the dollar; and a decrease in profit where Pound sterling strengthens against the Euro. For a 5% weakening of the various currencies, there would be an equal and opposite impact on the profit and loss account.

48. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

	2008 HK$'000	2007 HK$'000
Singapore dollar to US dollar	(722)	—
Pound sterling to US dollar	337	754
Pound sterling to Euro	(179)	—
	(564)	754

Interest rate risk

The Group's exposure to interest rate risk relates principally to its interest-bearing bank borrowings. The interest-bearing bank borrowings have floating and fixed interest rates and in the main are denominated in Hong Kong dollars and US dollars. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 29. At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate profile and will consider appropriate hedging measures in the future which may be necessary.

The net interest costs borne by the Group are HK$9.3 million (2007 - HK$4.8 million). If there was a 1% increase/(decrease), the net interest costs would increase/(decrease) by approximately HK$1.5 million (2007 - HK$0.5 million).

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments as disclosed in note 22. Certain of those investments are publicly quoted equities and are subject to variations in value. However, they represent a small percentage of the Group's net assets and the risk is minimal.

Fair value risk

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial assets and liabilities.

Credit risk

The Group's exposure to credit risk is summarised as follows:

	2008 HK$'000	2007 HK$'000
Current assets:		
Cash and cash equivalents	104,915	104,977
Pledged bank deposits	5,000	5,000
Trade receivables	284,605	285,438
	394,520	395,415

48. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

The Group's credit risk is primarily attributable to trade receivables. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Group is exposed to concentration risk as a significant portion of its business is derived from its largest customers. As at 30 September 2008, trade receivables of HK$49,199,000 (2007 - HK$54,249,000) 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. Additionally, in certain markets, specific export guarantee insurance is taken out to minimize any credit rate risk. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced. Management does not expect any significant losses of accounts receivable that have not been provided for by way of an allowance.

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

Liquidity risk

The Group's objective is to ensure that adequate funds are available to meet commitments associated with its financial liabilities.

The Group manages its liquidity needs by carefully monitoring short-term and long-term cash-outflows on a regular basis. The Group mainly utilises cash to meet its liquidity requirements for periods up to 30 days. Funding for long-term liquidity needs will be considered when liquidity requirements in the long term are identified.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

48. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than five years HK$'000
At 30 September 2008				
Trade payables	191,879	191,879	191,879	—
Other payables	104,298	104,298	104,298	—
Interest-bearing bank borrowings	114,855	119,417	96,620	22,797
Obligations under finance leases	18,008	20,166	9,321	10,845
Provision for onerous contracts	17,606	19,425	7,191	12,234
	446,646	455,185	409,309	45,876

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than five years HK$'000
At 30 September 2007				
Trade payables	186,700	186,700	186,700	—
Other payables	83,706	83,706	83,706	—
Interest-bearing bank borrowings	116,728	125,607	78,310	47,297
Obligations under finance leases	17,062	18,553	9,225	9,328
Provision for onerous contracts	18,424	22,228	3,704	18,524
	422,620	436,794	361,645	75,149

48. FINANCIAL RISK MANAGEMENT AND POLICIES *(Continued)*

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised and may be categorised as follows.

	2008 HK$'000	2007 HK$'000
Financial assets:		
Cash and cash equivalents	104,915	104,977
Pledged bank deposits	5,000	5,000
Trade and other receivables	311,232	301,397
Available-for-sale financial assets	2,912	807
Derivative financial instruments	473	—
	424,532	412,181

	2008 HK$'000	2007 HK$'000
Financial liabilities:		
Trade and other payables	296,177	270,406
Interest-bearing bank borrowings	114,855	116,728
Obligations under finance leases	18,008	17,062
Provision for onerous contracts	17,606	18,424
	446,646	422,620

49. CAPITAL MANAGEMENT POLICIES AND RISK

The Group's objectives are: to provide returns for shareholders; to safeguard the Group's ability to continue as a going concern so that it continues to provide returns and benefits for its stakeholders; to support the Group's stability and growth; and to provide capital for the purpose of strengthening the Group's risk management capability.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders and issue new shares to reduce its debt level.

Consistent with other industries, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing bank borrowings and obligations under finance leases less cash and cash equivalents and pledged bank deposits. Total capital represents total equity, as shown in the consolidated balance sheet.

	2008 HK$'000	2007 HK$'000
Net debt	22,948	23,813
Total capital	368,277	337,195
Gearing ratio	6.23%	7.06%

RESULTS

	Years ended 31 March 2005 HK$'000	2006 HK$'000	Six month period from 1.4.2006 to 30.9.2006 HK$'000	Years ended 30 September 2007 HK$'000	2008 HK$'000
Turnover	392,136	454,339	390,189	1,402,305	1,437,608
Cost of sales	(338,990)	(392,599)	(335,056)	(1,060,451)	(1,063,198)
Gross profit	53,146	61,740	55,133	341,854	374,410
Other income	2,982	2,482	4,916	15,225	21,844
Selling and distribution costs	(3,892)	(3,140)	(31,590)	(219,314)	(235,806)
Administrative costs	(36,523)	(40,043)	(33,599)	(92,623)	(106,633)
Gain arising from changes in fair value of investment properties	1,400	1,000	—	—	—
Restructuring costs	—	—	—	(476)	(17,713)
Gain on sale of a subsidiary	—	—	—	—	23
Gain on sale of land and buildings	—	—	—	1,447	—
Finance costs	(1,611)	(2,028)	(2,533)	(8,773)	(12,474)
Share of results of an associate	—	—	236	1,528	1,525
Discounts on acquisition	—	—	26,200	60,095	46,674
Profit before tax	15,502	20,011	18,763	98,963	71,850
Income tax (charge)/credit	(2,521)	(4,357)	815	(7,581)	(5,176)
Profit for the year/period	12,981	15,654	19,578	91,382	66,674
Attributable to:					
Equity holders of the Company	12,981	15,654	19,009	76,370	66,674
Minority interests	—	—	569	15,012	—
	12,981	15,654	19,578	91,382	66,674
Dividends	—	—	—	—	3,000
Earnings per share					
Basic	2.3 cents	2.81 cents	3.41 cents	11.28 cents	9.74 cents
Diluted	2.3 cents	N/A	N/A	11.19 cents	9.64 cents

Financial Summary

ASSETS AND LIABILITIES

	At 31 March		At 30 September		
	2005	2006	2006	2007	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	254,288	272,312	1,035,440	1,062,943	1,088,795
Total liabilities	(97,591)	(99,738)	(808,612)	(725,748)	(720,518)
	156,697	172,574	226,828	337,195	368,277
Equity attributable to:					
Equity holders of the company	156,697	172,574	182,817	337,195	368,277
Minority interests	—	—	44,011	—	—
	156,697	172,574	226,828	337,195	368,277

United Pacific Industries
聯 太 工 業

Tel : (852) 2802 9988   Fax : (852) 2802 9163   Websites : www.upi.com.hk, http://unitedpacific.quamir.com