United Pacific Industries
聯太工業

Stock Code: 176

2009 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 organically and by mergers and acquisitions.

Chairman's Report

Fiscal year ended 30 September 2009 was amongst the most difficult in recent economic history. The collapse of Lehman Bros. in part precipitated a downward spiral in the credit markets from which there was no shelter. The consequences were difficult funding conditions for our customers and ultimately the retail trade. The end result was a 28% decline in our sales on a comparable year on year basis. In some cases our customers reduced their demand by in excess of 50%.

Not only did this affect the retail trade, but also the capital goods market. The Bowers Group, which has for the previous ten years been profitable, reported very difficult trading conditions, particularly in the second half of the year.

The action of central banks, in particular the U.S. Federal Reserve and the Bank of England in their various activities, including quantitative easing, appears to have been instrumental in avoiding a depression.

In general, trading conditions are now improving, but the improvement in no way mirrors the speed of the decline.

We are therefore taking pro-active steps to look for growth opportunities elsewhere, both organically and by mergers and acquisitions. To this end, we announced the signing of an MOU on 23 November 2009 to acquire Baty International, a UK-based company and a leading manufacturer of optical profile projectors, co-ordinate measuring systems and gauging products. The Baty business will complement the Metrology division's current activities. This acquisition is scheduled for completion early in 2010.

Additionally, we will continue to look at collaborative joint ventures and growth opportunities in 2010 with existing and new partners.

Throughout our Group we have reduced our cost-base by restructuring, recognising the problems that this causes for individuals in their lives. We consider that our fixed cost-base is as low as it can realistically be and we now need higher sales to return to acceptable levels of profitability.

During the year we acquired Alford Industries, led by CEO, Rix Tsui, and K C Thong, Marketing Director, which takes us into the field of consumer durables. They are a most welcome enhancement to the management team and this division brings a profitable addition to our existing activities.

We continue to develop new products that support our various geographical areas. For example, we have confidence that with the strength of the Australian economy and the capability of the management team, we will generate the growth that we need to support the onward progress of the Group in Australasia.

We would like to thank our shareholders for their support in our 2009 Rights Issue which was overwhelmingly subscribed.

Since the year end we have welcomed a new and significant shareholder, the Hon. Chim Pui Chung and his company, Golden Mount Ltd, who own approximately 27.5% of your Company's equity.

I would like to thank our customers, suppliers, financiers and board of directors for their assistance during this very difficult period, but most of all I have to convey my thanks to our shareholders and staff for their support, work and ability in this challenging trading environment. Without them nothing would have been achieved, and while profits have been at the very low end, other aspects of our business have been more resilient, including cash management.

Prospects

Barring unforeseen circumstances, 2010 will be more profitable than 2009. Trading is improving and the world economy has avoided a major depression. Therefore, we look to the future with confidence supported by a Group which has brands, technology, Asian manufacturing and supplies, allied to a belief that its products are beneficial to society and will be profitable to its shareholders.

Yours faithfully

BRIAN C BEAZER
Executive Chairman

Hong Kong, 6 January 2010

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 (retired w.e.f. 1 May 2009)
Mr. Patrick J Dyson

Non-executive Director:
Mr. Teo Ek Tor

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

Audit Committee

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

Compensation Committee

Mr. Ramon S 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

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, www.irasia.com/listco/hk/upi

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Bermuda Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited
6 Front Street, Hamilton HM11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
26/F Tesbury Centre, 28 Queen's Road East, Hong Kong

Auditors

Grant Thornton

Chief Accounting Officer and Chief Taxation Officer

Ms. Alaina Shone

Group Financial Controller (Asia)

Mr. Fung Chow Man, Charles

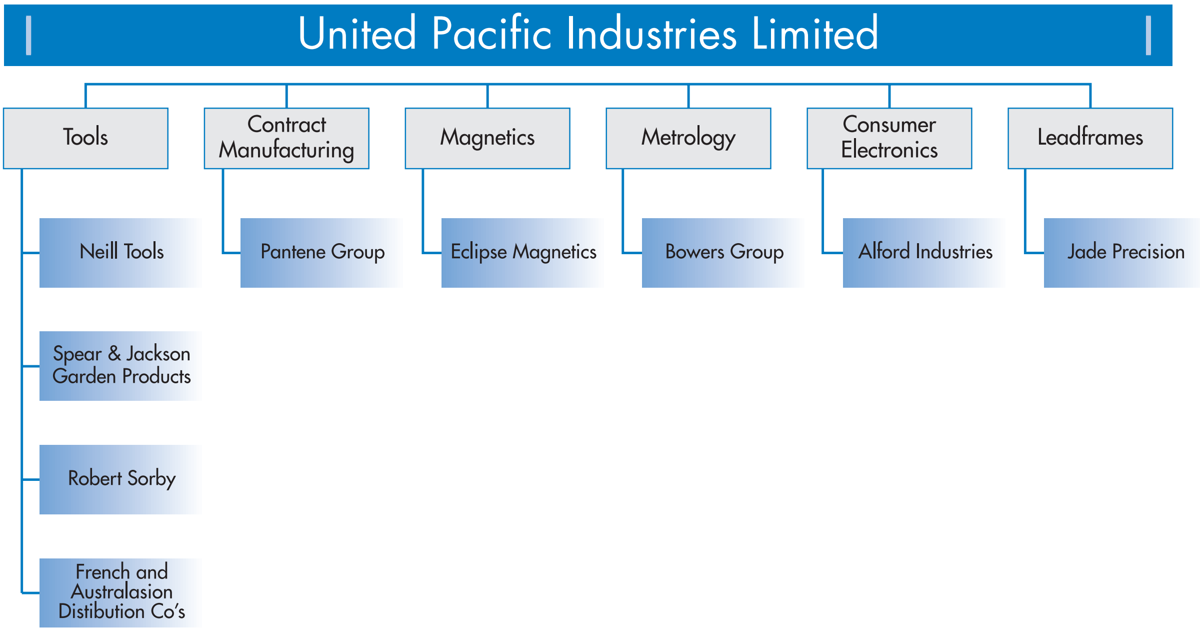
Company Secretary

Mr. Som Wai Tong, Ivan

Group Profile

The Company and Principal Divisions

United Pacific Industries Limited ("United Pacific Industries", "UPI" or the "Company") is a diversified investment holding company. The Company has been listed on the Stock Exchange of Hong Kong Limited since 1994. The Company's substantial shareholders include executive directors and key management personnel, as well as institutional and private investors who make a significant contribution to the Company's diversity and financial strength.



The Group has expanded through mergers and acquisitions and its six principal divisions are engaged in a broad range of business operations as follows:

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 are market developers and brand name 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 and are involved in the manufacturing, procurement and distribution of high-quality lawn, garden and agricultural tools, wood saws and hacksaws, a full range of contractors' hand and power tools and a portfolio of electric-powered garden tools. The division has manufacturing and assembly facilities in Sheffield, England and St. Chamond, France, and distribution facilities in England, France, Australia, New Zealand, China and Canada. The division sells in over 100 countries world-wide under globally recognised brands such as Eclipse, Spear & Jackson, Neill Tools, WHS Tyzack and Elliott Lucas. Please visit our website at www.spear-and-jackson.com.

Complementing the business of the UK Hand and Garden operations, Spear & Jackson (Australia) Pty. Ltd. and Spear and Jackson (New Zealand) Ltd., are market-developers and distributors in Australia and New Zealand for the wide range of Spear & Jackson products. They are extending their sales reach by establishing their own lines of products, including air compressors and automotive equipment.

Spear & Jackson France S.A. was created by merging the French businesses of Laurenty and Forges de Lavieu. The former is a well-known name among home gardeners for lawn and garden tools and implements, and the latter is a long-standing and well-established name in French agricultural tools. S&J France has also been active in launching new products under the Spear & Jackson brand name. Through its new endearing Karamel & Jeremy range, it is branching into the largely untapped market for children's gardening products and accessories and at the same time, nurturing budding young gardeners, and building brand-loyalty among a new generation. Please visit our website at www.neill-tools.co.uk/SJ/France.

The independently managed business of Robert Sorby offers premier, high-quality English designed and manufactured speciality woodturning, woodcarving and woodworking tools for hobbyists and professional woodworkers worldwide. Please visit our website at www.robert-sorby.co.uk.

Contract Manufacturing Division ("Pantene Group")

Pantene Industrial, founded in 1978, our original contract manufacturing business, is based in Shenzhen, PRC. Pantene Industrial is the Company's founding OEM and EMS service provider, providing a one-stop solution from design, tooling and safety approval to mass production. Its diverse product range includes industrial-grade chargers, electronic components and products such as industrial work lights, coils and solenoids and PCBA, as well as end-user durables such as chargers for self-drive cars and toys for children, energy-efficient travel chargers and LED lights. Pantene also offers precision-stamping and plastic injection capability. Please visit our website at www.pantene.com.hk.

Magnetics Division ("Eclipse Magnetics")

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.

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 including separators, conveyors, filtration units, lifting equipment and custom-engineered material handling solutions.

The division's sales and marketing reach has been extended during the year with the acquisition of the assets of the division's former Canadian distributor. These assets and operations are now being run through a newly-formed company, Eclipse Tools North America ("ETNA"). ETNA sells, markets and distributes magnetic materials, assemblies and solutions in Canada and the USA for the Magnetics Divison and also performs a similar role for the UK Tools division. Please visit our website at www.eclipse-magnetics.co.uk.

Metrology Division ("Bowers Group")

The Metrology division comprises three principal companies: Bowers Metrology Ltd., Bowers Metrology (UK) Ltd. and Bowers Measuring Equipment Shanghai Co Ltd. These businesses are based in Bradford, UK, Bordon, UK, and Shanghai, PRC, respectively.

The Metrology division is engaged in the design, manufacturing and distribution of precision measuring instruments for the automotive, aerospace, oil and gas 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 is in Bradford, UK. The core product manufactured here is 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 includes sales under the well-known brand of Moore & Wright and is further complemented by a manufacturing facility in Shanghai. The Moore & Wright brand enjoys an enviable reputation for the quality of its products and is a recognised leader in the field of micrometer design and manufacture. The Shanghai manufacturing facility, which commenced trading in 2006, manufactures several of the Group's testing instruments, while also acting as a design, out-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. Please visit our website at www.bowersmetrology.com.

Consumer Electronics Division ("Alford Industries")

In January 2009, the Company acquired the entire share capital of Alford Industries Limited ("Alford"), an OEM/ODM manufacturer incorporated in Hong Kong with manufacturing facilities in Guangdong, PRC. Alford is engaged in the design and manufacture of sophisticated consumer electronic and wireless products including infrared/radio frequency cordless headphones and speakers, noise cancellation headphones, hearing enhancers, audio and video baby monitors. These are sold as OEM/ODM products, but increasingly, under the company's own brand names. Please visit our website at www.alford.com.hk.

Leadframes Division ("Jade Precision")

In July 2008, the Company acquired a 100% interest in Jade Precision Engineering Pte. Ltd. ("JPE"). JPE, a long-established Singapore-based manufacturer, offers design services and customised high-precision stamped, etched and electro-plated integrated circuit leadframes for the semi-conductor industry. Its customers are global leaders in the electronics field. Please visit our website at www.jade.com.sg.

Financial Highlights

The following sets out the financial highlights for the year ended 30 September 2009.

	2009 HK$million
Turnover	1,042.0
Discount on acquisition	10.6
Profit attributable to shareholders	0.8
Net assets	369.7
Cash and cash equivalents and pledged bank deposits	112.2
Net debt	(23.0)
Gearing ratio	6.22%
Basic earnings per share (in HK cents)	0.09

Historical financial information:

	Years ended 30 September			Six month period from 1.4.2006 to 30.9.2006	Year ended 31 March 2006
	2009	2008	2007		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,042,007**	1,437,608	1,402,305	390,189	454,339
Cost of sales	**(793,602)**	(1,063,198)	(1,060,451)	(335,056)	(392,599)
Gross profit	**248,405**	374,410	341,854	55,133	61,740
Other income	**11,569**	21,844	15,225	4,916	2,482
Selling and distribution costs	**(170,125)**	(235,806)	(219,314)	(31,590)	(3,140)
Administrative costs	**(67,671)**	(106,633)	(92,623)	(33,599)	(40,043)
Restructuring costs	**(5,288)**	(17,713)	(476)	—	—
Gain arising from changes in fair value of investment properties	**—**	—	—	—	1,000
Gain on sale of a subsidiary	**—**	23	—	—	—
Gain on sale of land and buildings	**—**	—	1,447	—	—
Finance costs	**(16,986)**	(12,474)	(8,773)	(2,533)	(2,028)
Share of results of an associate	**757**	1,525	1,528	236	—
Discount on acquisition	**10,616**	46,674	60,095	26,200	—
Impairment loss on available-for-sale financial assets	**(3,813)**	—	—	—	—
Profit before tax	**7,464**	71,850	98,963	18,763	20,011
Income tax (charge)/credit	**(6,680)**	(5,176)	(7,581)	815	(4,357)
Profit for the year/period	**784**	66,674	91,382	19,578	15,654
Attributable to:					
Equity holders of the Company	**784**	66,674	76,370	19,009	15,654
Minority interests	**—**	—	15,012	569	—
	784	66,674	91,382	19,578	15,654
Dividends	**7,700**	3,000	—	—	—
Earnings per share					
Basic	**0.09 cents**	9.36 cents	11.28 cents	3.41 cents	2.81 cents
Diluted	**N/A**	9.27 cents	11.19 cents	N/A	N/A

Looking Forward

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

Executive Directors

Brian C Beazer – *Executive Chairman*

Mr. Beazer, aged 74, was appointed a director of United Pacific Industries Limited in 1998, and was appointed Executive Chairman in 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. He has served as a director of Beazer Homes since its initial public offering in 1994. He formerly served as Chief Executive Officer of Beazer PLC, from 1968 to 1991, and as Chairman of that company from 1983 to the date of its acquisition by an indirect, wholly owned subsidiary of Hanson PLC. Mr. Beazer also serves as a director of Numerex Corp. (Nasdaq). Mr Beazer is also a director of various private companies, and is a private investor.

David H Clarke – *Executive Vice Chairman*

Mr. Clarke, aged 68, was appointed a director and Executive Vice Chairman of United Pacific Industries Limited in 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 49, was appointed Executive Vice Chairman of United Pacific Industries Limited in 2003 and has been a director since 1996. He is the Chief Executive Officer of Sino Resources Mining Corporation Limited which engages in exploiting natural resources and mining activities in Laos PDR and Australia. Mr. Hsu is also the Chairman of Chung Wei Yi Company Limited, the parent company of TransGlobe Life Insurance Company in Taiwan, and Executive Chairman of e-commerce Logistics Group, a Greater China-focused logistics and supply chain management company headquartered in Hong Kong.

Mr. Hsu sits on the board of various investment holding and public companies in Asia. He is an independent non-executive director of Hong Kong-listed Vietnam Manufacturing and Export Processing (Holdings) Limited (Stock Code: 422), the board supervisor of Amigo Logistics Limited in Taiwan, and director of Roly International Holdings Limited, one of the largest sourcing, trading and distribution company in Asia. Prior to joining United Pacific Industries Limited, Mr. Hsu was Managing Director of Hanson Pacific Limited, the Asian arm of Hanson plc.

Patrick J Dyson – *Chief Financial Officer, UPI*

Mr. Dyson, aged 53, was appointed Chief Financial Officer of UPI in February 2007 and was appointed a director in April 2008. 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 56, was appointed as Non-Executive Director of the Company in 2003. Mr. Teo is the Chairman of PrimePartners Group Pte Ltd and Managing Partner of PrimePartners Asset Management Pte Ltd which manages private-equity funds. He has extensive 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 58, was appointed as an independent non-executive director of the Company on 28 September 2004. Mr. Lim was the Chief Financial Officer with Morrison Express Corporation, based in Taiwan, from February 2000 to May 2009. He is a Certified Public Accountant and is a fellow of the Institute of Certified Public Accountants of Singapore, fellow of CPA Australia as well as fellow of ACCA. 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, and is a member of the Compensation Committee and Nominating and Corporate Govenance Committee.

Ramon S Pascual

Mr. Pascual, aged 50, 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 62, has been an independent non-executive director of the Company since March 1994. He is now the council member of the Chinese Mechanical Engineering Society, China. 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, China . He has been a member of the Hong Kong Special Administrative Region Election Committee and member of the first and second Hong Kong Special Administration Region Selection Committee. Dr. Wong serves as Chairman of the Nominating and Corporate Governance Committee and is also a member of the Audit Committee.

Robert B Machinist

Mr. Robert B machinist, aged 56, was appointed as an independent non-executive director of the Company on April 11, 2008. He is currently Chairman, Board of Advisors of MESA, a leading merchant bank specializing in media and entertainment industry transactions. Mr. Machinist also runs a private family investment company. Prior to this, he was Chairman, Chief Executive Officer and a managing partner of MB Investment Partners, a diversified wealth management company in New York. From January 1986 to November 1998, he was president and one of the principal founders of Patricof & Co. Capital Corp. (and its successor companies), a multinational investment banking business, until its acquisition by the Bank of New York. 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.

He is presently a member of the Boards of Directors of Centre Pacific, LLC, Maimonides Medical Center, the American Committee for the Weizmann Institute of Science as well as serving on its international Board of Governors and its Endowment, and Deerfield Triarc Capital Corp. In addition, he is Chairman of Deerfield's Audit Committee as well as serving on its Compensation and Nominating & Corporate Governance Committees. Through December of 2008, Mr. Machinist was Non-Executive Chairman of New Motion, Inc. (NASDAQ: NWMO), a member of its Board of Directors and its Audit and Compensation Committees. Previously, he has also 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.

Key Executives

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 53, 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 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 47, 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. She has over 25 years experience in accounting, auditing and taxation.

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

Mr. Fung, aged 48, 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 Treasurer and Company Secretary, UPI

Mr. Som, aged 38, was appointed Group Finance Manager and Company Secretary of the Group in September 2008 and re-designated from Group Financial Manager to Group Treasurer in May 2009. 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 40, 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 White
– Chief Executive, Bowers Group plc
Mr. White, aged 43, 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. This business was acquired by Bowers in 1994 and he was appointed a director at that time. He has subsequently held various technical, sales and marketing roles within the Bowers Group. Mr. White 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 58, holds an Honours degree from the University of Sheffield in Modern Languages. He joined the Spear & Jackson 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 Spear & Jackson (New Zealand) Ltd
Mr. Boyd, aged 56, 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 52, 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. 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 48, 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 30 years, of which 20 years was spent in the electronics industry.

Alford Industries

Tsui Chun Cheong, Rix
– Chief Executive Officer

Mr. Tsui, aged 49, founded Alford Industries with partners in 1992 to fulfill a long-held ambition from university days. He took the lead management role from inception, and remains Chief Executive Officer after the company joined the UPI Group in January 2009. With a hands-on approach to management, Mr. Tsui has assumed management responsibility in all departments including manufacturing and products development, with direct involvement in sales and marketing. Under his stewardship, Alford has successfully secured ISO 9001, ISO 14000, ISO 13485, IECQ QC08000, GMC (Global Manufacturer Certificate) certifications. Among his many achievements, Mr. Tsui has also been instrumental in winning for Alford a Hong Kong Government grant for innovation in product development in 2004, and a Hong Kong Business Environment Council environmental product award in 2005. Mr. Tsui holds a Bachelor's degree in Computer Science and an Associate degree in Business Administration from Edinboro State University of Pennsylvania.

Jade Precision

Simon Lim Teng Seng
– Chief Executive Officer

Mr. Lim, aged 55, 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

Financial and Operations Review

2009 was a challenging year for UPI. Reduced demand, fuelled by turmoil in financial and industrial markets was exacerbated by continuous pressure in pricing and adverse currency fluctuations.

Difficult conditions in the UK Tools, Contract Manufacturing and Leadframe divisions were compensated by excellent performances in the Magnetics division and the Robert Sorby, French and Australian businesses of the Tools division. The Metrology division enjoyed a good first half of the year but was subject to reduced demand shortfalls in the second half. As a result of the demand reductions, a number of restructuring initiatives were implemented to reduce the Group's cost base.

The Group's activities were expanded by the purchase, in January 2009, of Alford Industries Limited. This company was both profit and cash positive post acquisition.

Group Results

In the year ended 30 September 2009, the Group recorded a turnover of HK$1,042.0 million, a decrease of 27.5% when compared to the turnover of HK$1,437.6 million for the year ended 30 September 2008.

The Group's operating profit before finance costs, share of associate's profits, other non-operating items and taxation decreased to HK$22.2 million in the year ended 30 September 2009, down by HK31.6 million, or 58.8%, from the prior year.

Gross margins decreased from 26.0% in the prior year to 23.8% in the current year, reflecting severe pricing pressures and adverse currency movements. The overall reduction of HK$126.0 million in the 2009 gross profit compared to 2008, together with a decrease in other income of HK$10.3 million (principally attributable to exchange gains in 2008 not repeated in 2009) could not offset decreases in overhead costs of HK$104.6 million.

Consistent with the decrease 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$47.2 million (2008 – HK$82.9 million), a decrease of HK$35.7 million, or 43%, over the prior year.

The acquisition of Alford Industries Limited was completed in January 2009. The purchase consideration represented a 20% discount to the adjusted fair value of the company's assets at acquisition, resulting in a discount on acquisition of HK$10.4 million.

Including the discount on acquisition, the Group's net profit before tax was HK$7.5 million. This compares to a net profit in the prior year of HK$71.9 million. 2008 benefited from the inclusion of a HK$46.7 million discount arising on the acquisition of Jade Precision Engineering Pte Ltd in July 2008.

The tax charge for the year ended 30 September 2009 was HK$6.7 million (2008 – HK$5.2 million).

The profit attributable to equity holders of the Company was HK$0.8 million (2008 – HK$66.7 million), a decrease of 98.8% compared to the prior year.

2009 earnings per share were 0.09 HK cents compared to earnings per share of 9.36 HK cents in 2008.

Divisional Results Overview

Tools Division

UK Tools (Neill Tools Ltd./Spear & Jackson Garden Products Ltd.)

Fiscal 2009 presented an extremely tough trading environment within the Hand & Garden Tool sectors.

The UK market represents 60% of our overall business turnover with a large proportion coming from the retail and construction sectors, both of these being affected significantly by the global economic downturn. Our overseas markets also experienced a softening in demand, driven by falling industrial output and political uncertainties within certain markets particularly Africa and Thailand.

Overall, sales were 10% down on last year. Our established business was just over 20% down on last year, with the successful introduction of new products within our metal working, woodworking and plumbing tool product groups within our established distribution network, mitigating some of the market contraction. We relocated our Woodsaw and Builders Tools production overseas during the year in order to improve our operating costs. However, the weakness of the Pound Sterling against the US$ and Asia currencies put additional cost pressure on our business.

Overheads reduced by 10% on last year as we continued with restructuring activities as a result of our sales decline. Trading cash was positive during the year with inventory being reduced by over HK$16.9 million as management focused on positive cash generation.

Robert Sorby

Robert Sorby entered the year in very trying economic circumstances and came through strongly with much improved trading conditions in the post Christmas period. Sales were 6% higher than the previous year. Within that performance, international sales increased by 6% and those through our own retail operation by 10%.

In the second half of the year there was increased confidence on the part of dealers, especially in the USA. As a consequence, a considerable amount of resource was put behind that market where we implemented a number of consumer initiatives. This was enhanced by the launch of the new Sovereign System, which was supported by every dealer of significance. This was probably the most successful new product introduction at Robert Sorby. This improved gross margin in its own right, and it also promoted sales in our other high margin lines.

Not only did sales at our retail operation advance by 10% but we also saw some improved efficiency as a result of moving to a new, purpose built facility. Mail order business grew on the back of a new catalogue and an ever more attractive e-commerce site. However, at the same time we consolidated our dealer network in the UK. This business is well placed to improve its market position in the immediate future.

The biggest issue facing Robert Sorby during the year was the deteriorating level of service from suppliers.

Spear & Jackson France

The 2009 fiscal year was very challenging with demand difficult to predict. Autumn, in particular, was marked by a cautious attitude by customers who adopted a "wait-and-see attitude" to ordering as they sought to determine the effects of the global financial crisis on their own businesses.

The company's cash flow was impacted by the introduction of a new French law (LME), applicable from January 2009, which affected payment terms. Under the new legislation, settlement terms from our customers were shortened. This would, in normal circumstances, improve cash flow but it negatively impacted sales in January and February as we were no longer able to offer extended credit terms on pre-season sales.

These sales shortfalls were, however, made good in Q3 of fiscal 2009 aided by the fine Spring weather. Additionally, the year ended on a positive note with sales demand holding up throughout the final quarter.

Overall, although turnover was negatively affected by the difficult economic environment, the impact of the sales shortfall on the profit of the company was mitigated thanks to the maintenance of gross profit margins that enabled budgeted levels of profitability to be achieved. Additionally, turnover was boosted by the launch of a number of new products in the year.

The year has seen an amalgamation and rationalisation of both customers and suppliers, creating a number of larger, more powerful businesses. This has served to intensify competition with our rival suppliers and place increased pressure on us to secure listings and sales with a decreasing number of potential customers.

We are not alone in facing these challenges and a number of our competitors have experienced severe financial difficulties as a result.

Australasia

Australia

The business traded satisfactorily, demonstrating a surprising resilience in one of the most challenging economic environment for many years given the pace and volatility of change. The introduction of new products and range extensions, and aggressive promotional sales offers have delivered the desired sales outcome for the business with sales in FY 2009 increasing 3% on the previous year, contrasting with sharp drops elsewhere in the Group. In addition, the ongoing introduction of new products and prior year sales initiatives have come to fruition and delivered tangible sales results for the business.

With regard to the product categories in which we compete, we have improved our sales and market share with the exception of the Metals division which recorded a sales decline due to the significant downturn in the Australian mining and automotive sector.

Given the impact of the global financial crisis, the business was subjected to significant product cost increases due to rising costs of base metals and the decline in the value of the Australian dollar which fell from a high of over US$0.95 to below US$0.65 in the first half of the year. This increased the price of products from offshore suppliers from between 30% to 35% which negatively impacted margins and EBIT returns. Cash flows were also impacted due to the higher cost of inventories.

New Zealand

The business traded poorly in one of the most challenging economic times for the New Zealand economy. The impact of the global financial crisis and the resulting decline in consumer confidence and retail sales levels, together with the loss of business with a major retail group, resulted in sales in FY 2009 declining by 13% on the previous year. There was also a noticeable decline in retailer promotional sales as a result.

Significant product cost increases and the decline in the value of the New Zealand dollar, which fell from a high of over US$0.75 to below US$0.50 in the first half of the year, increased the price of products from offshore suppliers between 30% and 35% which negatively impacted margins and EBIT returns. Cash flow was also impacted due to the higher cost of inventories. Management has, however, reduced inventories in line with the lower sales levels.

Contract Manufacturing Division (Pantene Group)

Trading conditions in Pantene were difficult throughout the year but were particularly severe in the first half of fiscal 2009. Demand from principal customers fell as the full effect of global recessionary conditions took hold and management has been focused on obtaining new customers and business. Trading losses sustained in the period were increased by reorganisation costs relating to significant workforce reductions as management reacted swiftly to realign the company's cost base with the reduced levels of demand.

Competitive pressures depressed margins but these adverse effects were mitigated by falls in the price of copper and other key component prices.

Moving into the second half, significant increases in order intake and sales demand were recorded. This level of sales, in conjunction with the cost savings levered from the restructuring initiatives implemented in the first half year, resulted in a much improved trading performance in the six month period to 30 September 2009 such that the level of losses was reduced by 80%.

Throughout the year, working capital was strictly controlled. Inventories were reduced significantly, vendor payments were tightly managed and discretionary spend eliminated.

Magnetics Division (Eclipse Magnetics)

The first half of the year saw sales in line with those of the previous year after taking into consideration the global poor economic outlook. This was achieved by our Engineered Products division performing ahead of last year, compensating a significant demand decline for our standard magnet programme across the US, Europe and the UK. The second half of the year experienced a sharp reduction in conversions of Engineered Product quotations into sales as a result of potential customers putting on hold capital projects until confidence is restored within the markets.

The year ended with sales 9% down on last year with our traditional magnet business being 23% adverse to the prior period as a result of the demand contraction within our Industrial markets. Overall earnings represented a 15% return on sales with over HK$13 million of positive cash flow during the year. We successfully introduced new products within the food processing and aviation fuel sectors.

Metrology Division (Bowers Group)

The 2009 financial year proved to be one of the most challenging in the company's history, driven by the dramatic downturn in demand because of the world economic climate. This is on the back of the 2008 financial year being one of the most successful. Sales finished 32% down on the previous year, with profits only just positive, although cash generation was significantly better due to a reduction in debtors and inventory.

The Bowers product range is predominantly sold into industrial markets, where investment in improved processes and quality control are the key drivers. During periods of economic slowdown, the effect on investment products is therefore quite dramatic, as companies look to preserve cash. This recession, although harsher than normal, has shown a typical cycle, with distributors not only experiencing lower sales to market, but also reducing inventories in line with reduced demand.

Decisive action was therefore taken early in the year, with the overall workforce being reduced by approximately 35%, with the remainder working shorter hours. The effect of this action was that the business returned to profitability towards the end of the year, after an unprecedented period of losses during Q3.

New products launched during the year include the new 'XTL Lever' bore gauge system and the '300+' large diameter bore gauge. Both of these products complement existing product lines and are being sold through normal distribution channels.

Lead Frames Division (Jade Precision)

In the first half of the year, the division was severely hit by the world-wide fall in demand in the consumer electronics sector and sales to all major customers showed significant shortfalls compared to the prior year.

The weak demand levels drove fiercely competitive pricing across all product sectors and, coupled with adverse exchange movements on the US$, margins were diluted. As a result, at base operating level, the company was loss making in the first six months of the year.

Swift management action was taken to reduce the workforce and other operational costs so that the ongoing company cost base was realigned to the falling demand forecasts. Further labour cost savings were effected by the introduction of a four-day week for all employees and the company was also able to benefit from a payroll credit scheme introduced by the Singapore Government.

The harsh trading environment of the first six months alleviated in the second half of the year when sales demand improved by 24%. Coinciding with this sales upturn, raw material prices, particularly those for copper and silver, which had previously been subject to sharp upward price movements, stabilised and offered some margin shortfall mitigation. The cost base reduction initiatives that were implemented in the first half of the year delivered significant savings in the second six months and the company was able to recover to a break even trading position in that period.

Cash management was a key issue for Jade throughout the year and, despite the first half losses and retrenchment costs, cash outflows were minimised thanks to strict working capital control.

Consumer Electronics Division (Alford Industries)

The difficult global economic environment in 2009, especially in the first half was a challenge for markets all across the world. Despite this, we have achieved our business objectives by outperforming many of our competitors and introduced new and competitive products into the market.

Although sales immediately post acquisition were sluggish, we began to see sales volumes climb back up in March 2009. We have since maintained a steady sales turnover in the second half of the year, with a monthly average in sales turnover of HK$11.0 million.

Alford's commitment to new product development resulted in the launch of a series of new products. We successfully launched a trendy "Bluetooth-look" sound magnifier in ODM mode with one of our major customers. This is an excellent new product and has already been rated as a best selling product in its category by several US major retailers like Wal-Mart and Radio Shack. A series of new products such as hearing-aids and noise cancellation headphones will be launched in early 2010.

With world markets gradually recovering, we expect to see a pick up in export sales volumes of our existing product lines to the USA, Europe and Japan.

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. In France, our Laurenty brand of gardening tools, and Forges de Lavieu brand of agricultural tools, are backed by over 100 years of quality design and manufacturing excellence.

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 2009, the Group had cash and cash equivalents and pledged bank deposits of HK$112.2 million with interest-bearing bank borrowings and obligations under finance leases amounting to HK$135.2 million (net debt of HK$23.0 million), while the Group's net asset value as at 30 September 2009 was HK$369.7 million.

The Group's net debt position as at 30 September 2009 and corresponding gearing ratio (together with prior year comparatives) are as follows:

	2009 HK$million	2008 HK$million
Cash and cash equivalents and pledged bank deposits	**112.2**	109.9
Less: interest-bearing bank borrowings and obligations under finance leases	**(135.2)**	(132.8)
Net debt	**(23.0)**	(22.9)
Total equity	**369.7**	368.3
Net debt to total equity	**6.22%**	6.23%
Interest-bearing bank borrowings and obligations under finance leases to total equity	**36.6%**	36.1%

The working capital position of the Group remains healthy. As at 30 September 2009, the liquidity ratio (ratio of current assets to current liabilities) was 187.9% (2008 – 170.5%). 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$6.1 million (2008 - HK$69.6 million). Contributing to the 2009 inflow were working capital reductions of HK$29.1 million off-set by annual contributions to the UK Retirement Benefit Plan of HK$22.6 million and restructuring costs of HK$12.8 million. The 2008 inflow was attributable to, amongst other factors, working capital decreases of HK$32.2 million off-set by, contributions of HK$29.8 million paid into the UK Retirement Benefit Plan and reorganisation costs of HK$10.3 million.

Cash Flow from Investing Activities

The 2009 net cash outflow from investing activities amounted to HK$11.4 million (2008 – HK$34.3 million). Included in the outflow is HK$5.3 million relating to the acquisition of Alford and HK$7.7 million relating to dividend payments. The 2008 comparative includes HK$17.1 million expended to acquire Jade and dividend payments of HK$3.0 million.

Cash Flow from Financing Activities

The net cash outflow from financing activities amounted to HK$9.8 million (2008 – HK$25.0 million), which included the net proceeds of the Rights Issue of HK$22.6 million off-set by net repayments of bank borrowings of HK$15.4 million. The 2008 comparative included a HK$1.9 million decrease in bank borrowings.

Capital Expenditure

Capital expenditure in the year, financed by internal resources and credit facilities, amounted to HK$9.8 million (2008 – HK$13.0 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 6.9% and 20.8%, respectively, of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 2.2% and 9.3%, 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 2009, the Group employed approximately 658 executive and clerical staff and 1,686 factory workers. These numbers have reduced in the year 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.

Prospects and Strategies

During the year ended 30 September 2009, each of the Group's divisions operated under increasingly competitive market conditions as the full effects of the turmoil in financial markets and a deepening economic downturn took hold.

Our individual businesses were affected to differing degrees and at different times in the year but the overall theme of reduced demand and margin pressure was consistent. We believe, however, that the Group's product diversity and the geographical spread of its sales markets will leave the Group better positioned than many other companies to benefit from improvements in world markets as and when these occur.

The Tool and Contract Manufacturing divisions were badly impacted in fiscal 2009 where significant reductions in sales and orders persisted throughout the period. In 2010 we are forecasting a modest sales improvement during the year as a result of new products to be launched, new customers being secured and a general market upturn. We therefore expect our earnings to be improved during fiscal 2010 as a result of the improved sales volume, additional overhead reduction, improved product procurement and significant price increases within certain UK channels. This is expected to provide a sustainable profit base with positive cash flow moving forward.

In fiscal 2009 we reacted decisively to softening sales demand by reducing workforce numbers, particularly in the Contract Manufacturing business, and we will continue to drive further cost reductions and efficiencies in the coming year. In November 2009 the UK hand tool division announced the closure of its hacksaw blade manufacturing operation in Sheffield and the transfer of these operations to the Group's Pantene plant in Shenzhen. This relocation will enable us to reduce costs whilst retaining the manufacture of a flagship product within the Group.

Robert Sorby has emerged from the rigors of 2009 in a much stronger position. Both its export business and its UK retail operation have flourished during the last twelve months and there is every reason to believe that this will continue into the immediate future.

Spear & Jackson France should benefit from having a full strength sales force for 2009/2010, a situation that the company has not enjoyed in previous years, and this should enable the company to develop sales in new sectors of the French market. Additionally, management will continue to work with existing customers to expand the sales of our products, be they branded or private label items.

In Australasia, management has been successful in offsetting the negative impact of weaker consumer spending and the extreme swings in the Australian and New Zealand dollar. Margins have been restored to prior year levels through selected price increases and negotiated product cost reductions from suppliers. Despite the difficult economic and trading conditions that prevail at this time, these factors, together with the recent rebound in the two local currencies, the ongoing streamlining of sourcing and supply chain activities and cost minimisation programs, should improve the division's trading performance in FY 2010.

The Magnetics division produced excellent results in 2009 despite the bleak trading environment worldwide. However, the first months of fiscal 2010 have seen a softening in demand and a fall in the conversion of enquiries into sales. Markets in the magnetic product sector have remained cautious during the first quarter of the 2010 fiscal year, in particular decision making within the UK market, where confidence remains low. Conversely, European markets have started to show signs of improvement with our focus on growing the Eastern Europe and Asia markets. We have several projects in the process of closing relating to both existing products and new product innovation and these sales in quarter two and beyond should recover any first quarter underperformance.

The Group's Metrology division was particularly hard hit by a sudden demand downturn in the second half of fiscal 2009. Profits generated in the first six months were fully absorbed by trading losses and restructuring cost sustained in the second six months. The outlook for the 2010 financial year is more positive, although a long and slow recovery is predicted. For business to return to 'normal' levels, our key markets of UK, Germany and the USA need to recover and, as yet, there is no sign of this occurring in the latter two. However, with a reduced cost base and a focus on developing new markets, 2010 is still expected to show a significant improvement over 2009.

Of all the Group's divisions, the Leadframe operation was the most severely affected by shrinking demand. The outlook for 2010 is cautiously optimistic as a number of customers have indicated that they will be returning to higher levels of production capacity which should drive higher sales levels in the company. Further opportunities exist for increased sales as a result of new product offerings and the securing of new customers.

In our Consumer Electronics division we are excited about the introduction of a new product line in the hearing aids range – *The Professional Series*. This new line of hearing aids provides improved sound quality at competitive prices. It will be in a position to compete in the middle–to–high end product segment and will be strategically introduced firstly to European markets in 2010. We expect to achieve good margins with these new products given their features and the reduced competition in this area of the market. In line with our strategic growth plans, our entry into the China market has just begun. China has been identified as a market with high growth potential - in particular for our cordless line of products. We have already launched an own label range of products (Sunrise) for domestic sales in China and we have signed a sales contract with of the biggest Chain Stores in China specializing in consumer electronic products. Our first penetration into the market will be in Guangzhou and the Pearl River Delta regions and we intend to gradually expand to other major cities in China.

Our on-going Group operational strategy is to expand our product lines and to target new areas for sales growth. Because of the severe recession in 2009 the Company examined its cost base in great detail and reduced its head count and SG&A to mirror the new circumstances. We continue to explore initiatives to reduce the cost of the Group's operating base in order to maintain margins and to retain its competitive edge.

Expansion through mergers and acquisitions remains a key driver in our overall business strategy. Following the successful completion of the acquisition of Alford Industries Ltd. in January 2009, our Executive Directors and the Group Management team have continued to look for opportunities to extend the Group's activities by further suitable acquisitions.

To this end, we announced the signing of an MOU on 23 November 2009 to acquire Baty International, a leading manufacturer of optical profile projectors, co-ordinate measuring systems and gauging products. The Baty business will complement the metrology business of Bowers Group. This acquisition is scheduled for completion early in 2010.

Entering 2010, the Group considers it is well placed for the future with a portfolio of good companies having a strong asset base backed by sound cash flow.

With our wide-range of activities we will be able to take advantage of opportunities as they arise to develop the Group for the benefit of all its stake holders. Accordingly, we are expecting, in the ordinary course of business and barring unforeseen circumstances, an improving situation in 2010.

Maximising
Shareholder Value

The Company is committed to maintaining a high standard of corporate governance practices which comply not only with the letter of the regulations, but also with the intent of the regulations, in order to enhance corporate performance and accountability. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices.

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 2009, 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 ("Mr. 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 the code provision 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. However, all directors are subject to retirement by rotation at least once every three years at each annual general meeting under the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

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

Board of Directors

The Board of the Company ("Board") comprises nine Directors, with four Executive Directors, one Non-executive Director, and four Independent Non-executive Directors. During the year, Mr. William Fletcher resigned as an executive director, following his retirement as CEO of the Spear & Jackson Group of companies, which are wholly-owned subsidiaries of the Company.

The Board has a balance of skills and experience appropriate for the requirements of the businesses of the Group. All Directors have separate and independent access to the advice and services of the senior management, the Chief Financial Officer, 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 Exchange Listing Rules, and it considers them to be independent.

The Board meets regularly and Board meetings are held at least four times a year, and at other times as necessary. Where appropriate, decisions are also taken by way of circulated resolutions. The Board monitors and reviews the performance of the Group Companies, including operations, finance, internal controls and strategic issues among others. The principal functions of the Board are to:

- play a key role in the implementation and monitoring of internal controls, financial reporting and risk management;
- assume responsibility for corporate governance and compliance with applicable laws and regulations;
- approve the Group'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 of the previous meeting are prepared and circulated to all the Directors in reasonable time.

The attendance records of the Directors for Board and Committee meetings for the year ended 30 September 2009 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	6/6	5/5	4/4	3/3
Mr. David H Clarke	6/6	NA	NA	NA
Mr. Simon N Hsu	5/6	NA	NA	NA
Mr. William Fletcher (retired w.e.f. 1 May 2009)	4/4	NA	NA	NA
Mr. Patrick J Dyson	6/6	NA	NA	NA
Non-executive directors:				
Mr. Teo Ek Tor	6/6	NA	NA	NA
Independent non-executive directors:				
Dr. Wong Ho Ching, Chris	5/6	5/5	4/4	NA
Mr. Henry W Lim	6/6	5/5	4/4	3/3
Mr. Ramon S Pascual	5/6	4/5	NA	3/3
Mr. Robert B Machinist	5/6	NA	NA	NA
Number of meetings held from 1 October 2008 to 30 September 2009	**6**	**5**	**4**	**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 controls, 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, all of whom are Independent Non-executive Directors (within the meaning of the Listing Rules) ("INED"). The Chairman of the Audit Committee is an INED, Mr. Henry W Lim, a CPA, who has the appropriate accounting qualifications and experience in financial matters.

The composition of the Audit Committee as at the Latest Practicable Date is as follows: Mr. Henry W Lim, Chairman, Dr. Wong Ho Ching, Chris, member and Mr. Ramon S Pascual, 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 auditors, including the accounting principles and practices adopted by the Group, internal controls and financial reporting matters. The Committee meets regularly with the external auditors in executive sessions in the absence of management. The Committee also reviews the appointment of auditors for audit and non-audit related services, and their fees.

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 Group in order to foster the creation of long term shareholder value. The Compensation Committee meets at least three times 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 S Pascual, INED and Chairman, Mr. Henry W Lim, INED and member and Mr. Brian C Beazer, Executive Chairman and member. Mr. Beazer has many years' experience in the field of executive compensation.

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

Nominating and Corporate Governance Committee ("NCGC")

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

The NCGC Committee comprises three directors, the majority of whom are Independent Non-executive Directors. The NCGC Committee as at the date of this report comprises: Dr. Wong Ho Ching Chris, INED and Committee Chairman, Mr. Henry W Lim, INED and member, and Mr. Brian C Beazer, Executive Chairman of the Company 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. Upon the retirement of Mr. William Fletcher with effect from 1 May 2009, the Committee decided not to seek a replacement as the composition of the Board is adequate for the current needs of the Group.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct governing directors' securities transactions. 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 throughout 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 adequacy of resources, qualifications and experience of staff performing the accounting and financial reporting functions, their training programmes and budget are also the subject of review. 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, in recognition that risk-taking is an inherent aspect of business operations.

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 2009 amounted to approximately HK$4,255,000 and HK$1,390,000 respectively.

Responsibilities in respect of the Financial Statements

All directors acknowledge their responsibility for preparing the accounts for the year ended 30 September 2009.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 30 September 2009 and as set out in the "Report of the Independent Auditors" on pages 45 and 46.

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

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.

For both institutional and retail investors, the Company's website at www.upi.com.hk, as well as third-party hosted website at www.irasia.com/listco/hk/upi, provide up-to-date information on the Group. All key information such as announcements, annual and interim reports can be downloaded from these websites.

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 2009.

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 are set out on pages 7 to 9 of this Annual Report.

Results and Appropriations

The results of the Group for the year ended 30 September 2009 are set out in the consolidated income statement on page 47 and the accompanying notes to the consolidated financial statements.

The Directors declared an interim dividend of 0.5 HK cent per share on 25 June 2009 which was paid in August 2009 and they now recommend the payment of a final dividend of 0.5 HK cent per share for the year ended 30 September 2009.

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.

On 5 August 2009 the Company completed a Rights Issue of 164,000,000 Rights Shares of HK$0.10 par value each at a subscription price of HK$0.15 per Rights Share on the basis of 1 Rights Share for every 5 shares held on 21 July 2009, the Record Date. The net proceeds, after expenses amounted to approximately HK$22,639,000. The purpose of the Rights Issue is to strengthen the Company's capital base and augment its financial position in order to position the Company to take advantage of acquisition and business opportunities which may arise in the future.

Acquisitions

The Company acquired the entire issued share capital of Alford Industries Limited on 30 January 2009.

Financial Summary

A financial summary of the Group is set out on pages 131 and 132.

Share Capital

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

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 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 51.

At 30 September 2009, the Company's reserves available for distribution amounting to HK$8,071,000 consisted of a contributed surplus of HK$70,911,000 and an accumulated loss of HK$62,840,000.

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. Patrick J Dyson *(CFO)*
Mr. William Fletcher (retired w.e.f. 1 May 2009*)*

Non-executive Director:

Mr. Teo Ek Tor

Independent Non-executive Directors:

Dr. Wong Ho Ching, Chris
Mr. Ramon S Pascual
Mr. Henry W Lim
Mr. Robert B Machinist

In accordance with Bye-Law 111(A) and 111(B) and 115 of the Company's Bye-laws, Mr. Simon N Hsu, Mr. Teo Ek Tor 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 Code on Corporate Governance Practices and Appendix 14 to the Listing Rules. 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

Mr. Beazer, the Executive Chairman, was one of the underwriters to a rights issue by the Company in August 2009 but waived all commitment or underwriting fees. Save as aforesaid, 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 2009, 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 taken 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	Beneficial owner and interest in a controlled corporation[1]	200,939,385	20.42%
Mr. David H Clarke	Interest in a controlled corporation[2]	158,313,200	16.09%
Mr. Simon N Hsu	Interest in a controlled corporation[3]	4,544,590	0.46%
Mr. Patrick J Dyson	Beneficial owner	1,971,611	0.20%

(1) Mr. Brian C Beazer is the beneficial owner of 576,000 shares. 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.

Post-Balance Sheet Changes

On 5 November 2009, Mr. Clarke, through his investment vehicle GSBH, sold 150,000,000 shares. Mr. Hsu, through a wholly owned investment vehicle, Strategic Planning Assets Limited, acquired additional shares in the Company. In November 2009, the Company issued 762,000 shares upon the exercise of employee stock options. As at the Latest Practicable Date, the shareholdings of directors are as set out below.

Long Positions

Ordinary shares of HK$0.10 each of the Company

Name	Capacity	Number of ordinary shares	Percentage interest in the Company's issued share capital
Mr. Brian C Beazer	Beneficial owner and interest in a controlled corporation(1)	200,939,385	20.40%
Mr. David H Clarke	Interest in a controlled corporation(2)	8,313,200	0.84%
Mr. Simon N Hsu	Interest in a controlled corporation(3)	5,144,589	0.52%
Mr. Patrick J Dyson	Beneficial owner	1,971,611	0.20%

(1) Mr. Brian C Beazer is the beneficial owner of 576,000 shares. 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	6,327,664	6,327,664
Mr. David H Clarke	Beneficial owner	1,906,111	1,906,111
Mr. Simon N Hsu	Beneficial owner	11,397,606	11,397,606
		19,631,381	19,631,381

Other than as disclosed above, and except for nominee shares in certain subsidiaries held in trust for the Group at 30 September 2009, 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 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders, other than directors whose interests are disclosed above, 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
Investor AB	Interest in a controlled corporation(1)	89,803,200	9.13%
SKP Capital Ltd	Registered owner(2)	62,112,260	6.31%

(1) These shares are held indirectly by Investor AB through its beneficial interest in the entire issued capital of Investor (Guernsey) II Ltd.

(2) SKP Capital Ltd is an investment fund, the beneficial owners of which are diverse private and institutional investors.

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

Post-Balance Sheet Changes

On 5 November 2009, the Honourable Chim Pui Chung, through a wholly-owned investment vehicle, Golden Mount Limited, acquired 150,000,000 shares from GSBH. On 8 December 2009, he notified the Company of further acquisitions of 79,674,000 shares in aggregate. Sometime in December 2009, Investor AB sold down its entire stake in the Company. As at the Latest Practicable Date, the substantial shareholdings in the Company, other than those of directors disclosed above, are as set out below:

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
Chim Pui Chung	Beneficial owner and interest in a controlled corporation(1)	271,000,000	27.52%
SKP Capital Ltd	Registered owner(2)	62,112,260	6.31%

(1) Mr Chim holds 150,000,000 shares as registered owner, and 121,000,000 shares are held by Mr Chim through his beneficial interest in the entire issued capital of Golden Mount Limited.

(2) SKP Capital Ltd is an investment fund, the beneficial owners of which are diverse private and institutional investors.

Save as disclosed above, as at the Latest Practicable Date, 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 exercise price and the number of options outstanding during the year which have been granted to the Directors of the Company and employees of the Group under the 1994 Scheme, adjusted for capital changes, are as follows:

			Number of Option Shares		
Name	**Date of Grant**	**Exercise Price[1]**	**Outstanding at 1.10.2008**	**Adjustment for Rights Issue in the year**	**Outstanding at 30.9.2009**
Mr Brian C Beazer	23.7.2003	0.286	2,400,000	115,443	2,515,443
Mr Simon N Hsu	23.7.2003	0.286	3,600,000	173,165	3,773,165
			6,000,000	288,608	6,288,608

(1) The exercise price has been adjusted for the rights 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 adjustments due to capital changes, as at the Latest Practicable Date, the number of options available for grants is 35,031,217.

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.

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

(b) *(Continued)*

The details of the exercise price and number of options outstanding during the year which have been granted to the Directors of the Company and employees of the Group under the 2004 Scheme, adjusted for capital changes, are as follows:

			Number of Option Shares		
Name	**Date of Grant**	**Exercise Price[1]**	**Outstanding at 1.10.2008**	**Adjustment for Rights Issue in the year**	**Outstanding at 30.9.2009**
Mr Brian C Beazer	28.9.2004	0.193	1,966,088	94,572	2,060,660
	20.12.2004	0.198	1,671,175	80,386	1,751,561
Mr David H Clarke	28.9.2004	0.193	983,045	47,286	1,030,331
	20.12.2004	0.198	835,588	40,192	875,780
Mr Simon N Hsu	28.9.2004	0.193	3,932,177	189,143	4,121,320
	20.12.2004	0.198	3,342,350	160,771	3,503,121
			12,730,423	612,350	13,342,773
Other employees	28.9.2004	0.193	1,966,085	94,570	2,060,655
	20.12.2004	0.198	1,671,175	80,385	1,751,560
			16,367,683	787,305	17,154,988

(1) The exercise price has been adjusted for the rights issue.

Post-Balance Sheet Changes

In November 2009, the Company issued 762,000 shares on the exercise of options. In December 2009, 443 underlying share options lapsed.

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

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

Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding 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 2009 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.

Major Customers and Major Suppliers

For the year under review, sales to the largest customer and the five major customers accounted for 6.9% and 20.8%, respectively, of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 2.2% and 9.3%, 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.

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 35 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 31 to 35.

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 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, 6 January 2010

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 47 to 130, which comprise the consolidated and company balance sheets as at 30 September 2009, and the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 2009 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
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

6 January 2010

Consolidated Income Statement

For the year ended 30 September 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	5	**1,042,007**	1,437,608
Cost of sales		**(793,602)**	(1,063,198)
Gross profit		**248,405**	374,410
Other income	7	**11,569**	21,844
Selling and distribution costs		**(170,125)**	(235,806)
Administrative costs		**(67,671)**	(106,633)
Finance costs	9	**(16,986)**	(12,474)
Restructuring costs	8	**(5,288)**	(17,713)
Share of results of an associate	20	**757**	1,525
Gain on sale of a subsidiary	37	**—**	23
Discount on acquisition of a subsidiary	38	**10,616**	46,674
Impairment loss on available-for-sale financial assets		**(3,813)**	—
Profit before tax	10	**7,464**	71,850
Income tax charge	12	**(6,680)**	(5,176)
Profit for the year		**784**	66,674
Attributable to:			
Equity holders of the Company		**784**	66,674
Dividends	13	**7,700**	3,000
Earnings per share			
Basic	15	**0.09 cents**	9.36 cents
Diluted	15	**—**	9.27 cents

Consolidated Balance Sheet

At 30 September 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**243,044**	272,771
Prepaid land lease payments under operating leases	17	**598**	625
Other intangible assets	18	**1,623**	1,848
Interest in an associate	20	**3,556**	3,768
Available-for-sale financial assets	21	**632**	2,912
Deferred tax assets	33	**81,212**	95,129
		330,665	377,053
Current assets			
Inventories	22	**233,516**	288,283
Trade and other receivables	23	**249,448**	311,232
Tax recoverable		**1,437**	1,839
Derivative financial instruments	24	**2,345**	473
Pledged bank deposits	25	**5,000**	5,000
Cash and cash equivalents	26	**107,203**	104,915
		598,949	711,742
Current liabilities			
Trade and other payables	27	**199,122**	296,177
Interest-bearing bank borrowings – amounts due within one year	28	**101,691**	92,956
Obligations under finance leases – amounts due within one year	29	**6,941**	8,026
Provisions	30	**6,095**	18,277
Derivative financial instruments	24	**1,029**	—
Tax payable		**3,714**	2,087
		318,592	417,523
Net current assets		**280,357**	294,219
Total assets less current liabilities		**611,022**	671,272

	Note	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Interest-bearing bank borrowings – amounts due after one year	28	**20,600**	21,899
Obligations under finance leases – amounts due after one year	29	**5,961**	9,982
Provisions	30	**7,173**	10,673
Retirement benefit obligations	32	**189,552**	240,571
Deferred tax liabilities	33	**18,001**	19,870
		241,287	302,995
Net assets		**369,735**	368,277
Capital and reserves			
Share capital	34	**98,400**	72,000
Reserves	36(a)	**271,335**	296,277
Total equity attributable to equity holders of the Company		**369,735**	368,277

The consolidated financial statements on pages 47 to 130 were approved and authorised for issue by the Board of Directors on 6 January 2010 and are signed on its behalf by:

BRIAN C BEAZER
DIRECTOR

PATRICK J DYSON
DIRECTOR

Company Balance Sheet

At 30 September 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment in subsidiaries	19	**124,802**	97,802
Available-for-sale financial assets	21	**—**	348
		124,802	98,150
Current assets			
Trade and other receivables		**476**	647
Amounts due from subsidiaries	19	**211,012**	202,713
Derivative financial instruments	24	**2,345**	—
Cash and cash equivalents		**37,316**	4,556
		251,149	207,916
Current liabilities			
Trade and other payables		**5,397**	5,301
Amounts due to subsidiaries	19	**222,853**	209,160
Interest-bearing bank borrowings – amounts due within one year	28	**186**	402
		228,436	214,863
Net current assets/(liabilities)		**22,713**	(6,947)
Total assets less current liabilities		**147,515**	91,203
Non-current liabilities			
Interest-bearing bank borrowings – amounts due after one year	28	**—**	205
Net assets		**147,515**	90,998
Capital and reserves			
Share capital	34	**98,400**	72,000
Reserves	36(b)	**49,115**	18,998
Total equity attributable to equity holders of the Company		**147,515**	90,998

Consolidated Statement of Recognised Inome and Expense

For the year ended 30 September 2009

	2009 HK$'000	2008 HK$'000
Exchange difference arising on translation of foreign operations	**(38,462)**	(38,614)
Cash flow hedging loss recognsed in equity	**(1,502)**	—
Recognition of actuarial losses on defined benefit pension plan	**(4,766)**	(8,912)
Change in fair value of available-for-sale financial assets	**3,465**	(3,465)
Net expense recognised directly in equity	**(41,265)**	(50,991)
Profit for the year	**784**	66,674
Total income and (expense) recognised for the year	**(40,481)**	15,683
Attributable to:		
Equity holders of the Company	**(40,481)**	15,683

Consolidated Cash Flow Statement

For the year ended 30 September 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities:			
Profit before tax		**7,464**	71,850
Adjustments for:			
Interest income		**(829)**	(3,195)
Interest on interest-bearing bank borrowings		**6,742**	11,085
Interest on obligations under finance leases		**1,258**	1,389
Interest on retirement benefit obligations		**8,986**	—
Retirement benefit plan (credits)/expenses		**(19,488)**	8,966
Share of results of an associate		**(757)**	(1,525)
Discount on acquisition of a subsidiary		**(10,616)**	(46,674)
(Gain)/ loss on disposal of property, plant and equipment		**(2,179)**	228
Gain on disposal of available-for-sale financial assets		**(92)**	—
Impairment loss on available-for-sale financial assets		**3,813**	(169)
Gain on sale of a subsidiary		**—**	(23)
Amortisation of other intangible assets		**389**	1,643
Depreciation of property, plant and equipment		**24,659**	27,452
Amortisation of prepaid land lease payments under operating leases		**27**	17
Impairment (credit)/loss of trade receivables		**(511)**	4,316
Over-provision of legal costs on acquisition of subsidiaries in prior years		**(2,297)**	—
Impairment (gain)/loss on inventories		**(5,837)**	2,713
Share-based payment expenses		**—**	63
Operating cash flows before movements in working capital		**10,732**	78,136
Decrease/(increase) in inventories		**56,496**	(7,849)
Decrease in trade and other receivables		**85,233**	21,631
(Decrease)/increase in trade and other payables		**(112,589)**	18,393
Decrease in provisions		**(12,814)**	(10,326)
Decrease in retirement benefit obligations		**(22,562)**	(29,754)
Net cash generated from operations		**4,496**	70,231
Income tax received		**2,795**	2,177
Income tax paid		**(1,176)**	(2,774)
Net cash generated from operating activities		**6,115**	69,634

For the year ended 30 September 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,913)**	(6,496)
Purchase of other intangible assets		**(430)**	(3,588)
Purchase of available-for-sale financial assets		**—**	(5,593)
Proceeds from disposal of available-for-sale financial assets		**1,951**	—
Interest received		**829**	3,195
Proceeds from disposal of property, plant and equipment		**4,272**	1,691
Dividend received from an associate		**885**	—
Dividends paid		**(7,700)**	(3,000)
Payments to discharge liabilities on acquisition of a subsidary		**—**	(15,725)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		**(5,329)**	(1,409)
Disposal of a subsidiary (net of cash and cash equivalents acquired)		**—**	(3,408)
Net cash used in investing activities		**(11,435)**	(34,333)
Principal repayment of obligations under finance leases		**(8,964)**	(10,634)
Interest paid on interest-bearing bank borrowings		**(6,742)**	(11,085)
Interest paid on obligations under finance leases		**(1,258)**	(1,389)
Net cash (outflow)/inflow in trust receipts and export loans		**(35,857)**	21,062
Repayment of bank loan and shareholder loans		**(27,833)**	(22,935)
Proceeds of rights issue, net of expenses		**22,639**	—
New bank and shareholder loans raised		**34,000**	—
Invoice discounting facility		**14,253**	—
Net cash used in financing activities		**(9,762)**	(24,981)
Net (decrease)/increase in cash and cash equivalents		**(15,082)**	10,320
Effect of foreign exchange rates		**(1,901)**	(10,382)
Cash and cash equivalents at 1 October		**104,915**	104,977
Cash and cash equivalents at 30 September		**87,932**	104,915
Analysis of the balance of cash and cash equivalents			
Cash and cash equivalents	26	**107,203**	104,915
Bank overdrafts	28	**(19,271)**	—
		87,932	104,915

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 Limited 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. Following the acquisition of Alford Industries Limited in January 2009 there has been a further expansion of the principal segments to include electronic consumer products ("Consumer Electronics"). Details of the principal activities of the Company's subsidiaries are set out in note 19.

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

The consolidated financial statements for the current period cover the twelve-months ended 30 September 2009.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively include 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. The adoption of these new and revised standards and interpretations has had no material impact on these financial statements.

HK (IFRIC) – INT 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK (IFRIC) – INT 12	Service Concession Arrangements
HK (IFRIC) – INT 13	Customer Loyalty Programmes
HK (IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK (IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 24 (Revised)	Related Party Disclosures [5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32, HKAS 39 and HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues [4]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items [2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate [1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [2]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [3]
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellation [1]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions [3]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HKFRS 9	Financial Instruments [7]
HK (IFRIC) – INT 2 (Amendments)	Members' Shares in Co-operative Entities and Similar Instruments [2]
HK (IFRIC) – INT 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [6]
HK (IFRIC) – INT 15	Agreements for the Construction of Real Estate [1]
HK (IFRIC) – INT 17	Distributions of Non-cash Assets to Owners [2]
HK (IFRIC) – INT 18	Transfer of Assets from Customers [8]
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments [5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2008 [10]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 [9]

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

Notes:

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.
8 Effective for transfer of assets from customers received on or after 1 July 2009.
9 Generally effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, where appropriate.
10 Generally 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.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 "Operating Segments" may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

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 2009.

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 in 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 and purchased goodwill. 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 are susequently 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 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

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 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 statement of recognised income and expense. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation.

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 option 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.

Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(a) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(b) the Group and the party are subject to common control;

(c) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(d) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(e) the party is a close family member of a party referred to in (a) or is an entity under the control, joint control or significant influence of such individuals; or

(f) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

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

Segmental reporting

The Group's principal segments for internal reporting purposes are the contract manufacture, on OEM and EMS bases, 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 widened to encompass the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry ("Leadframes"). Following the acquisition of Alford Industries Limited in January 2009, there has been a further expansion of the principal segments to include electronic consumer products ("Consumer Electronics"). 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 utilisation 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 annual contributions to the Plan are £1.9 million (approximately HK$23 million) until 31 March 2010. Thereafter, contributions will rise to £3.65 million (approximately HK$44 million) for the following two years and will then revert to £3.25 million (approximately HK$39 million) for a further three and a half years. This contribution schedule is currently being reviewed by the Company, the Plan's Trustees and actuary as a result of fluctuations, both favourable and adverse, in the actuarially determined value of Plan investments and liabilities and the financial strength and cash flow requirements of the Plan's sponsoring employers. Additionally, a charge has been executed in favour of the Plan representing 50% of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, England (note 40).

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 underfunded 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 recognise 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 2010 Pre-Tax Pension Expense HK$	Impact on 30 September 2009 Pension Deficit HK$
Change in assumption		
25 basis point decrease in discount rate	+$0.59 million	+$49.56 million
25 basis point increase in discount rate	-$0.59 million	-$49.56million
25 basis point decrease in expected return on assets	+ $2.9 million	—
25 basis point increase in expected return on assets	-$2.9 million	—
25 basis point increase in compensation assumption	+$0.35 million	+$2.48 million
25 basis point decrease in compensation assumption	-$0.35 million	-$2.48 million
25 basis point increase in inflation assumption	+$1.17 million	+$18.58 million
25 basis point decrease in inflation assumption	-$1.17 million	-$18.58 million
Increase mortality assumption by 1 Year	+$ 2.34 million	+$43.36 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 manufacture, on OEM and EMS bases, 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 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"). Following the acquisition of Alford Industries Limited in January 2009, there has been a further expansion of the principal segments to include electronic consumer products ("Consumer Electronics").These six 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$'000	Consumer Electronics HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
For the year ended 30 September 2009								
External sales	229,011	480,838	93,300	75,775	79,384	83,699	–	1,042,007
Inter-segment sales	2,539	2,159	2,524	642	–	–	(7,864)	–
	231,550	482,997	95,824	76,417	79,384	83,699	(7,864)	1,042,007
Segment (loss)/profit	(14,055)	4,220	2,504	14,155	(7,400)	5,870	–	5,294
Restructuring	(4,069)	(1,192)	(1,367)	(151)	1,491	–	–	(5,288)
Share of results of an associate	–	–	–	757	–	–	–	757
Unallocated corporate income								16,055
Interest income								829
Impairment loss on available-for-sale financial assets								(3,813)
Discount on acquisition of a subsidiary								10,616
Finance costs								(16,986)
Profit before tax								7,464
Income tax charge								(6,680)
Profit for the year								784
Other information								
Additions to property, plant and equipment	854	3,379	36	202	1,053	389	3,929	9,842
Depreciation of property, plant and equipment	8,301	2,791	2,332	136	2,362	1,070	7,667	24,659

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$'000	Consumer Electronics HK$'000	Corporate/ Elimination HK$'000	Consolidated HK$'000
At 30 September 2009								
Balance Sheet								
Assets								
Segment assets	141,966	397,266	114,251	101,825	85,130	94,074	—	934,512
Unallocated corporate assets	—	—	—	—	—	—	(4,898)	(4,898)
Total assets	141,966	397,266	114,251	101,825	85,130	94,074	(4,898)	929,614
Liabilities								
Segment liabilities	59,309	325,880	39,484	60,309	17,332	18,622	—	520,936
Unallocated corporate liabilities	—	—	—	—	—	—	38,943	38,943
Total liabilities	59,309	325,880	39,484	60,309	17,332	18,622	38,943	559,879

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
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
Restructuring costs	(4,105)	(9,499)	—	—	(4,109)	—	(17,713)
Share of results of an associate	—	—	—	1,525	—	—	1,525
Unallocated corporate expenses							(1,854)
Interest income							3,195
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

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

Geographical Segments

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

	2009 HK$'000	2008 HK$'000
The People's Republic of China (the "PRC"):		
Mainland China	**27,929**	47,530
Hong Kong	**29,026**	39,711
	56,955	87,241
United States of America, South America and Canada	**188,065**	207,693
Mainland Europe (excluding UK)	**244,126**	443,113
UK	**223,702**	310,108
Australasia	**139,250**	170,895
Asia (including Singapore but excluding Mainland China and Hong Kong)	**138,225**	134,446
Others	**51,684**	84,112
	1,042,007	1,437,608

6. SEGMENT INFORMATION *(Continued)*

Business 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:

	2009 **HK$'000**	2008 HK$'000
UK	**424,583**	548,130
Hong Kong	**236,030**	183,460
Singapore	**85,130**	113,223
Australasia	**84,157**	102,200
Mainland China	**14,965**	89,601
Mainland Europe (excluding UK)	**80,095**	64,322
United States of America and Canada	**9,552**	5,354
	934,512	1,106,290

Additions to property, plant and equipment:

	2009 **HK$'000**	2008 HK$'000
UK	**6,905**	4,038
Mainland China	**854**	2,895
Singapore	**1,052**	1,028
Hong Kong	**389**	950
Others including Europe and Australasia	**642**	4,128
	9,842	13,039

7. OTHER INCOME

Other income comprises:

	2009 HK$'000	2008 HK$'000
Gain on derivative financial instruments	**2,345**	11,972
Gain on sale of property, plant and equipment	**2,179**	—
Gain on sale of available-for-sale financial assets	**92**	—
Interest earned on bank deposits and balances	**829**	2,025
Interest credit on retirement benefit obligations	**—**	1,170
Property rental income	**1,710**	3,457
Over-provision of legal costs on acquisition of subsidiaries in prior years	**2,297**	—
Others	**2,117**	3,220
	11,569	21,844

8. RESTRUCTURING COSTS

	2009 HK$'000	2008 HK$'000
Manufacturing reorganisation	**5,288**	17,713

During the year retrenchment costs have been incurred in the Group's Contract Manufacturing, Metrology and Tools divisions as the Group's management restructured individual companies' cost bases to take account of reduced sales demand as a result of the world wide financial crisis.

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 was completed in quarter 2 of fiscal 2009. Likewise, in September 2008, Jade Precision Engineering 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.

9. FINANCE COSTS

Finance costs comprise:

	2009 HK$'000	2008 HK$'000
Interest on interest-bearing bank borrowings and overdrafts wholly repayable within five years	**6,742**	11,085
Interest on obligations under finance leases	**1,258**	1,389
Interest on retirement benefit obligations	**8,986**	—
	16,986	12,474

10. PROFIT BEFORE TAX

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

	2009 HK$'000	2008 HK$'000
Labour and related costs:		
Directors' remuneration (note 11)	**6,149**	8,477
Staff salaries, allowances and welfare	**120,252**	171,229
Share-based employee remuneration (note 11)	**1,041**	1,791
Other defined contribution plans	**4,047**	—
Provident fund contributions	**4,887**	4,159
Mandatory provident fund obligations	**511**	683
Retirement benefit plan (credits)/ expenses	**(19,488)**	8,966
Direct labour costs	**71,531**	125,243
	188,930	320,548
Other items:		
Amortisation of lease payments under operating leases	**27**	17
Auditors' remuneration	**4,255**	3,722
Exchange losses	**2,680**	—
Depreciation of property, plant and equipment	**24,659**	27,452
Amortisation of other intangibles assets	**389**	1,643
Net (credit)/charge for bad and doubtful debts	**(511)**	3,747
Impairment (gain)/loss in inventories	**(5,837)**	2,713
Minimum lease payments is respect of rented premises	**9,972**	12,161
Cost of inventories recognised as expenses	**793,602**	1,063,198

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 10 (2008 - 10) directors were as follows:

For the year ended 30 September 2009

	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	Share-based remuneration HK$'000	Consulting fee HK$'000	Total HK$'000
Executive directors:									
Mr Brian C Beazer	–	–	–	–	–	–	–	935	935
Mr David H Clarke	100	–	–	–	–	–	–	–	100
Mr Simon N Hsu	–	480	–	–	12	–	–	–	492
Mr William Fletcher	–	888	318	77	–	382	238	–	1,903
Mr Patrick J Dyson	–	1,142	183	129	240	–	175	–	1,869
Non-executive directors:									
Dr. Wong Ho Ching, Chris*	180	–	–	–	–	–	–	–	180
Mr Ramon S Pascual*	100	–	–	–	–	–	–	–	100
Mr Teo Ek Tor	180	–	–	–	–	–	–	–	180
Mr Henry W Lim*	210	–	–	–	–	–	–	–	210
Mr Robert B Machinist*	180	–	–	–	–	–	–	–	180
	950	2,510	501	206	252	382	413	935	6,149

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

The pension payments made to directors are paid directly by the James Neill Pension Plan and not by the Group itself.

* *Independent non-executive directors*

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

Directors' emoluments *(Continued)*

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	Share-based remuneration 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	—	1,485	—	168	—	837	365	—	2,855
Mr Patrick J Dyson	—	1,104	—	163	279	—	289	—	1,835
Non-executive directors:									
Dr Wong Ho Ching, Chris*	180	—	—	—	—	—	—	—	180
Mr Ramon S Pascual*	100	—	—	—	—	—	—	—	100
Mr Teo Ek Tor	180	—	—	—	—	—	—	—	180
Mr Henry W Lim*	210	—	—	—	—	—	—	—	210
Mr Robert B Machinist*	90	—	—	—	—	—	—	—	90
	860	3,069	1,500	331	291	837	654	935	8,477

* *Independent non-executive directors*

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

The pension payments made to directors are paid directly by the James Neill Pension Plan and not by the Group itself.

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

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

Employees' emoluments

The five highest paid individuals of the Group included 2 directors (2008 – 2), details of whose emoluments are set out above. The emoluments of the 3 (2008 – 3) highest paid employees for the year ended 30 September 2009, other than the Directors of the Company, were as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**4,097**	4,248
Expenses of retirement benefit plan	**402**	495
	4,499	4,743

Emoluments of these employees were within the following bands:

	Number of employees	
	2009	2008
HK$1,000,000 – HK$2,000,000	**3**	3

Share-based employee remuneration

The Group operates an Economic Value Added bonus scheme for certain of its senior management, whereby bonus payments are made based upon the excess of net operating profit over a calculated cost of capital. A portion of this bonus is remunerated in cash, with the remaining element being used to purchase shares in the Company on behalf of the relevant employees. For the year ended 30 September 2009, the share-based employee remuneration charged to the consolidated income statement amounted to HK$1,041,000 (2008 – HK$1,791,000).

12. INCOME TAX CHARGE

The income tax charge for the year comprises:

	2009	2008
	HK$'000	HK$'000
Current income tax:		
Hong Kong	**1,446**	—
Mainland China	**(665)**	127
United States of America	**—**	62
United Kingdom	**(455)**	—
France	**925**	869
New Zealand	**304**	243
	1,555	1,301
Deferred tax (note 33)	**5,125**	3,875
	6,680	5,176

12. INCOME TAX CHARGE *(Continued)*

(a) Hong Kong profits tax is calculated at 16.5 % (2008 – 16.5%) 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.

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

	2009 **HK$'000**	2008 HK$'000
Profit before tax	**7,464**	71,850
Tax at the average income tax rate of 47.70% (2008 – 21.85%)	**(3,560)**	(15,699)
Tax effect of expenses not deductible for tax purposes	**(5,726)**	(5,704)
Tax effect of income not taxable for tax purposes	**4,115**	9,369
Tax effect of losses not recognised	**(3,061)**	(3,984)
Utilisation of tax losses previously not recognised	**1,702**	5,401
Effect of prior year adjustments	**(899)**	1,596
Increase in recoverable amount of UK deferred tax asset (note c)	**—**	3,845
Others	**749**	—
Tax charge for the year	**(6,680)**	(5,176)

(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.

(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.

13. DIVIDENDS

Dividend declared and paid during the year:

	2009 HK$'000	2008 HK$'000
Interim dividend relating to September 2009 declared and paid of 0.5 HK cent per ordinary share (note a)	**4,100**	—
Interim dividend relating to September 2008 declared and paid of 0.5 HK cent per ordinary share (note b)	**—**	3,000
Final dividend relating to September 2008 declared and paid of 0.5 HK cent per ordinary share (note c)	**3,600**	—
	7,700	3,000

(a) At a Board Meeting held on 25 June 2009, the Directors approved the payment of an interim dividend of 0.5 HK cent per share for the six months ended 31 March 2009. This interim dividend was distributed on 28 August 2009 to shareholders whose names appeared on the share register of members of the Company as at the close of business on 21 July 2009.

(b) 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 for the six months ended 31 March 2008. This 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.

(c) At a Board Meeting held on 12 January 2009, the Directors recommended the payment of a final dividend of 0.5 HK cent per share for the year ended 30 September 2008, subject to shareholders' approval which was granted at the annual general meeting on 27 February 2009. This final dividend was distributed on 5 March 2009 to shareholders whose names appeared on the share register of members of the Company as at the close of business on 27 February 2009.

At a Board Meeting held on 6 January 2010, the Directors recommended the payment of a final dividend of HK$4,923,600 (0.5 HK cent per ordinary share) for the year ended 30 September 2009. Subject to shareholders' approval, this final dividend will be distributed on or about 17 March 2010 to shareholders whose names appear on the share register of members of the Company as at the close of business on 12 March 2010.

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

Assuming that 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.

14. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit of HK$784,000 (2008 – HK$66,674,000) attributable to the equity holders of the Company, a loss of HK$8,887,000 (2008 – HK$6,600,000 profit) has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK$784,000 (2008 – HK$66,674,000) and the weighted average number of ordinary shares of 839,871,173 shares (2008 – 711,971,401), calculated as follows:

(i) Weighted average number of ordinary shares

	2009	2008
Issued ordinary shares at 1 October	**720,000,000**	557,058,400
Effect of new shares issued (note a)	**66,575,342**	—
Effect of rights issue (note b)	**53,295,831**	27,383,515
Effect of new shares issued (note c)	**—**	7,529,486
Effect of bonus issues (note d)	**—**	120,000,000
Weighted average number of ordinary shares at 30 September	**839,871,173**	711,971,401
Basic earnings per share (HK$)	**0.09 cents**	9.36 cents

The 2008 comparatives have been restated to take into account the effect of the 1 for 5 Rights Issue on 5 August 2009.

Diluted earnings per share have not been presented for the year to 30 September 2009 because the exercise price of the Company's share options was higher than the average market price of the shares for the period. For the year to 30 September 2008, the diluted earnings per share has been based on the weighted average number of ordinary shares of 719,039,553 as follows:

15. EARNINGS PER SHARE *(Continued)*

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

	2009	2008
Issued ordinary shares at 1 October	—	557,058,400
Effect of rights issue of shares (note b)	—	27,383,515
Effect of new shares issued (note c)	—	7,529,486
Effect of bonus issues (note d)	—	120,000,000
Effect of deemed issue of shares under the Company's share option scheme	—	7,068,152
Weighted average number of ordinary shares at 30 September	—	719,039,553
Diluted earnings per share (HK$)	—	9.27 cents

The 2008 comparatives have been restated to take into account the effect of the 1 for 5 Rights Issue on 5 August 2009.

(a) Relates to consideration shares issued in respect of the acquisition of Alford Industries Ltd. on 30 January 2009 (note 34).

(b) Relates to rights issues shares issued in respect of a 1 for 5 Rights Issue on 5 August 2009 (note 34)

(c) Relates to consideration shares issued in respect of the acquisition of Jade Precision Engineering Pte Ltd. on 28 July 2008 (note 34).

(d) Relates to the bonus issue of 1 bonus share for every 5 shares held, which was implemented in 2008 (note 34).

16. 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 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
Additions	193	1,378	3,929	4,342	9,842
Acquired on acquisition of subsidiary	—	4,677	104	3,150	7,931
Disposals	(2,689)	(375)	(1,744)	(2,735)	(7,543)
Currency realignment and others	(18,068)	(787)	(4,264)	(2,268)	(25,387)
At 30 September 2009	**206,897**	**65,447**	**23,109**	**102,491**	**397,944**
Depreciation, amortisation and impairment					
At 1 October 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
Provided for the year	5,455	7,118	5,550	6,536	24,659
Disposals	(714)	(315)	(1,744)	(2,677)	(5,450)
Currency realignment and others	(419)	(193)	(3,293)	(734)	(4,639)
At 30 September 2009	**19,045**	**47,302**	**15,015**	**73,538**	**154,900**
Carrying values					
At 30 September 2009	**187,852**	**18,145**	**8,094**	**28,953**	**243,044**
At 30 September 2008	212,738	19,862	10,582	29,589	272,771

16. 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% - $33^{1}/_{3}$ %

The carrying value of properties shown above comprises:

	2009	2008
	HK$'000	HK$'000
Properties held outside Hong Kong that are:		
Freehold	**137,253**	159,086
Long leasehold	**37,647**	39,969
Held under medium-term leases	**12,952**	13,683
	187,852	212,738

Additions for the year include HK$3,929,000 (2008 – HK$6,543,000) 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$18,145,000 (2008 – HK$19,862,000), HK$8,094,000 (2008 – HK$10,582,000) and HK$28,953,000 (2008 – HK$29,589,000) includes amounts of HK$4,288,000 (2008 – HK$5,890,000), HK$7,869,000 (2008 – HK$10,258,000) and HK$4,658,000 (2008 – HK$5,864,000), respectively, in respect of assets held under finance leases.

17. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

GROUP

	2009 **HK$'000**	2008 HK$'000
The Group's prepaid lease payments comprise:		
Medium-term land use right in the PRC	**598**	625

18. OTHER INTANGIBLE ASSETS

GROUP

	Intellectual property rights HK$'000	**Purchased goodwill HK$'000**	**Total HK$'000**
At 1 October 2007	—	—	—
Additions	3,588	—	3,588
Amortisation	(1,643)	—	(1,643)
Currency alignment	(97)	—	(97)
Carrying amount at 30 September 2008	1,848	—	1,848
Additions	—	430	430
Amortisation	(360)	(29)	(389)
Currency alignment	(274)	8	(266)
Carrying amount at 30 September 2009	**1,214**	**409**	**1,623**

On 28 July 2009, the Company, through its Canadian-based subsidiary, Eclipse Tools North America, Inc. purchased certain assets and goodwill for a total of Canadian $30,000 and Canadian $60,000 respectively.

19. INTERESTS IN SUBSIDIARIES

COMPANY

	2009 HK$'000	2008 HK$'000
Unlisted investments, at cost (note a)	**124,802**	97,802
Due from subsidiaries (note b)	**211,012**	202,713
Due to subsidiaries (note c)	**222,853**	209,160

(a) On 18 January 2009, the Company, through its UK-based subsidiary, Bowers Group plc, entered into an agreement to acquire the entire share capital of Alford Industries Limited ("Alford"), a privately-owned company incorporated in Hong Kong and engaged in the design and manufacture of consumer electronic and wireless products. The consideration for the acquisition, excluding costs, amounted to HK$42,000,000 and was settled by HK$15,000,000 in cash and the issue of 100,000,000 ordinary shares of HK$0.10 in the Company at a market value (as determined by the share price as quoted on the Hong Kong Stock Exchange at close of business on 30 January 2009) of HK$27,000,000. Bowers Group plc then issued shares, which were fully taken up by the Company, to the value of HK$27,000,000 in satisfaction of this arrangement.

(b) Except for a loan to a subsidiary amounting to approximately HK$10,900,000 (2008 – HK$15,725,000), which is unsecured, interest-bearing at 6.25% and repayable on demand, the amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(c) Except for a loan from a subsidiary of approximately HK$10,000,000 (2008 – HK $nil) which is interest-bearing at 5% fixed and repayable on demand, the amounts due to subsidiaries 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
Alford Industries Limited	Hong Kong	Ordinary HK$2,000,000	—	100%	Design and distribution of consumer electronic products
Foshan Shunde Alford Electronics Co. Ltd.	PRC*	Ordinary HK$22,074,000	—	100%	Manufacture and design of consumer electronic products
Bowers Equipment Shanghai Co Limited	PRC*	Ordinary RMB 4,026,000	—	100%	Manufacture, quality control and distribution of metrology products

19. 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	Proportion of ownership interest held by the Company Indirectly	Principal activities
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
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
Eclipse Tools North America, Inc.	Canada	Ordinary Can $100	—	100%	Distributor of magnets and magnetic products
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

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
James Neill Holdings Limited	UK	Ordinary £44,773,788 4.2% preference £300,000	—	100%	Investment holding
Magnacut Limited	UK	Ordinary £9,000	—	100%	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
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 Euro 1,300,000	—	100%	Marketing and sale of group tools and other related products

19. 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	Proportion of ownership interest held by the Company Indirectly	Principal activities
Spear & Jackson Garden Products Limited	UK	Ordinary £16,977,000	—	100%	Procurement 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
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 2009 or at any time during the year.

20. INTEREST IN AN ASSOCIATE

GROUP

	2009 HK$'000	2008 HK$'000
At 1 October	**3,768**	3,577
Currency realignment	**9**	484
Share of profit before tax for the year	**757**	1,525
Share of tax for the year	**(93)**	(127)
Dividends received	**(885)**	(1,691)
At 30 September	**3,556**	3,768

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:

	2009 HK$'000	2008 HK$'000
Total assets	**23,284**	33,342
Total liabilities	**(9,059)**	(18,271)
Net assets	**14,225**	15,071
Share of an associate's net assets	**3,556**	3,768
Sales	**56,304**	84,015
Profit for the year after tax	**2,656**	5,592
Share of result of an associate (net of tax)	**664**	1,398

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP

	2009 HK$'000	2008 HK$'000
Unlisted equity investments at purchase cost	1,725	1,995
Impairment loss	(1,093)	(1,264)
Unlisted equity investments at fair value (note a)	632	731
Listed equity investments at purchase cost	3,813	3,813
Changes in fair value	(3,813)	(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	632	2,912

COMPANY

	2009 HK$'000	2008 HK$'000
Listed equity investments at purchase cost	3,813	3,813
Changes in fair value	(3,813)	(3,465)
Listed equity investments at fair value (note b)	—	348
Equity securities listed in Hong Kong at fair value (note d)	—	—
Total	—	348

21. 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$nil (2008 – HK$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$502,000 (2008 – HK$580,000). 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, which were sold during the year.

(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 0.25% (2008 – 0.30%) of the issued share capital of CICL as at 30 September 2009.

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 shareholding in the market. Hence, the fair value of CICL's shares held by the Group is estimated to be HK$nil (2008 – HK$nil).

22. INVENTORIES

GROUP

	2009	2008
	HK$'000	HK$'000
Raw Materials	**49,336**	62,312
Work in progress	**11,864**	36,609
Finished goods	**172,316**	189,362
	233,516	288,283

23. TRADE AND OTHER RECEIVABLES

Trade and other receivables of HK$249,448,000 (2008 – HK$311,232,000) include trade receivables of HK$233,601,000 (2008 – HK$284,605,000). At the reporting date, the aged analysis of trade receivables, which is stated after provisions for impairment is as follows:

GROUP

	2009 HK$'000	2008 HK$'000
0 - 60 days	**210,371**	230,398
61 - 90 days	**8,609**	32,142
91 - 120 days	**5,166**	9,552
Greater than 120 days	**9,455**	12,513
	233,601	284,605

At 30 September 2009, trade receivables past due and neither past due nor impaired were approximately HK$14,621,000 and HK$218,980,000 respectively.

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

	2009 HK$'000	2008 HK$'000
Balance at 1 October	**13,747**	10,298
Impairment losses recognised	**1,206**	4,316
Impairment losses reversed	**(1,717)**	(569)
Currency realignment	**(880)**	(865)
Acquisition of a subsidiary	**—**	567
Balance at 30 September	**12,356**	13,747

The provision relates to individually impaired trade debtors that were in default of settlement terms and, in respect of which, 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.

24. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP

	2009 HK$'000	2008 HK$'000
Derivative financial assets:		
Forward exchange contracts – cash flow hedges (note a)	—	473
Forward exchange contracts – held-for-trading (note b)	2,345	—
	2,345	473
Derivative financial liabilities:		
Forward exchange contracts – cash flow hedges (note a)	1,029	—

COMPANY

	2009 HK$'000	2008 HK$'000
Derivative financial assets:		
Forward exchange contracts – held-for-trading (note b)	2,345	—

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

The ineffective portion recognised in profit or loss that arises from cash flow hedges amounts to a gain of HK$473,000 (2008 - HK$Nil).

(a) 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 2009. The amount recognised in equity during the year was HK$1,502,000 (2008 – HK$473,000 credit). 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).

(b) The Group also enters into significant medium term currency exposures that are not expected to be off-set by other currency transactions. They are considered to be part of the economic hedge arrangement but have not been formerly designated. The forward exchange contract relates to a forward purchase of US dollars and the cash flow is expected to occur before April 2010.

25. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$5,000,000 (2008 – 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.

26. 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.

27. TRADE AND OTHER PAYABLES

Trade and other payables of HK$199,122,000 (2008 – HK$296,177,000) include trade payables of HK$84,930,000 (2008 – HK$191,879,000). At the reporting date, the aged analysis of trade payables, based on invoice date, is as follows:

GROUP

	2009 HK$'000	2008 HK$'000
0 – 60 days	76,286	172,316
61 – 90 days	3,896	14,522
Greater than 90 days	4,748	5,041
	84,930	191,879

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

28. INTEREST-BEARING BANK BORROWINGS

GROUP

	2009 HK$'000	2008 HK$'000
Bank borrowings (all secured) comprise:		
Bank overdrafts	19,271	—
Export invoices/loan financing	35,474	71,114
Invoice discounting	16,638	—
Other bank loans	33,908	43,741
HKSAR Government-backed bank loans	17,000	—
Total overdrafts and bank borrowings	122,291	114,855
Bank borrowings are repayable as follows:		
Within one year or on demand	101,691	92,956
More than one year, but not exceeding five years	20,600	21,899
	122,291	114,855
Less: Amounts due within one year shown under current liabilities	(101,691)	(92,956)
Amounts due after one year shown under non-current liabilities	20,600	21,899

28. INTEREST-BEARING BANK BORROWINGS *(Continued)*

COMPANY

	2009 HK$'000	2008 HK$'000
Bank borrowings (all secured) comprise:		
Other bank loans	**186**	607
Bank borrowings are repayable as follows:		
Within one year or on demand	**186**	402
More than one year, but not exceeding five years	**—**	205
	186	607
Less: Amounts due within one year shown under current liabilities	**(186)**	(402)
Amounts due after one year shown under non-current liabilities	**—**	205

The HKSAR Government-backed loans, which are denominated in Hong Kong Dollars, carry fixed interest rates ranging from 4.5% to 4.83% and are repayable in monthly instalments over a five-year period.

The bank borrowings which are denominated in Hong Kong Dollars, US Dollars, Singapore Dollars and GB Pounds, carry variable interest rates linked to the relevant prime rates and fixed interest rates relevant to the country in which the facility has been taken out.

The effective interest rates on the Group's floating rate borrowings range from mainly 2.75% to 8.5% per annum (2008 – 4.75% to 8.5% 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.

29. OBLIGATIONS UNDER FINANCE LEASES

GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases:				
Within one year	**7,342**	8,936	**6,941**	8,026
In the second to fifth years inclusive	**6,888**	11,230	**5,961**	9,982
	14,230	20,166	**12,902**	18,008
Less: Future finance charges	**(1,328)**	(2,158)	**—**	—
Present value of lease obligations	**12,902**	18,008	**12,902**	18,008
Less: Amount due for settlement within one year shown under current liabilities			**(6,941)**	(8,026)
Amount due for settlement after one year shown under non-current liabilities			**5,961**	9,982

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.

30. PROVISIONS

GROUP

	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1 October 2007	18,424	1,029	19,453
Re-analysis from other creditors	358	—	358
Utilisation of provision	(3,427)	(6,899)	(10,326)
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
Utilisation of provision	(3,386)	(9,428)	(12,814)
Provision for the year	1,057	(216)	841
Currency realignment	(2,454)	(1,255)	(3,709)
At 30 September 2009	**12,823**	**445**	**13,268**

	2009 HK$'000	2008 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**6,095**	18,277
Non-current liabilities	**7,173**	10,673
	13,268	28,950

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 two years.

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 was completed in quarter 2 of fiscal 2009. Likewise, in September 2008, Jade Precision Engineering Pte Ltd., 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.

31. 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 2009, the retirement benefit scheme contributions charged to the consolidated income statement amounted to HK$511,000 (2008 – HK$683,000), 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 2009 was HK$4,887,000 (2008 – HK$4,159,000). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

Rest of the World

Defined pension contribution schemes are in place in the United Kingdom, France and Australasia, the assets of which are held separately from those of the Group and the funds of which are under the control of an independent trustee. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contributions made for the year ended 30 September 2009 was HK$4,047,000 (2008 – HK $nil).

32. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a contributory defined benefit pension plan covering certain of its employees in the UK based subsidiaries of S&J (the "James Neill Pension Plan", the "Plan"). The benefits covered by the Plan are based on years of service and compensation history. The Plan's assets are held separately from the assets of the Group and are administered by the Plan's trustees and are managed professionally.

The latest formal actuarial valuation of the Plan was carried out at 5 April 2007 by PricewaterhouseCoopers LLP. This valuation has been updated to 30 September 2009 for the purposes of this annual report.

The Group's contributions for the year ended 30 September 2009 amounted to £1.9 million Sterling (approximately HK$22.6 million) (2008 – £1.9 million (approximately HK$29.7 million)).

The Group's annual contributions to the Plan are £1.9 million (approximately HK$23 million) until 31 March 2010. Thereafter, contributions will rise to £3.65 million (approximately HK$44 million) for the following two years and will then revert to £3.25 million (approximately HK$39 million) for a further three and a half years. This contribution schedule is currently being reviewed by the Company, the Plan's Trustees and actuary as a result of fluctuations, both favourable and adverse, in the actuarially determined value of Plan investments and liabilities and the financial strength and cash flow requirements of the Plan's sponsoring employers. Additionally, a charge has been executed in favour of the Plan representing 50% of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, England (note 40).

The principal financial assumptions used in the updated actuarial valuations at 30 September 2009 and 30 September 2008 for the purpose of the accounting disclosures in this annual report were as follows:

	2009	2008
Long term rate of increase in pensionable salaries	**2.95%**	3.50%
Rate of increase of benefits in payment (note a)	**2.55%**	3.10%
Rate of increase of benefits in payment (note b)	**2.25%**	2.80%
Discount rate	**5.70%**	7.50%
Inflation assumption	**2.75%**	3.30%
Expected return on equities	**8.30%**	8.70%
Expected return on bonds	**5.70%**	7.05%
Expected return on cash	**0.50%**	5.00%

Notes:

(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.

32. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

Pensioner currently aged 70:	Male 13.7 years	Female 16.3 years
Future pensioner when aged 65:	Male 18.7 years	Female 21.4 years

The amount recognised in the consolidated balance sheet in respect of the defined benefit plan for the current year and the previous three years is as follows:

	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of Plan assets:				
Equities	**598,215**	602,009	818,840	740,951
Bonds	**505,992**	606,637	715,815	692,262
Cash	**60,458**	7,650	10,146	7,567
Insurance policies	**14,099**	16,732	23,046	26,830
	1,178,764	1,233,028	1,567,847	1,467,610
Present value of funded obligations	**(1,368,316)**	(1,473,599)	(1,845,046)	(1,879,386)
Net liabilities recognised	**(189,552)**	(240,571)	(277,199)	(411,776)

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

	2009	2008
	HK$'000	HK$'000
Current service cost	**4,193**	8,966
Past service credit	**(21,471)**	—
Curtailment gain	**(2,210)**	—
Expected return on assets	**(75,111)**	(106,820)
Interest cost	**84,097**	105,641
Net pension (credit)/charge	**(10,502)**	7,787

The current service cost charge, past service credit and curtailment gain for the year are included in the employee benefits expense caption in the income statement. The net interest payable (2008 – receivable) is included in finance costs (2008 – other income).

32. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2009 **HK$'000**	2008 HK$'000
At 1 October	**1,473,599**	1,845,046
Currency realignment	**(198,864)**	(169,223)
Current service cost	**4,193**	8,966
Past service cost	**(21,471)**	—
Curtailment gain	**(2,210)**	—
Interest cost	**84,097**	105,641
Member contributions	**3,084**	4,822
Benefit payments	**(73,844)**	(94,043)
Actuarial losses/(gains)	**99,732**	(227,610)
At 30 September	**1,368,316**	1,473,599

Changes in the fair values of the Plan's assets

	2009 **HK$'000**	2008 HK$'000
At 1 October	**1,233,028**	1,567,847
Currency realignment	**(175,273)**	(142,184)
Employer contributions	**22,562**	29,754
Expenses	**985**	—
Member contributions	**3,084**	4,822
Expected return on assets	**75,111**	106,820
Benefit payments	**(73,844)**	(94,043)
Actuarial gains/(losses)	**93,111**	(239,988)
At 30 September	**1,178,764**	1,233,028

The actual return on the Plan assets was a gain of approximately HK$168,222,000 (2008 – HK$133,168,000 loss).

32. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2009 **HK$'000**	2008 HK$'000
Actuarial loss	**(6,621)**	(12,378)

The total cumulative amount of actuarial gains recognised in the consolidated statement of recognised income and expense, before tax is HK$97,741,000 (2008 – HK$104,362,000).

The history of experience adjustments is as follows:

	2009 **HK$'000**	2008 HK$'000	2007 HK$'000	2006 HK$'000
Present value of defined benefit obligation	**(1,368,316)**	(1,473,599)	(1,845,046)	(1,979,386)
Fair value of Plan assets	**1,178,764**	1,233,028	1,567,847	1,467,610
Deficit	**(189,552)**	(240,571)	(277,199)	(511,776)
Experience (loss)/ gain adjustment on Plan liabilities	**—**	—	219,726	(29,620)
Experience gain/(loss) adjustment on Plan assets	**93,111**	(84,141)	(92,330)	18,964

The actuarial valuation showed that the market value of the Plan assets at 30 September 2009 was HK$1,178,764,000 (2008 – HK$1,233,028,000) and that the actuarial value of these assets represented 86% (2008 – 84%) of the benefits that had accrued to members. The shortfall of HK$189,552,000 (2008 – HK$240,571,000) is to be cleared in accordance with current UK pensions legislation and after consultation with, and agreement by, the Trustees of the Plan.

33. DEFERRED TAX

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

	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 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 in equity	—	—	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
(Charged)/credited to consolidated income statement	1,992	420	(9,206)	(396)	2,065	(5,125)
Acquisition of a subsidiary	(916)	—	—	—	—	(916)
Recognition of actuarial loss on retirement benefit obligation in equity	—	—	1,855	—	—	1,855
Currency realignment	(1,635)	2,036	(6,934)	(1,292)	(37)	(7,862)
At 30 September 2009	**12,019**	**(16,082)**	**53,075**	**8,398**	**5,801**	**63,211**

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.

	2009 HK$'000	2008 HK$'000
Deferred tax liabilities	**(18,001)**	(19,870)
Deferred tax assets	**81,212**	95,129
	63,211	75,259

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% (2008 – 28%).

33. DEFERRED TAX *(Continued)*

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

	2009	2008
	HK$'000	HK$'000
Unused tax losses	**409,444**	658,242
Capital losses	**215,295**	137,699
Other temporary differences	**7,483**	578,834
Other tax credits	**366,120**	423,353
	998,342	1,798,128

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.

34. SHARE CAPITAL

Ordinary shares of HK$0.10 each

	2009		2008	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Authorised:				
At 1 October	**1,500,000,000**	**150,000,000**	1,000,000,000	100,000,000
Increase in authorised share capital (note a)	**—**	**—**	500,000,000	50,000,000
At 30 September	**1,500,000,000**	**150,000,000**	1,500,000,000	150,000,000
Issued and fully paid:				
At 1 October	**720,000,000**	**72,000,000**	557,058,400	55,705,840
Consideration shares (note b)	**100,000,000**	**10,000,000**	—	—
Consideration shares (note c)	**—**	**—**	42,941,600	4,294,160
Rights Issue (note d)	**164,000,000**	**16,400,000**	—	—
Bonus issue (note e)	**—**	**—**	120,000,000	12,000,000
At 30 September	**984,000,000**	**98,400,000**	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$0.10 each.

(b) On 30 January 2009 the Company, through its UK based subsidiary, Bowers Group plc, completed the acquisition of the entire share capital of Alford Industries Limited, a company incorporated in Hong Kong and engaged in the design and manufacture of consumer electronic and wireless products. The consideration for the acquisition, excluding costs, amounted to HK$42,000,000 and was settled by HK$15,000,000 in cash and the issue of 100,000,000 ordinary shares of HK$0.10 each in the Company at a market value of HK$27,000,000.

(c) On 28 July 2008, the Group completed the acquisition of the entire share capital of Jade Precision Engineering Pte Ltd., 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.

(d) On 5 August 2009, the Company completed a Rights Issue of 164,000,000 Rights Shares of HK$0.10 par value each at a subscription price of HK$0.15 per Rights Share on the basis of 1 Rights Share for every 5 shares held on 21 July 2009, the Record Date.

(e) Pursuant to an ordinary resolution passed at the special general meeting held 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.

35. SHARE OPTIONS

(a) Pursuant to a special general meeting of the Company held in April 1994, the Company adopted an executives' share option scheme (the "1994 Scheme") for the primary purpose of providing incentives to the executive directors and eligible employees of the Company and its subsidiaries. According to the 1994 Scheme, the Board of Directors of the Company is authorised, at any time within ten 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 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 years from the date of grant.

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

As a result of the completion of the Rights Issue on 5 August 2009, the number of share options and the exercise price of those options have been adjusted at 30 September 2009. The number of share options has increased from 6,000,000 to 6,288,608 and the exercise price has been adjusted from HK$0.30 to HK$0.286.

	Date of grant	**Exercisable period**	**Exercise price HK$**
1994 Scheme	23.7.2003	23.7.2003 - 22.7.2013	0.286

The number of options outstanding which have been granted to the Directors of the Company under the 1994 Scheme were as follows:

	2009	2008
1994 Scheme	**6,288,608**	6,000,000

35. 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 shares at the date of each grant without prior approval from the Company's shareholders.

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

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

As a result of the completion of the Rights Issue on 5 August 2009, the number of share options and the exercise price of those options have been adjusted at 30 September 2009. The share option exercise price and the 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 1.10.2008	Rights issue	Outstanding at 30.9.2009
Directors	28.9.2004	0.193	6,881,310	331,001	7,212,311
	20.12.2004	0.198	5,849,113	281,349	6,130,462
Other employees	28.9.2004	0.193	1,966,085	94,570	2,060,655
	20.12.2004	0.198	1,671,175	80,385	1,751,560
			16,367,683	787,305	17,154,988

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.

36. RESERVES

(a) GROUP

	Reserves								
	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 October 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 paid	—	—	—	—	—	—	—	(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

36. 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 HK$'000	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 30 September 2008	15,569	794	1,442	19,870	(32,344)	–	(3,465)	294,411	296,277
Exchange differences arising on translation of foreign operations	–	–	–	–	(38,462)	–	–	–	(38,462)
Cash flow hedging losses recognised in equity	–	–	–	–	–	(1,502)	–	–	(1,502)
Change in fair value	–	–	–	–	–	–	3,465	–	3,465
Recognition of actuarial losses on defined benefit plan (net of tax)	–	–	–	–	–	–	–	(4,766)	(4,766)
Net income and expenses recognised directly in equity	–	–	–	–	(38,462)	(1,502)	3,465	(4,766)	(41,265)
Profit for the year	–	–	–	–	–	–	–	784	784
Total income and expense recognised in the year	–	–	–	–	(38,462)	(1,502)	3,465	(3,982)	(40,481)
Dividends paid	–	–	–	–	–	–	–	(7,700)	(7,700)
Issue of shares at a premium (see below)	23,239	–	–	–	–	–	–	–	23,239
	23,239	–	–	–	(38,462)	(1,502)	3,465	(11,682)	(24,942)
At 30 September 2009	**38,808**	**794**	**1,442**	**19,870**	**(70,806)**	**(1,502)**	**–**	**282,729**	**271,335**

36. RESERVES *(Continued)*

(a) GROUP *(Continued)*

The movement on the share premium account in the financial year is as follows:

	HK$'000
At 1 October 2008	15,569
Issue of shares at a premium (note i)	17,000
Rights Issue shares at a premium (note ii)	6,239
At 30 September 2009	**38,808**

(i) On 30 January 2009 the Company, through its UK based subsidiary, Bowers Group plc, completed the acquisition of the entire share capital of Alford Industries Limited, a company incorporated in Hong Kong and engaged in the design and manufacture of consumer electronic and wireless products. The consideration for the acquisition, excluding costs, amounted to HK$42,000,000 and was settled by HK$15,000,000 in cash and the issue of 100,000,000 ordinary shares of HK$0.10 each in the Company at a market value of HK$27,000,000.

(ii) On 5 August 2009 the Company completed the Rights Issue of 164,000,000 Rights Shares of HK$0.10 par value each at a subscription price of HK$0.15 per Rights Share on the basis of 1 Rights Share for every 5 shares held on 21 July 2009, the Record Date. The amount credited to the Share Premium account represents the value of the shares issued at a premium less attributable costs.

36. 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 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
Loss for the year	—	—	—	—	—	(8,887)	(8,887)
Change in fair value	—	—	—	—	3,465	—	3,465
Dividends paid	—	—	—	—	—	(7,700)	(7,700)
Dividends received	—	—	—	—	—	20,000	20,000
Issue of shares at a premium	23,239	—	—	—	—	—	23,239
	23,239	—	—	—	3,465	3,413	30,117
At 30 September 2009	**38,808**	**794**	**1,442**	**70,911**	**—**	**(62,840)**	**49,115**

37. 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:

	HK$'000
Net assets disposed of:	
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)

38. ACQUISITION OF A SUBSIDIARY

(a) On 18 January 2009, the Company, through its UK-based subsidiary, Bowers Group plc, entered into an agreement to acquire the entire share capital of Alford Industries Limited ("Alford"), a privately-owned company incorporated in Hong Kong and engaged in the design and manufacture of consumer electronic and wireless products. The consideration for the acquisition, excluding costs, amounted to HK$42,000,000 and was settled by HK$15,000,000 in cash and the issue of 100,000,000 ordinary shares of HK$0.10 in the Company at a market value (as determined by the share price as quoted on the Hong Kong Stock Exchange at close of business on 30 January 2009) of HK$27,000,000. The purchase was duly completed on 30 January 2009.

The discount on acquisition arose from purchasing Alford's net assets at approximately 80% of their fair value. This discount reflects the impact on the purchase price of the depressed nature of financial markets and the world-wide economic recession.

The acquired business contributed revenue of approximately HK$83,700,000 and a net profit of approximately HK$4,400,000 in the period from acquisition to 30 September 2009. If the acquisition had taken place on 1 October 2008, the Group's revenue for the year would have been approximately HK$1,079,000,000 and the net loss for the period would have been approximately HK$3,200,000. 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 2008, nor is it intended to be a projection of future results.

38. ACQUISITION OF A SUBSIDIARY *(Continued)*

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

	Carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	7,931	—	7,931
Inventories	14,879	—	14,879
Trade and other receivables	38,058	—	38,058
Cash and cash equivalents	12,266	—	12,266
Trade and other payables	(17,655)	(200)	(17,855)
Obligations under finance leases	(101)	—	(101)
Net tax payable	737	—	737
Deferred tax	(916)	—	(916)
	55,199	(200)	54,999
Discount on acquisition			(10,404)
Legal and professional fees			(2,595)
Less: shares issued			(27,000)
Total consideration satisfied by cash			15,000
Net cash outflow arising on acquisition:			
Cash consideration paid			(15,000)
Legal and professional fees			(2,595)
Cash and cash equivalents acquired			12,266
			(5,329)

(b) On 28 July 2009, the Company, through its UK-based subsidiary, Neill Tools Limited, purchased 100 shares in Eclipse Tools North America, Inc., a company incorporated in Canada, for Can $10.

(c) On 6 February 2008, the Group entered into an agreement to purchase the entire share capital of Jade Precision Engineering Pte Ltd. ("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.

38. ACQUISITION OF A SUBSIDIARY *(Continued)*

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

	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)

In addition to the HK$46,674,000 discount on acquisition recognised in the year to 30 September 2008, a further HK$212,000 of excess acquisition cost provisions have been credited to the consolidated income statement in the year to 30 September 2009.

39. 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$3,929,000 (2008 – HK$6,543,000).

40. PLEDGE OF ASSETS

At the balance sheet date, the Group has bank deposits of HK$5,000,000 to certain banks to secure credit facilities granted by those banks to the extent of approximately HK$13,900,000 (2008 – HK$27,500,000).

The Group has also pledged plant and machinery having a net book value of approximately HK$667,000 (2008 – HK$1,538,000) and land and buildings with a net book value of approximately HK$31,000,000 (2008 – nil) to secure general banking facilities granted to the Group.

In April 2009 the Group concluded the re-negotiation of the banking facilities of the UK subsidiaries of Spear & Jackson. The existing overdraft facility of £3,000,000 Sterling (approximately HK$37,000,000) was replaced with a £6,000,000 Sterling (approximately HK$74,000,000) composite facility comprising confidential invoice discounting, an overdraft and a short-term loan. The new facility is secured by certain trade receivables of the UK trading operation of Spear & Jackson, by fixed and floating charges on the other assets and undertaking of Spear & Jackson and its UK trading subsidiaries and by a first fixed charge on the Group's freehold properties in the United Kingdom. Amounts drawn down under the confidential invoice facility at 30 September 2009 were HK$16,638,000 which are secured against trade debts of the same amount in the Spear & Jackson UK trading subsidiaries. Amounts drawn down under the overdraft and short-term loan at 30 September 2009 were HK$nil. Amounts drawn down under the overdraft facility at 30 September 2008 were HK$nil.

During the year to 30 September 2008, 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. As part of this agreement, the Group executed a second charge in favour of the Plan representing 50% (approximately HK$48,600,000) of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, UK.

41. RECONCILIATION OF (DECREASE)/INCREASE IN CASH EQUIVALENTS TO MOVEMENT IN NET BORROWINGS

	Note	2009 HK$'000	2008 HK$'000
Net (decrease)/increase in cash and cash equivalents for the year		**(15,082)**	10,320
Effect of foreign exchange rates		**(1,901)**	(10,382)
Net movement in cash and cash equivalents		**(16,983)**	(62)
Repayment of bank borrowings and shareholder loans		**27,833**	22,935
New bank and shareholder loans raised		**(34,000)**	—
Invoice discounting facility		**(14,253)**	—
Net cash outflow/(inflow) from export loans		**35,857**	(21,062)
Others		**1,504**	(946)
Net borrowings at the beginning of the year		**(22,948)**	(23,813)
Net borrowings at the end of the year		**(22,990)**	(22,948)
Represented by:			
Pledged bank deposits	25	**5,000**	5,000
Cash and cash equivalents	26	**107,203**	104,915
Interest-bearing bank borrowings - amounts due within one year	28	**(101,691)**	(92,956)
Obligations under finance leases - amounts due within one year	29	**(6,941)**	(8,026)
Interest-bearing bank borrowings - amounts due after one year	28	**(20,600)**	(21,899)
Obligations under finance leases - amounts due after one year	29	**(5,961)**	(9,982)
		(22,990)	(22,948)

42. 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 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.

43. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$111,629,000 (2008 – HK$137,500,000) 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.

44. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 September 2009 and 30 September 2008.

45. 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:

	2009	2008
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**12,188**	15,362
In the second to fifth years inclusive	**26,647**	26,644
Over five years	**26,816**	24,380
	65,651	66,386

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:

	2009	2008
	HK$'000	HK$'000
Onerous lease contracts (Note 30)		
Within one year	**5,650**	6,934
In the second to fifth years inclusive	**7,173**	10,672
	12,823	17,606

The Group as Lessor

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

	2009	2008
	HK$'000	HK$'000
Within one year	**1,103**	797
In the second to fifth years inclusive	**297**	1,947
Over five years	**5,079**	6,375
	6,479	9,119

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

46. 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 20). For the year ended 30 September 2009 goods to the value of approximately HK$17,000,000 (2008 – HK$29,000,000) were purchased from Ningbo Hi-tech.

Mr. Brian C Beazer the Executive Chairman of the Group, was one of the underwriters to the Rights Issue by the Company in August 2009 but waived all commitment or underwriting fees.

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 32.

Other than the emoluments paid to the Directors of the Company, as disclosed in note 11, 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.

47. 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.

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

	2009 **HK$'000**	2008 HK$'000
Singapore dollar to US dollar	**(665)**	(722)
Pound sterling to US dollar	**639**	337
Pound sterling to Euro	**(72)**	(179)
	(98)	(564)

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 28. 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$16.2 million (2008 – HK$9.3 million). If there was a 1% increase/(decrease), the net interest costs would increase/(decrease) by approximately HK$2.7 million (2008 – HK$1.5 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 21. 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.

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

Credit risk

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

	2009 HK$'000	2008 HK$'000
Current assets:		
Cash and cash equivalents	**107,203**	104,915
Pledged bank deposits	**5,000**	5,000
Trade receivables	**233,601**	284,605
	345,804	394,520

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 2009, trade receivables of HK$63,487,000 (2008 – HK$49,199,000) 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 minimise 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.

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

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.

	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 2009:				
Trade payables	**84,930**	**84,930**	**84,930**	**—**
Other payables and accruals	**114,192**	**114,192**	**114,192**	**—**
Interest-bearing bank borrowings	**122,291**	**125,714**	**103,739**	**21,975**
Obligations under finance leases	**12,902**	**14,230**	**7,342**	**6,888**
Provisions for onerous contracts	**12,823**	**13,181**	**5,649**	**7,532**
Derivative financial instruments	**1,029**	**1,029**	**1,029**	**—**
	348,167	**353,276**	**316,881**	**36,395**

	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

47. 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.

Financial assets:

	2009	2008
	HK$'000	HK$'000
Loans and receivables:		
Cash and cash equivalents	**107,203**	104,915
Pledged bank deposits	**5,000**	5,000
Trade and other receivables	**249,448**	311,232
Available-for-sale financial assets:		
Unlisted equity investments	**632**	731
Listed equity investments	**—**	348
Other investments	**—**	1,833
Financial assets at fair value through profit or loss:		
Derivative financial instruments	**2,345**	473
	364,628	424,532

Financial liabilities:

	2009	2008
	HK$'000	HK$'000
Financial liabilities measured at amortised cost:		
Trade and other payables	**199,122**	296,177
Interest-bearing bank borrowings	**122,291**	114,855
Obligations under finance leases	**12,902**	18,008
Provision for onerous contracts	**12,823**	17,606
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	**1,029**	—
	348,167	446,646

48. 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.

	2009	2008
	HK$'000	HK$'000
Total net debt	**22,990**	22,948
Total capital	**369,735**	368,277
Gearing ratio	**6.22%**	6.23%

49. POST BALANCE SHEET EVENTS

In November 2009, Neill Tools Limited, a UK based subsidiary of the Company, announced the relocation of its Hacksaw Blade manufacturing operations to the PRC under the control of the management of the Company's Contract Manufacturing Division.

On 16 November 2009 the Company approved the exercise of 762,000 Share Options under the 2004 Share Option Scheme.

RESULTS

	Year ended 31 March 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	**2009 HK$'000**
Turnover	454,339	390,189	1,402,305	1,437,608	**1,042,007**
Cost of sales	(392,599)	(335,056)	(1,060,451)	(1,063,198)	**(793,602)**
Gross profit	61,740	55,133	341,854	374,410	**248,405**
Other income	2,482	4,916	15,225	21,844	**11,569**
Selling and distribution costs	(3,140)	(31,590)	(219,314)	(235,806)	**(170,125)**
Administrative costs	(40,043)	(33,599)	(93,099)	(106,633)	**(67,671)**
Gain arising from changes in fair value of investment properties	1,000	—	—	—	**—**
Restructuring costs	—	—	—	(17,713)	**(5,288)**
Gain on sale of a subsidiary	—	—	—	23	**—**
Gain on sale of land and buildings	—	—	1,447	—	**—**
Finance costs	(2,028)	(2,533)	(8,773)	(12,474)	**(16,986)**
Share of results of an associate	—	236	1,528	1,525	**757**
Discount on acquisition	—	26,200	60,095	46,674	**10,616**
Impairment loss on available-for-sale financial assets	—	—	—	—	**(3,813)**
Profit before tax	20,011	18,763	98,963	71,850	**7,464**
Income tax (charge) /credit	(4,357)	815	(7,581)	(5,176)	**(6,680)**
Profit for the year/period	15,654	19,578	91,382	66,674	**784**
Attributable to:					
Equity holders of the Company	15,654	19,009	76,370	66,674	**784**
Minority Interests	—	569	15,012	—	**—**
	15,654	19,578	91,382	66,674	**784**
Dividend	—	—	—	3,000	**7,700**
Earnings per share					
Basic	2.81 cents	3.41 cents	11.28 cents	9.36 cents	**0.09 cents**
Diluted	N/A	N/A	11.19 cents	9.27 cents	**N/A**

Financial Summary

ASSETS AND LIABILITIES

	At 31 March		At 30 September		
	2006	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	272,312	1,035,440	1,062,943	1,088,795	**929,614**
Total liabilities	(99,738)	(808,612)	(725,748)	(720,518)	**(559,879)**
	172,574	226,828	337,195	368,277	**369,735**
Equity attributable to:					
Equity holders of the Company	172,574	182,817	337,195	368,277	**369,735**
Minority interests	—	44,011	—	—	**—**
	172,574	226,828	337,195	368,277	**369,735**

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