United Pacific Industries
聯 太 工 業

Stock Code: 176

Annual Report 2010

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

Chairman's Report

TO OUR SHAREHOLDERS,

I am pleased to report that, for our fiscal year ended 30 September 2010, your company achieved a satisfactory result and returned to operating profitability. In 2010 world economic conditions showed steady, although slower than desired, improvement. However, Europe and North America, where many of our products are sold, continued to lag the growth in Asia and much of the smaller economies. We expect this trend to continue into 2011.

On an overall basis, the Group showed a profit after tax from continuing operations of HK$27.0 million on a turnover of HK$1,145.5 million, giving earnings per share from continuing operations of HK2.75 cents. Shareholder funds at 30 September 2010 were HK$351.6 million. Our return on capital, in respect of continuing operations, is 8.9% (including restructuring charges) and 13.8% (excluding restructuring charges). This is below our long term goals but very respectable in 2010's difficult environment.

Management has spent considerable effort over recent years to reduce costs and make the UPI divisions more streamlined, cost competitive and efficient. The primary thrust of this has been to move productive capacity from the UK and Europe to Asia and also to establish good long-term supply arrangements with Asian suppliers. As mentioned in our Interim Report, management's most recent decision has been to move the hacksaw blade manufacturing operation from the UK to Jiangmen in the PRC. Spear & Jackson owns Eclipse, the leading brand of high-quality hacksaw blade product in England, but the cost of UK manufacture became prohibitively high resulting in an inability to be profitable. Rather than abandon a leading brand, management decided to relocate the manufacturing operation to a lower cost location. We are in the midst of this move at the present time and expect to have it completed and fully operational by the end of our fiscal year.

I mention this latest move of hacksaw manufacturing as an example to help explain why we have seen so many extraordinary restructuring charges come through our income statement in recent reports. All of these moves and charges have been designed to improve our operations. Most importantly, the hacksaw relocation is the last of our big moves and I anticipate we will be seeing far less of these charges in future. Also important, we are beginning to see the financial benefits of these moves come through.

Turning to a different subject, we have mentioned before that our Board of Directors is continuously reviewing the operations and strategy of the Group. We are very aware that the businesses we own produce items which are needed but are in highly competitive industries. Our basic strategy is to emphasize areas where we have strong brands by innovating with new and improved products coupled with a never-ending drive to reduce costs. However, we have some areas where we have decided we have no particular market advantage or market share. After a thorough review of our Singapore based operation, Jade Precision Engineering Pte Ltd. ("Jade" or "JPE"), your Board of Directors has decided to sell this company and re-deploy the funds elsewhere. As at 31 December 2010 we entered into an agreement to sell Jade to Rokko Holdings Ltd. ("Rokko"), a Singapore based company, for approximately HK$47.2 million in cash. Completion is expected by the end of February 2011. As a result, Jade has been treated as an asset held for sale in the statement of financial position and as a discontinued operation in the consolidated income statement. While this has resulted in a book loss in the Group's consolidated income statement, much of this is a non-cash reversal of the discount on acquisition we recorded at the time we purchased Jade in 2008. More importantly, if the original purchase price of Jade is added to the funds we invested in the company and this is compared to the gross sales proceeds, UPI will have made a cash profit of approximately HK$22 million, assuming that the sale is completed, as anticipated, in February.

PROSPECTS

We are continuing to see improved operating performance throughout most of the UPI divisions during the first quarter of Fiscal 2011. While there is still much economic uncertainty throughout the world, particularly in the West, we are optimistic that the trend is for continued slow improvement. Barring any unforeseen developments during the remainder of 2011, UPI should achieve a significant improvement in overall profitability and earnings per share.

I would like to thank all who contributed to our company during 2010: our customers, suppliers, financiers, our Board of Directors and our dedicated employees. It takes the support of many for any company to succeed in the long run. We look forward to continuing to work together with all our interested friends and associates during 2011.

In closing, I would like to mention the retirement of Mr. Brian C Beazer, who served for many years as Chairman and Chief Executive Officer of our Company. It is under his leadership that UPI was developed from a one-line contract manufacturing business, based in the PRC, into a true multi-divisional business, with significant operations not only in the PRC, but also in the UK, Europe and Australia. Brian remains a large shareholder of UPI, a good friend of the Company and myself personally, and assists management on a number of issues in which he has particular expertise.

DAVID H CLARKE
Chairman
Hong Kong, 6 January 2011

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Corporate Information

Board of Directors

Executive Directors:
Mr. David H Clarke *(Chairman)*
Mr. Simon N Hsu *(Executive Vice-chairman)*
Mr. Henry W Lim *(Chief Executive Officer)*
Mr. Patrick J Dyson *(Chief Financial Officer)*

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

Audit Committee

Mr. Robert B Machinist *(Chairman)*
Dr. Wong Ho Ching, Chris
Mr. Ramon S Pascual

Compensation Committee

Mr. Ramon S Pascual *(Chairman)*
Mr. Simon N Hsu
Dr. Wong Ho Ching, Chris

Nominating and Corporate Governance Committee

Dr. Wong Ho Ching, Chris *(Chairman)*
Mr. Simon N Hsu
Mr. Robert B Machinist

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

Unit 2705-06, 27/F Infinitus 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

HSBC Bank 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

BDO Limited

Chief Accounting Officer and Chief Taxation Officer

Ms. Alaina Shone

Group Financial Controller (Asia)

Mr. Fung Chow Man, Charles

Company Secretary

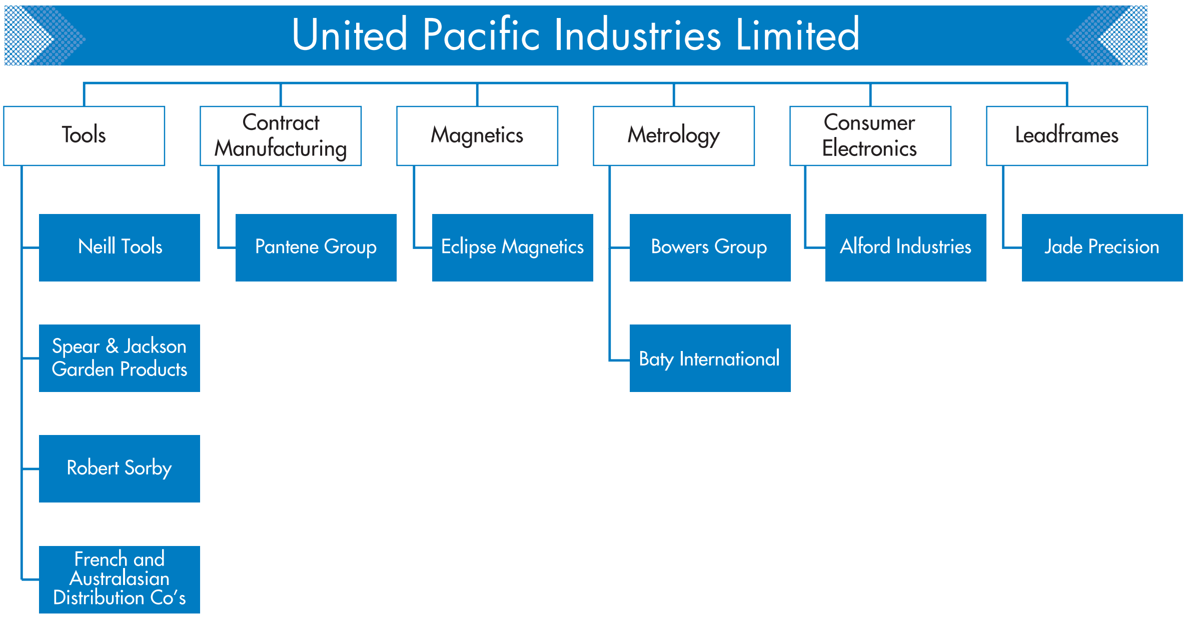
Mr. Som Wai Tong, Ivan

Group Profile and Financial Highlights

Group Profile

The Company and Principal 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 (the "Stock Exchange" or "SEHK") since 1994. The Company's 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 Company and its subsidiaries (the "Group") have expanded through mergers and acquisitions and its six principal divisions are engaged in a broad range of business operations, see discussion below. In these financial statements, the leadframes division is classed as a discontinued operation.

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.

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. ("S&J France") 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 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.

Metrology Division ("Bowers Group")

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

The Metrology division is engaged in the design, manufacturing, procurement 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.

During the year under review, the Metrology division was extended by the acquisition, in March 2010, of Baty International Limited ("Baty"), a company incorporated in the United Kingdom and engaged in the design and manufacturing of precision measuring instruments.

The division's 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 operation 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.

Baty, acquired in March 2010, has been established since 1932 in the United Kingdom and has over 75 years of history as one of the world's leading designers and manufacturers of optical-based measuring instruments and gauging products. It has a worldwide distribution network, and a diverse clientele.

Baty's products are for industrial, manufacturing and professional use on the shop-floor, in tool rooms, and in other areas where precision measurement is critical. The range includes:

- 3-dimensional, camera-based, non-contact Co-ordinate Measuring Systems;
- 2-dimensional, non-contact Optical Profile Projectors;
- The Harpenden Skinfold Caliper (to estimate body fat), recognised as the industry standard for many years;
- Dial gauges and other gauging products.

Baty also services and calibrates contact and non contact dimensional measuring equipment. Please visit our website at www.baty.co.uk.

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 were extended in the year ended 30 September 2009 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.

Group Profile and Financial Highlights

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. In these financial statements, the leadframes division is classed as a discontinued operation. Please visit our website at www.jade.com.sg.

Financial Highlights

The following sets out the financial highlights for the year ended 30 September 2010.

	2010 HK$million
Turnover from continuing operations	**1,145.5**
Profit attributable to continuing operations	**27.0**
Loss attributable to discontinued operation	**(30.6)**
Net loss for the year	**(3.6)**
Net assets	**351.6**
Cash and cash equivalents and pledged bank deposits	**119.0**
Net debt	**(15.5)**
Gearing ratio	**4.42 %**
Basic earnings per share (in HK cents) from continuing operations	**2.75**

Historical financial information:

	Years ended 30 September				Six month period from 1 April 2006 to 30 Sep	Year ended 31 March
	2010	2009	2008	2007	2006	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,145,529**	962,622	1,411,718	1,402,305	390,189	454,339
Cost of sales	**(807,472)**	(711,786)	(1,036,923)	(1,060,451)	(335,056)	(392,599)
Gross profit	**338,057**	250,836	374,795	341,854	55,133	61,740
Other income	**24,578**	9,817	21,844	15,225	4,916	2,482
Selling and distribution costs	**(191,733)**	(167,666)	(235,091)	(219,314)	(31,590)	(3,140)
Administrative costs	**(100,704)**	(63,409)	(107,338)	(93,099)	(33,599)	(40,043)
Gain arising from changes in fair value of investment properties	**—**	—	—	—	—	1,000
Restructuring costs	**(21,047)**	(6,779)	(13,604)	—	—	—
Other non-operating costs	**(2,015)**	—	—	—	—	—
Gain on sale of a subsidiary	**—**	—	23	—	—	—
Gain on sale of land and buildings	**—**	—	—	1,447	—	—
Finance costs	**(6,915)**	(16,454)	(12,265)	(8,773)	(2,533)	(2,028)
Share of results of an associate	**1,959**	664	1,525	1,528	236	—
Costs on acquisition of a subsidiary	**(772)**	—	—	—	—	—
Cash flow hedge recycled from other comprehensive income	**(1,502)**	—	—	—	—	—
Discount on acquisition of a subsidiary	**—**	10,616	46,674	60,095	26,200	—
Impairment loss on available-for-sale financial assets	**—**	(3,813)	—	—	—	—
Profit before tax	**39,906**	13,812	76,563	98,963	18,763	20,011
Income tax (charge) /credit	**(12,877)**	(6,587)	(5,176)	(7,581)	815	(4,357)
Profit for the year/period from continuing operations	**27,029**	7,225	71,387	91,382	19,578	15,654
Discontinued operation	**(30,608)**	(6,441)	(4,713)			
(Loss)/profit for the year	**(3,579)**	784	66,674	91,382	19,578	15,654
Attributable to:						
Owners of the Company	**(3,579)**	784	66,674	76,370	19,009	15,654
Minority Interests	**—**	—	—	15,012	569	—
	(3,579)	784	66,674	91,382	19,578	15,654
Dividend	**4,924**	7,700	3,000	—	—	—
Earnings per share from continuing operations						
Basic	**2.75 cents**	0.86 cents	10.03 cents	11.28 cents	3.41 cents	2.81 cents
Diluted	**2.74 cents**	N/A	9.94 cents	11.19 cents	N/A	N/A
(Loss)/earnings per share from continuing and discontinued operations						
Basic	**(0.36 cents)**	0.09 cents	10.03 cents	11.28 cents	3.41 cents	2.81 cents
Diluted	**N/A**	N/A	9.94 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

David H Clarke – *Chairman*

Mr. Clarke, aged 69, was appointed Chairman on 30 June 2010 and has been a Director since 2004. Mr. Clarke had previously served as a Non-executive Director of the Company from July 1996 to July 1998. Mr. Clarke served as a member of the Compensation Committee for the period from 30 June 2010 to 30 September 2010. 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 50, was appointed Executive Vice-chairman of the Company in 2003 and has been a Director since 1996. With effect from 1 October 2010 and 30 June 2010, Mr. Hsu became a member of the Compensation Committee and the Nominating and Corporate Governance Committee respectively. 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. In addition, he is an Independent Non-executive Director of a Hong Kong listed Vietnam Manufacturing and Export Processing (Holdings) Limited (Stock Code: 422).

Henry W Lim – *Chief Executive Officer*

Mr. Lim, aged 59, was re-designated as an Executive Director and was appointed Chief Executive Officer of the Company on 30 June 2010. Mr. Lim has previously served as an Independent Non-executive Director of the Company from September 2004 to June 2010 and was the Chairman of the Audit Committee as well as a member of the Compensation Committee and the Nominating and Corporate Governance Committee during the period. Mr. Lim was a director and the Chief Financial Officer of 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, a fellow of CPA Australia as well as a fellow of the Association of Chartered Certified Accountants. He holds a Bachelor of Commerce (Honors) degree in Accounting (Silver Medal winner) from the Nanyang University of Singapore and has over 30 years' experience in professional audit, financial/accounting and international management. He has held senior financial management positions with various companies, including 15 years with Fritz Companies, Inc., a former NASDAQ-listed company, where he rose through the ranks to become Director of Finance for International Operations.

Patrick J Dyson – *Chief Financial Officer*

Mr. Dyson, aged 54, was appointed Chief Financial Officer of the Company 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.

Independent Non-executive Directors

Ramon S Pascual

Mr. Pascual, aged 51, was appointed a Director of the Company in January 2003. He serves as Chairman of the Compensation Committee and is also a member of the Audit Committee (save for the period from 30 June 2010 to 30 September 2010). 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 a 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 63, has been an Independent Non-executive Director of the Company since March 1994. Dr. Wong serves as Chairman of the Nominating and Corporate Governance Committee and is also a member of the Audit Committee and since 30 June 2010, a member of the Compensation Committee. 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. He has been a member of the First Hong Kong Special Administrative Region Election Committee and member of the first and second Hong Kong Special Administration Region Selection Committee.

Robert B Machinist

Mr. Machinist, aged 57, was appointed as an Independent Non-executive Director of the Company on 11 April 2008. He serves as Chairman of the Audit Committee since 30 June 2010 and is also a member of the Nominating and Corporate Governance Committee since 30 June 2010. He is currently Managing Partner of Selway Capital, a middle market investment firm, Chairman, Board of Advisors of MESA, a leading merchant bank specializing in media and entertainment industry transactions as well as a member of the Board of Directors of Deerfield Capital Corp. (NYSE:DFR) and Chairman of both its Audit Committee and Special Committee. Mr. Machinist also runs a private family investment company whose activities range from the Collectors Car Garage to a number of real estate development businesses. 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 Board of Directors of Centre Pacific, Maimonides Medical Center, and the American Committee for the Weizman Institute of Science as well as serving on its International Board of Governors and its Endowment Committee. In addition to being on the Board of Deerfield Capital Corp. and Chairman of its Audit and Special Committees, he also serves on its Compensation and Nominating Committee & Corporate Governance Committee. 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

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

Ms. Shone, aged 48, 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 49, 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 39, was appointed Group Finance Manager and Company Secretary of the Group in September 2008 and re-designated from Group Finance 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. In addition, he has over 10 years experience in accounting, auditing and taxation.

Key Executives

Spear & Jackson Group

Lee Wells
– Managing Director, Neill Tools Ltd & Eclipse Magnetics Ltd, President of Eclipse Tools North America Inc
Mr. Wells, aged 41, has worked within the S&J Group for 20 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. During August 2009 he was appointed President of a newly formed company located in Canada following the acquisition of our North American distributor. 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 44, was appointed Managing Director of the Bowers Group 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 59, holds an Honours degree from the University of Sheffield in Modern Languages. He joined the S & J Group as a graduate trainee in 1973 and has subsequently held a number of international sales and marketing positions within S&J and externally. He was appointed General Manager of Robert Sorby in 1991 and, thereafter, a director of Robert Sorby in 1993.

Alexander (Sandy) Boyd
– Managing Director, Spear & Jackson (Australia) Pty Ltd and Spear & Jackson (New Zealand) Ltd
Mr. Boyd, aged 57, was appointed Managing Director of Spear & Jackson's Australian and New Zealand business units in November 2003. He is an associate of the Institute of Chartered Secretaries and Administrators (1981) with over 35 years of experience having held senior roles 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 49, 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 31 years, of which 21 years was spent in the electronics industry.

Alford Industries

Tsui Chun Cheong, Rix
– Chief Executive Officer

Mr. Tsui, aged 50, 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 56, 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 and 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

Financial and Operations Review

After the turmoil experienced in 2009, especially in the Group's UK Tools, Contract Manufacturing, Metrology and Leadframe divisions, 2010 witnessed a general market upturn with a corresponding increase in earnings.

As part of the Group's continuing strategy to migrate expensive UK manufacturing operations to lower cost locations, the announcement was made in the year that the UK's hacksaw blade manufacturing operation would close and production would be transferred to a newly formed subsidiary operating from new, purpose built premises in the PRC. Closure and relocation provisions in respect of this initiative have been made in the 2010 financial statements.

In addition to such internal reorganisation initiatives, the Group's activities were also expanded by external acquisition through the purchase, in March 2010, of Baty International Limited ("Baty"). This company was both profit and cash positive post acquisition.

On 31 December 2010, the Group entered into an agreement to sell its Singapore-based leadframes business, Jade Precision Engineering Pte Ltd. ("Jade"). The disposal is expected to close by 28 February 2011 and the results and net assets of the Jade business are shown as a discontinued operation in the 2010 financial statements and the 2009 comparatives.

Group Results

In the year ended 30 September 2010, the Group recorded a turnover of HK$1,145.5 million from continuing operations, an increase of 19.2% when compared to the turnover of HK$962.6 million for the year ended 30 September 2009.

Gross margins increased from 26.06% in the prior year to 29.51% in the current year, reflecting improved procurement, beneficial sales mixes and the favourable impact of restructuring initiatives.

The Group's operating profit from continuing operations before net finance costs, share of associate's profits, other non-operating items and taxation increased to HK$64.6 million in the year ended 30 September 2010, up by HK$35.9 million, or 124.6%, from the prior year.

Consistent with the increase in operating profit, the Group's EBITDA from continuing operations (i.e. earnings before net finance costs, share of associate's profits, non-operating items, taxation, depreciation and amortisation) for the year under review amounted to HK$86.0 million (2009 – HK$51.5 million), an increase of HK$34.5 million, or 67%, over the prior year.

The acquisition of Baty was completed in March 2010. The purchase consideration represented a 26% premium to the adjusted fair value of the company's assets at acquisition, resulting in a goodwill on acquisition of HK$2.3 million.

The Group's net profit from continuing operations before tax was HK$39.9 million. This compares to a net profit in the prior year of HK$13.8 million. 2010's result includes restructuring costs and other non-operating costs of HK$23.1 million, including HK$17.8 million in relation to the relocation of the Group's hacksaw blade manufacturing plant from the United Kingdom to the PRC. 2009 benefited from the inclusion of a HK$10.6 million discount on acquisition arising on the acquisition of Alford Industries Limited in January 2009.

The tax charge for the year ended 30 September 2010 was HK$12.9 million (2009 – HK$6.6 million).

The profit attributable to continuing activities was HK$27.0 million (2009 – HK$7.2 million), an increase of 274% compared to the prior year.

2010 earnings per share from continuing operations were 2.75 HK cents compared to earnings per share of 0.86 HK cents in 2009.

As a result of classifying Jade as an asset held for sale, the net result from this discontinued operation for the year was a loss of HK$30.6 million (2009 - HK$6.4 million). After deducting the result attributable to the discontinued operation, the total Group net loss for the year was HK$3.6 million (2009 - HK$0.8 million profit).

The 2010 loss per share from continuing and discontinued operations was 0.36 HK cent compared to earnings per share of 0.09 HK cent in 2009.

Divisional Results Overview

Contract Manufacturing Division (Pantene Group)

After the difficult trading conditions experienced by Pantene in the prior year, the division's operating performance improved significantly in fiscal 2010. Management focus on obtaining new customers and business has borne fruit with sales increasing overall by HK$30 million to HK$262 million (+13 %).

Gross margin rose to 16% from 7% in the prior year thanks to careful control of material prices, the successful renegotiation of selling prices and the savings resulting from the reorganization initiatives implemented in fiscal 2009. These benefits were, however, diluted by mandatory wage increases and labour rate increases driven by manpower shortages.

The sales and demand improvements experienced in the current year are anticipated to continue in fiscal 2011, but despite the opportunities for increased business across all our major customers, there are still a number of unpredictable variables such as raw material price increases, US$ depreciation against the RMB, electronic component material shortages, adverse exchange rate movements and fragile consumer confidence that could restrict the growth potential.

Tools Division

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

Fiscal 2010 saw tough trading conditions across all sectors within the UK industrial markets as a result of the ailing UK economy. Demand in the UK retail and building sectors was particularly subdued, although this subdued demand was mitigated by new listings and gains in market share within the independent channel for our hand and garden tools and also by the introduction of new products. Overall, our home market showed sales 11% better than the previous year, this being an exceptional performance taking into consideration the lack of confidence and poor economic outlook.

Performance in our overseas markets was driven by new product introductions taking market share from our competitors, particularly within Far and Middle East markets. Europe remained stagnant with continuous price reduction pressure as customers attempted to offset poor volumes with demands for reduced prices. Overall, our export business was 11% better than the previous year and a good reflection of the success of our new product development process.

Total sales were 11% better than last year. However, exchange rate pressure and material cost increases put pressure on our margins during the year. This was offset by sales price increases and the division also benefited from the reorganization initiatives implemented last year which delivered a 7 point gross profit % increase. Overheads were managed effectively and, as a result, the business reported improvements in its operating profit.

One of the main challenges during the year related to the management of the closure of our remaining manufacturing plant in Sheffield, UK. This facility was closed at the end of September and in the first quarter of fiscal 2011 production was transferred to a new, wholly owned subsidiary based in purpose built, leased premises in Jiangmen, PRC. We expect PRC production to commence during April 2011.

The outlook for 2011 remains uncertain within the UK market following the government's recent announcement of public expenditure cuts. To combat weakening demand, our strategy is to drive new product development into key export markets, develop Asia further with our existing products and to focus on stepping into new channels with the UK market.

Robert Sorby

Trading conditions for Robert Sorby were extremely challenging throughout the year. Not only did we have to contend with the low level of consumer confidence worldwide but, most specifically, the continued low level of interest rates on savings which impacted adversely on the disposable income available to retirees who represent by far our largest consumer segment.

Against this background worldwide sales fell by 4%. This was particularly evident in the UK where our dealers were reluctant to invest in anything more than basic inventory. Even our own retail store was not immune from the effect of the market decline. However, we did see a shift in segmentation with internet orders growing significantly, partly as a result of the up-grading of our website. The downturn was further mitigated by the introduction of an important new product, a hollowing tool, which almost immediately gained distribution worldwide, enabling us to maintain product margins.

Despite the decline in sales, operating profit improved by 4% thanks to prudent management of overhead expenses. This included the non-replacement of staff leavers and bringing more manufacturing and marketing work in-house, together with an increased use of digital technology. Additionally, operating efficiencies were levered from the retail store's new premises.

The immediate outlook is far from clear. New products introduced will generate incremental business. However, the UK faces a period of austerity, including an increase in sales tax, which is likely to put further pressure on sales levels. On an international scale, the gradual weakening of the US$ against the Pound Sterling could bring about a decline in sales, especially in the USA.

Spear & Jackson France

As in the previous year, fiscal 2010 exhibited unpredictable demand levels but, unlike fiscal 2009, was marked by a difficult spring as a result of adverse weather conditions allied to a difficult economic landscape in France which made consumers very cautious.

The company's results were good up to the end of February 2010 with successful sales campaigns in autumn 2009 and in January and February 2010. At that point, the company had increased turnover by 9% over the previous year. However, the second part of the year was much more problematic with poor results in quarter three of the fiscal year, although sales activity in the summer months of quarter four improved, mainly due to the launch of a new private label garden tools range in June 2010. Overall, turnover was in line with budget and the improved gross profit margins experienced in fiscal 2009 were maintained in the current year despite severe price pressure being exerted by our major suppliers.

Similar to last year, the period has seen smaller competitors failing and going into administration or being acquired by larger rivals. Additionally the trend towards the amalgamation and rationalisation of both customers and suppliers, creating a number of larger, more powerful businesses has continued. 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.

A number of new products were launched in the year. New product development is the life blood of the company and this, allied to continuous improvement in procurement processes, particularly via increased sourcing from the PRC, are seen as the main drivers in maintaining sales and margins as we move into fiscal 2011.

Financial and Operations Review

Spear & Jackson Australia

During fiscal 2010, the Australian business traded strongly with sales increasing 17% on the prior year. While trading conditions were less volatile than the prior year, the business continued to increase sales and market share despite weakening consumer demand after the wash through of the Australian Government's prior year economic stimulus.

This resilient sales performance is attributable to the ongoing success of new product releases, range extensions and aggressive promotional sales offers across all market segments in which we compete. In addition, a stronger Australian dollar, tight working capital management and the initiatives taken in fiscal 2009 to underpin our trading margins, delivered the desired profit outcome for the business with the operating profit for the year up 264% on the prior year.

Spear & Jackson New Zealand

The New Zealand business traded poorly in fiscal 2010 in one of the most challenging economic times for the New Zealand economy given the pace and volatility of change. In addition, the loss of business with a major retail group in the second half of the year, together with a slowing consumer market, restricted our sales efforts resulting in sales declining 14% on the prior year. Despite the decline in sales revenue, management was successful in offsetting the negative impact of the declining sales base by bringing overheads into line with sales and restoring trading margins to pre 2009 levels through selective price increases and cost reductions from suppliers. These measures reduced the fiscal 2010 loss by 168% when compared to the prior year.

Metrology Division (Bowers Group)

The trading conditions for the first half of the financial year continued to be very challenging, but we saw a marked improvement in the second half. Highlights were the return to pre-recessionary order levels from our key USA distributors; a strong rebound in capital sales in the UK, and an excellent performance from our new group member, Baty. Although showing a small improvement in the second half, our key European markets remain subdued.

Sales on a like-for-like basis, excluding Baty, were up 3% year-on-year. This is a considerable achievement given the comparison to an extremely strong quarter 1 in fiscal 2009 and the fact that sales were 20% down at the half year stage. Profitability in the final few months of the year was back to levels experienced prior to the recession, although this is due to the cost base being much lower, rather than sales being back to normal levels.

One of the key challenges in the year was the productivity level at the key Bradford manufacturing site. With 35% of the work-force laid off in 2009, maintaining efficiencies proved difficult in the first half of the year, but significant improvements were made by management during the second half. With a strong increase in order levels in the second six months of the year, deliveries of components and products from suppliers became extended, with this problem likely to continue into the new financial year.

New products launched during the year included the Bowers XTL Lever Bore Gauge and the XT500 large diameter gauge. Baty showed strong growth with the new Venture Plus and SM350 Profile Projector ranges, finishing the 7 months of ownership well above expectations.

The closing order book at the year end was relatively strong, therefore the first quarter of the new financial year looks positive. Opportunities for growth exist with the European market likely to recover in 2011 and with new distribution possibilities in the Asian markets, particularly China and India. Outside of sales growth, maintaining productivity levels throughout 2011 will be one of the key drivers of profitability.

Magnetics Division (Eclipse Magnetics)

The year saw tough trading conditions within the UK manufacturing sector as the adverse macro economic factors had a direct impact on our Engineered Products section where discretionary spend on larger capital projects reduced. However, the food processing sector remained strong and we continued to develop new customers with strong year on year growth in this area.

Our overseas markets were developed as we targeted new business in the European food processing sector and the North America manufacturing sector. Against this, our commodity based business slowed during the year as a direct result of the poor manufacturing outlook.

Despite this challenging environment, sales, overall, were 20% better than last year. Margins remained under pressure as a result of the weakness of the pound and continued material cost increases due to the volatility of cobalt and nickel, not all of which could be passed onto our customers.

The outlook for 2011 remains uncertain within the UK market following the government's announcement of public sector cost cuts. Our strategy is to continue to develop our European business and to focus on establishing higher sales within the Asia Pacific region via our existing magnetic filtration and separation ranges.

Consumer Electronics Division (Alford Industries)

While the global economic environment improved in fiscal 2010 compared to the previous year, competition remained intense in the consumer electronics market sector, which resulted in a dilution of profit margin in the current period.

The division's sales volumes are concentrated on the supply of baby monitoring equipment to the USA. Up until quarter four of fiscal 2010, sales into this sector were strong and ahead of budgeted levels. However, in last quarter of the year there was a sharp decline in the demand for analogue baby monitors prior to the introduction of the digital version. The transition from analogue to digital will last into quarter two of 2011, although thereafter, we anticipate a steady growth in digital baby monitor sales.

Our headphone business was adversely affected in fiscal 2010 by increasing price competition and major customers downsizing, implementing re-structuring initiatives and rationalizing product range mixes. However, a new series of Alford OBM/ODM Bluetooth headphones is planned for launch in fiscal 2011 in both overseas and mainland China markets where it is seen as a hedge against the decline in the older technology VHF / UHF headphone business.

The sound magnifier business was sluggish in fiscal 2010 as demand softened for one of our key products which had been subject to a massive Spotlight Grande TV promotion in 2009. In contrast to the low-end sound magnifier range, hearing aids will play a key role in fiscal 2011 as we plan to penetrate into Europe, South America, the United States and the Middle-East.

Fiscal 2011 will be a challenging year. To deal with these challenges, the Alford management team will continue to focus on the implementation of state-of-the-art technology and manufacturing know-how to position itself as one of the most competitive EMS providers in the industry, particularly with regard to its flagship baby monitor range.

Leadframes Division (Jade Precision)

As a result of the Group entering into an agreement to sell Jade on 31 December 2010, the Leadframes division has been classified in the consolidated statement of financial position at 30 September 2010 as an asset held for sale and its result for the year included within a separate caption "Net result from discontinued operation" in the consolidated income statement.

The division's trading performance in the previous year was severely hit by the world-wide fall in demand in the consumer electronics sector and sales to all major customers were adversely affected. Sales in fiscal 2010 improved significantly, reflecting improving trends in the global leadframe market.

Although sales demand has increased, margins have remained under great pressure as a result of oversupply in the market, rapidly rising raw material prices (copper, silver and gold, our primary materials, have more than doubled in price) and adverse fluctuations in foreign currencies, particularly the Singapore dollar's continuous strengthening against the US$.

Offsetting these cost increases were labour cost savings following the introduction of a shorter 4 day working week, the favourable impact of the savings resulting from the restructuring initiatives implemented in fiscal 2009, the further savings arising from consolidating our manufacturing operations from three plants down to two and the transfer of more of our stamping tools operation to the Pantene operation in the PRC.

Despite the strengthening sales position and cost savings initiatives that have been implemented, the company still sustained losses in the year although these were significantly less than those suffered in the prior year. Management is focused on generating incremental sales and delivering further cost savings so that the company can return to profitability as soon as possible.

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. Robert Sorby is a recognised specialist in marketing its wood turning tools. In France, our Laurenty and Forges de Lavieu brands of agricultural tools, are backed by over 100 years of quality design and manufacturing excellence.

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. The acquisition of Baty has added another long-standing, quality name to the existing portfolio of brands.

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.

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 2010, the Group had cash and cash equivalents and pledged bank deposits of HK$119.0 million (HK$121.2 million including discontinued operation) with interest-bearing bank borrowings and obligations under finance leases amounting to HK$134.5 million (HK$151.3 million including discontinued operation) (net debt of HK$15.5 million, and HK$30.1 million including discontinued operation), while the Group's net asset value as at 30 September 2010 was HK$351.6 million.

The Group's net debt position as at 30 September 2010 and corresponding gearing ratio (together with prior year comparatives) are as follows:

	2010	2009
	HK$million	HK$million
Cash and cash equivalents and pledged bank deposits	**119.0**	112.2
Less: interest-bearing bank borrowings and obligations under finance leases	**(134.5)**	(135.2)
Net debt	**(15.5)**	(23.0)
Total equity	**351.6**	369.7
Net debt to total equity	**4.42%**	6.22%
Interest-bearing bank borrowings and obligations under finance leases to total equity	**38.27%**	36.56%

The working capital position of the Group remains healthy, although the position at 30 September 2010 was distorted by an inventory increase of HK$21 million in the UK reflecting stock builds required as part of the hacksaw blade migration. As at 30 September 2010, the liquidity ratio (ratio of current assets to current liabilities) was 178.0% (2009 - 187.90%). 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$16.8 million (2009 - HK$7.6 million). Contributing to the 2010 inflow were higher levels of operating profit offset by working capital increases of HK$7.1 million, annual contributions to the UK Retirement Benefit Plan of HK$16.5 million and restructuring costs of HK$8.7 million. As noted above, included within the working capital increase in is an inventory build of approximately HK$21.0 million in relation to the relocation of the Group's hacksaw blade plant from the United Kingdom to the PRC. The 2009 inflow was attributable to, amongst other factors, working capital decreases of HK$28.6 million off-set by contributions of HK$22.6 million paid into the UK Retirement Benefit Plan and reorganisation costs of HK$12.8 million.

Cash Flow from Investing Activities

The 2010 net cash outflow from investing activities amounted to HK$11.7 million (2009 – HK$8.8 million). Included in this outflow is HK$6.2 million relating to the acquisition of Baty and HK$4.9 million relating to dividend payments. The 2009 comparative includes HK$5.3 million expended to acquire Alford and dividend payments of HK$7.7 million.

Cash Flow from Financing Activities

The net cash outflow from financing activities amounted to HK$0.2 million (2009 – HK$13.9 million), which included HK$11.5 million in relation to net increases in bank borrowings. The 2009 comparative included the net proceeds of the Rights Issue of HK$22.6 million off-set by net repayments of bank borrowings of HK$21.1 million.

Capital Expenditure

Capital expenditure in the year, financed by internal resources and credit facilities, amounted to HK$11.5 million (2009 – HK$9.8 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 8.9% and 26.3%, respectively, of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 4.4% and 17.7%, 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 2010, the Group employed approximately 640 executive and clerical staff and 1,882 factory workers. These numbers have increased in the year following the acquisition of Baty in March 2010 and increases in manpower in line with increasing sales demand in certain divisions.

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

The year ended 30 September 2009 saw each of the Group's divisions operate under increasingly competitive market conditions as the full effects of the turmoil in financial markets and a deepening economic downturn took hold. The period was typified by reduced demand and continuous margin pressure. Market conditions in the current year were more benign and the Group saw an improving trading position in each of its principal divisions.

The Tool and Contract Manufacturing divisions were badly affected in fiscal 2009 where significant reductions in sales and orders persisted throughout the period. In 2010, we experienced sales improvements during the year as a result of new product launches, new customers being secured and a general market upturn. Earnings correspondingly increased as a result of the improved sales, additional overhead reduction, improved product procurement and significant price increases within certain UK channels.

Moving forward, a sustainable profit base allied to a positive cash flow will be key requirements for these businesses. In recent times the Tool division has implemented a number of significant restructuring initiatives to systematically improve profitability, principally via the migration of its manufacturing operations. As the final element of this program, in November 2009 the UK hand tool division announced the closure of its hacksaw blade manufacturing operation in Sheffield.

Following the build of approximately HK$21 million of buffer inventories, production ceased in the UK in October 2010. The transfer of these operations to a newly formed, wholly owned subsidiary based in leased premises located in Jiangmen in the Guangdong province of the PRC began in quarter 1 of fiscal 2011. Production is forecast to commence in April 2011 with full production capacity being reached in July. This relocation will enable the division to reduce costs whilst retaining the manufacture of a flagship product within the Group.

The Contract Manufacturing division has experienced increases in sales demand and this trend looks to continue into fiscal 2011 but, as with other businesses in the PRC, the division will face margin pressures as a result of labour rate increases and manpower shortages.

Robert Sorby escaped the worst of the 2009 recessionary environment and the 2010 results showed further improvements in operating profitability. Fiscal 2011 will, however, present particular challenges to the business as a result of the adverse impact that falling interest rates in the US and UK will have on the levels of disposal income of the company's principal customer sector.

Spear & Jackson France enjoyed a successful 2010 and the company will continue to develop sales in new sectors of the French market through expansions in both the customer base and product range. Additionally, management will continue to seek improved procurement processes particularly via the increased sourcing of key products and components from the PRC.

In Australasia, management has been successful in restoring margins to prior year levels through selected price increases and product cost reductions from suppliers. Despite the competitive trading conditions, these factors, together with favourable exchange movements, the ongoing streamlining of sourcing and supply chain activities and cost minimisation programs, the division's trading performance should further improve in fiscal 2011.

The Magnetics division produced excellent results in 2009 despite the bleak trading environment worldwide. However, the first months of fiscal 2010 saw a softening in demand with markets in the magnetic product sector remaining cautious during the first quarter of the 2010 fiscal year. Nevertheless, the company returned profits in line with those generated in fiscal 2009.

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 results for fiscal 2010 significantly improved and although the return to fiscal 2008 sales levels will be a gradual process, fiscal 2011 is still expected to show an improvement over 2010. The company's product offering and brand portfolio have been expanded through the acquisition of Baty in March 2010. Baty has been profit generative and cash positive since acquisition.

In our Consumer Electronics division falling demand in the final quarter of fiscal 2010 depressed the result for the year. This sales decline relates to the fall in demand for analogue baby monitors prior to the introduction of a digital version. The transition period from the older to the latest version of the monitor will last into quarter two of fiscal 2011 and sales will be adversely affected in that period.

Of all the Group's divisions, the Leadframes operation was the most severely affected by falling demand. JPE was acquired by the Company in July 2008 and during 2009 JPE was badly hit by the world-wide fall in demand in the consumer electronics sector. Results in the current year demonstrate an improving position but the division remains loss-making. Management remained focused on driving cost reductions and manufacturing efficiencies and securing incremental sales in order to return the division to profitability as soon as is possible.

After a full strategic review of the business, the Board decided to sell the division and, on 31 December 2010, entered into an agreement to dispose of the company. The Board is of the view that the sale is beneficial to the Group strategically, operationally and financially, that the business of JPE no longer represents a core activity of the Group and that the future of the JPE business would be best secured under new ownership.

The Board believes that the disposal will allow the Group to focus management time and cash resources on developing key elements of the remaining businesses in the Group and also to explore investment and other opportunities as they arise.

The sale is expected to close by 28 February 2011.

Our individual businesses were affected to differing degrees and at different times in the year but the overall theme of demand and margin pressure was consistent.

The Group's operational strategy is to drive incremental sales through new product development and the penetration of new markets. Restructuring initiatives implemented in the current and prior years have delivered cost savings and we continue to explore opportunities to further reduce and rationalize 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 Baty in March 2010, our Executive Directors and the Group Management team continue to look for value accretive opportunities to extend the Group's activities by further suitable synergistic acquisitions.

Entering 2011, the economic landscape is far from certain. We believe, however, that the Group's product diversity and the geographical spread of its sales markets will leave the Group well positioned to avoid the worst effects of any future global recession and to benefit from improvements in world markets as and when these occur.

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 stakeholders. Accordingly, we are expecting, in the ordinary course of business and barring unforeseen circumstances, an improving situation in 2011.

Maximising Shareholder Value

Corporate Governance Report

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 complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 30 September 2010, 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 not performed by the same individual. For the period from 1 October 2009 to 30 June 2010, the roles of both Chairman and Chief Executive Officer were performed by Mr. Brian C Beazer. During that time, the Group considered that this structure did not impair the balance of power and authority between the Group and the management and both the Board and senior management of the Group significantly benefited from the leadership, support and considerable management experience of Mr. Brian C Beazer. Since 30 June 2010, the roles of Chairman and Chief Executive Officer have been performed by Mr. David H Clarke and Mr. Henry W Lim, respectively.

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 seven Directors, with four Executive Directors and three Independent Non-executive Directors. On 24 June 2010, Mr. Teo Ek-Tor was re-designated as an Independent Non-executive Director. On 30 June 2010, Mr. Henry W Lim was re-designated as an Executive Director and Mr. Brian C Beazer was re-designated as a Non-executive Director of the Company. On 1 October 2010, Mr. Brian C Beazer resigned as Non-executive director of the Company. On 1 January 2011 Mr. Teo Ek-Tor resigned as an Independent Non-executive director.

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 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 2010 are set out below:

	No. of meetings attended/No. of meetings held			
Directors	**Full Board**	**Audit Committee**	**NCGC Committee**	**Compensation Committee**
Executive directors:				
Mr. David H Clarke	10/10	NA	NA	2/2
Mr. Simon N Hsu	10/10	NA	1/1	NA
Mr. Henry W Lim (re-designated from Independent Non-executive Director on 30 June 2010)	3/3	NA	1/1	NA
Mr. Patrick J Dyson	10/10	NA	NA	NA
Mr. Brian C Beazer (re-designated to Non-executive Director on 30 June 2010)	7/7	4/4	3/3	4/4
Non-executive directors:				
M. Brian C Beazer (re-designated from Executive Director on 30 June 2010 and resigned on 1 October 2010)	3/3	1/1	1/1	NA
Mr. Teo Ek Tor (re-designated to Independent Non-executive Director on 24 June 2010 and resigned on 1 January 2011)	6/6	NA	NA	NA
Independent non-executive directors:				
Mr. Henry W Lim (re-designated to Executive Director on 30 June 2010)	7/7	4/4	3/3	4/4
Mr. Teo Ek Tor (re-designated from Non-executive Director on 24 June 2010)	4/4	NA	NA	NA
Dr. Wong Ho Ching, Chris	8/10	4/5	5/5	0/2
Mr. Ramon S Pascual	7/10	4/4	NA	6/6
Mr. Robert B Machinist	10/10	1/1	1/1	NA
Number of meetings held from 1 October 2009 to 30 September 2010	**10**	**5**	**5**	**6**

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. Robert B Machinist, who has the appropriate experience in financial matters.

The composition of the Audit Committee is as follows: Mr. Robert B Machinist ("Mr. Machinist"), Chairman, Dr. Wong Ho Ching, Chris ("Dr. Wong"), member, and Mr. Ramon S Pascual ("Mr. Pascual"), member. On 30 June 2010, Mr. Henry W Lim and Mr. Pascual resigned as Chairman and member of the Committee respectively, and Mr. Machinist and Mr. Brian C Beazer ("Mr. Beazer") were appointed in their place. On 1 October 2010, Mr. Beazer resigned his position and was replaced by Mr. Pascual.

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 comprises: Mr. Ramon S Pascual, INED and Chairman, Dr. Wong Ho Ching, Chris ("Dr. Wong"), INED and member and Mr. Simon N Hsu ("Mr. Hsu"), Executive Director and member. On 30 June 2010, Mr. Henry W Lim and Mr. Brian C Beazer resigned as members of the Committee and at the same time Dr. Wong and Mr. David H Clarke (Mr. Clarke) were appointed as members. On 1 October 2010, Mr. Clarke resigned as a member of the Committee and Mr. Hsu was appointed in his place.

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: Dr. Wong Ho Ching Chris ,INED and Chairman, Mr. Robert B Machinist ("Mr. Machinist"), INED and member, and Mr. Simon N Hsu ("Mr. Hsu"), Executive Director and member. On 30 June 2010 Mr. Brian C Beazer and Mr. Henry W Lim resigned as members of the Committee and Mr. Machinist and Mr. Hsu were appointed in their place.

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 NCGC Committee), and the performance of the Board as a whole. The criteria for the Committee to select and recommend candidates for directorship include the candidate's skill, knowledge and experience in relevant areas, the number of directorships of listed companies held by the candidate, the time commitment required, and whether the candidate can demonstrate a level of competence and integrity required for the position of director.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of 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.

Employees who are likely to be in possession of unpublished price-sensitive information about the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code.

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. Such a review was conducted for the year ended 30 September 2010. 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

BDO Limited were appointed as auditor to the Group on 14 December 2010 to fill the casual vacancy occasioned by the resignation of Grant Thornton Hong Kong ("GTHK"). The reason for the change in auditor was due to a merger of the practices of GTHK with BDO Limited, the member firm of the global BDO network. The remuneration paid and payable to BDO Limited in respect of audit services and non-audit services for the year ended 30 September 2010 amounted to approximately HK$1,400,000 and HK$120,000, respectively. The remuneration paid and payable to Grant Thornton in respect of audit services and non-audit services for the year ended 30 September 2010 amounted to approximately HK$2,374,000 and HK$1,022,000 respectively.

Responsibilities in respect of the Financial Statements

All directors acknowledge their responsibility for preparing the accounts for the year ended 30 September 2010.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 30 September 2010 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 a 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

Directors' Report

The Board of Directors (the "Directors") is pleased to present its report and the audited consolidated financial statements for the year ended 30 September 2010.

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 11 of this Annual Report.

Results and Appropriations

The results of the Group for the year ended 30 September 2010 are set out in the consolidated income statement on page 47 and the accompanying notes to the consolidated financial statements.

Acquisitions

The Company acquired the entire issued share capital of Baty International Limited on 10 March 2010.

Financial Summary

A financial summary of the Group is set out on pages 143 and 144.

Share Capital

Details of the Company's share capital are set out in note 36 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 changes in equity on page 52.

At 30 September 2010, the Company's reserves, for distribution purposes, showed a deficit of HK$20,505,000 comprising an accumulated loss of HK$91,416,000 and a contributed surplus of HK$70,911,000.

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. David H Clarke *(Chairman)*
(Executive Vice-chairman up to 30 June 2010 and appointed as Chairman on 30 June 2010)
Mr. Simon N Hsu *(Executive Vice-chairman)*
Mr. Henry W Lim *(Chief Executive Officer)*
(re-designated from Independent Non-executive Director to Executive Director and appointed as Chief Executive Officer both on 30 June 2010)
Mr. Patrick J Dyson *(Chief Financial Officer)*
Mr. Brian C Beazer *(resigned as Executive Chairman and re-designated from Executive Director to Non-executive Director both on 30 June 2010 and resigned as Non-executive Director on 1 October 2010)*

Non-executive Directors:

Mr. Teo Ek Tor *(re-designated from Non-executive Director to Independent Non-executive Director on 24 June 2010 and resigned as Independent Non-executive Director on 1 January 2011)*
Mr. Brian C Beazer *(re-designated from Executive Director to Non-executive Director on 30 June 2010 and resigned as Non-executive Director on 1 October 2010)*

Independent Non-executive Directors:

Dr. Wong Ho Ching, Chris
Mr. Ramon S Pascual
Mr. Henry W Lim *(re-designated from Independent Non-executive Director to Executive Director on 30 June 2010)*
Mr. Robert B Machinist
Mr. Teo Ek Tor *(re-designated from Non-executive Director to Independent Non-executive Director on 24 June 2010 and resigned as Independent Non-executive Director on 1 January 2011)*

In accordance with Bye-Law 111(A) and 111(B) of the Company's Bye-laws, Mr. Ramon S Pascual, Dr. Wong Ho Ching, Chris ("Dr. Wong"), and Mr. Robert B Machinist 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, Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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

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 2010, 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 (resigned on 1 October 2010)	Beneficial owner and interest in a controlled corporation[1]	207,267,049	20.90%
Mr. David H Clarke	Interest in a controlled corporation[2]	8,313,200	0.84%
Mr. Patrick J Dyson	Beneficial owner	2,290,212	0.23%

(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.

Post-Reporting Date Changes

On 1 October 2010, Mr. Brian C Beazer resigned as Non-executive Director.

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. David H Clarke	Interest in a controlled corporation[1]	8,313,200	0.84%
Mr. Patrick J Dyson	Beneficial owner	2,290,212	0.23%

(1) 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.

(b) Share options

Name of directors	Capacity	Number of options held	Number of underlying shares
Mr. David H Clarke	Beneficial owner	1,906,111	1,906,111
Mr. Simon N Hsu	Beneficial owner	11,397,606	11,397,606
		13,303,717	13,303,717

Other than as disclosed above, and except for nominee shares in certain subsidiaries held in trust for the Group at 30 September 2010, 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 2010, 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
Chim Pui Chung	Beneficial owner and Interest in a controlled corporation[1]	271,000,000	27.32%
SKP Capital Ltd	Registered owner[2]	62,112,260	6.26%

(1) Mr. Chim holds 150,000,000 shares as registered owner and 121,000,000 shares 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.

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

Post-Reporting Date Changes

On 1 October 2010, Mr. Brian C Beazer resigned as Non-executive Director.

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	27.32%
Mr. Brian C Beazer	Beneficial owner and interest in a controlled corporation[2]	207,267,049	20.90%
SKP Capital Ltd	Registered owner[3]	62,112,260	6.26%

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

(2) Mr. Brian C Beazer is 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% interest.

(3) 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 1.10.2009(1)	Exercised during the year(2)	Outstanding at 30.9.2010
Mr. Brian C Beazer	23.7.2003	0.286	2,515,443	(2,515,443)	—
Mr. Simon N Hsu	23.7.2003	0.286	3,773,165	—	3,773,165
			6,288,608	(2,515,443)	3,773,165

(1) Adjusted for the Rights Issue in 2009.

(2) In September 2010, 2,515,443 share options were exercised. The closing price of the securities immediately before the date on which the options were exercised was 37HK cents per share.

All the options granted have vested and can be exercised at any time within ten years until 2013.

(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.

All the options have vested and can be exercised at any time within ten years until 2014.

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 1.10.2009(1)	Exercised during the year(2)	Lapsed during the year	Outstanding at 30.9.2010
Mr. Brian C Beazer	28.9.2004	0.193	2,060,660	(2,060,660)	—	—
	20.12.2004	0.198	1,751,561	(1,751,561)	—	—
Mr. David H Clarke	28.9.2004	0.193	1,030,331	—	—	1,030,331
	20.12.2004	0.198	875,780	—	—	875,780
Mr. Simon N Hsu	28.9.2004	0.193	4,121,320	—	—	4,121,320
	20.12.2004	0.198	3,503,121	—	—	3,503,121
			13,342,773	(3,812,221)	—	9,530,552
Other employees	28.9.2004	0.193	2,060,655	(824,131)	(131)	1,236,393
	20.12.2004	0.198	1,751,560	(700,312)	(311)	1,050,937
			17,154,988	(5,336,664)	(442)	11,817,882

(1) Adjusted for the Rights Issue in 2009.

(2) 762,000 share options were exercised in November 2009, 762,443 were exercised in August 2010 and 3,812,221 were exercised in September 2010. The closing price of the securities immediately before the date on which the options were exercised was 46HK cents per share, 35HK cents per share and 37HK cents per share respectively.

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 2010 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 8.9% and 26.3%, respectively, of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 4.4% and 17.7%, 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 37 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Corporate Governance

Principal corporate governance practice as adopted by the Company is set out in the Corporate Governance Report on pages 30 to 34.

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.

Events Since the Reporting Date

On 31 December 2010, the Company entered into an agreement for the sale of its 100% equity interest in Jade Precision Engineering Pte Ltd. ("Jade") to Rokko Holdings Ltd. ("Rokko"), an independent third party, for a total consideration of S$8million (equivalent to approximately HK$45.2 million, after applicable costs on disposal), payable in cash.

Jade was acquired by the Company in July 2008 and is principally involved in the manufacture and distribution of stamped, etched and plated leadframes for the semi-conductor industry.

The sale is expected to conclude on or before 28 February 2011 following an Extraordinary General Meeting convened by Rokko at which shareholder approval for the acquisition will be sought. An irrevocable undertaking has been received from Rokko's majority shareholder, holding 68% of that company's issued share capital, to vote in favour of the acquisition.

Auditors

BDO Limited were appointed as auditor to the Group on 14 December 2010 to fill the casual vacancy occasioned by the resignation of Grant Thornton Hong Hong ("GTHK"). The reason for the change of auditor is due to a merger of the practices of GTHK with BDO Limited, the member firm of the global BDO network.

BDO Limited will hold office until the conclusion of the next annual general meeting of the Company.

On behalf of the Board

DAVID H CLARKE
CHAIRMAN
Hong Kong, 6 January 2011

Independent Auditors' Report

Tel : +852 2541 5041
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2541 5041
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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 142, which comprise the consolidated and Company statements of financial position as at 30 September 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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. This report is made 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 Group and of the Company as at 30 September 2010 and of the Group's loss 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.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate number: P04434
Hong Kong, 6 January 2011

Consolidated Income Statement

For the year ended 30 September 2010

	Note	2010 HK$'000	2009 HK$'000
Continuing operations			
Revenue	5	**1,145,529**	962,622
Cost of sales		**(807,472)**	(711,786)
Gross profit		**338,057**	250,836
Other income	6	**24,578**	9,817
Selling and distribution costs		**(191,733)**	(167,666)
Administrative costs		**(100,704)**	(63,409)
Restructuring costs	7	**(21,047)**	(6,779)
Other non-operating costs		**(2,015)**	—
Finance costs	8	**(6,915)**	(16,454)
Share of results of an associate	21	**1,959**	664
Costs on acquisition of a subsidiary		**(772)**	—
Cash flow hedge recycled from other comprehensive income		**(1,502)**	—
Discount on acquisition of a subsidiary	39(b)	**—**	10,616
Impairment loss on available-for-sale financial assets		**—**	(3,813)
Profit before tax	9	**39,906**	13,812
Income tax charge	11	**(12,877)**	(6,587)
Profit for the year from continuing operations		**27,029**	7,225
Discontinued operation			
Net result from discontinued operation	13	**(30,608)**	(6,441)
(Loss)/profit for the year		**(3,579)**	784
Attributable to:			
Owners of the Company:			
Continuing operations		**27,029**	7,225
Discontinued operation		**(30,608)**	(6,441)
		(3,579)	784
(Loss)/earnings per share from continuing and discontinued operations	15		
Basic		**(0.36 cents)**	0.09 cents
Diluted		**N/A**	N/A
Earnings per share from continuing operations	15		
Basic		**2.75 cents**	0.86 cents
Diluted		**2.74 cents**	N/A
Loss per share from discontinued operation	15		
Basic		**(3.11 cents)**	(0.77 cents)
Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2010

	2010 HK$'000	2009 HK$'000
(Loss)/profit for the year	**(3,579)**	784
Other comprehensive income/(loss)		
Exchange differences arising on translation of foreign operations	**7,806**	(38,462)
Cash flow hedge loss recognised in equity	**(2,076)**	(1,502)
Cash flow hedge recycled to income statement	**1,502**	—
Recognition of actuarial losses on defined benefit pension plan (net of tax)	**(13,221)**	(4,766)
Investment revaluation reserve recycled to income statement	**—**	3,465
Other comprehensive loss for the year, net of tax	**(5,989)**	(41,265)
Total comprehensive loss for the year attributable to owners of the Company	**(9,568)**	(40,481)

Consolidated Statement of Financial Position

At 30 September 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	16	**178,717**	243,044
Prepaid land lease payments under operating leases	17	**581**	598
Goodwill	18	**2,357**	—
Other intangible assets	19	**1,074**	1,623
Interest in an associate	21	**4,922**	3,556
Available-for-sale financial assets	22	**879**	632
Deferred tax assets	35	**75,241**	81,212
		263,771	330,665
Current assets			
Inventories	23	**255,894**	233,516
Trade and other receivables	24	**255,834**	249,448
Tax recoverable		**1,246**	1,437
Derivative financial instruments	25	**637**	2,345
Pledged bank deposits	26	**5,000**	5,000
Cash and cash equivalents	27	**114,029**	107,203
		632,640	598,949
Assets classified as held for sale	28	**84,476**	—
		717,116	598,949
Current liabilities			
Trade and other payables	29	**227,877**	199,122
Interest-bearing bank borrowings - amounts due within one year	30	**101,256**	101,691
Obligations under finance leases - amounts due within one year	31	**4,753**	6,941
Provisions	32	**22,056**	6,095
Derivative financial instruments	25	**3,359**	1,029
Tax payable		**5,908**	3,714
		365,209	318,592
Liabilities classified as held for sale	28	**38,023**	—
		403,232	318,592
Net current assets		**313,884**	280,357
Total assets less current liabilities		**577,655**	611,022

Consolidated Statement of Financial Position

At 30 September 2010

	Note	**2010**	2009
		HK$'000	HK$'000
Non-current liabilities			
Interest-bearing bank borrowings - amounts due after one year	30	**24,014**	20,600
Obligations under finance leases - amounts due after one year	31	**4,534**	5,961
Provisions	32	**1,698**	7,173
Retirement benefit obligations	34	**179,304**	189,552
Deferred tax liabilities	35	**16,466**	18,001
		226,016	241,287
Net assets		**351,639**	369,735
Capital and reserves			
Share capital	36	**99,185**	98,400
Reserves	38(a)	**252,454**	271,335
Total equity attributable to owners of the Company		**351,639**	369,735

The consolidated financial statements on pages 47 to 142 were approved and authorised for issue by the Board of Directors on 6 January 2011 and are signed on its behalf by:

DAVID H CLARKE
DIRECTOR

PATRICK J DYSON
DIRECTOR

Company Statement of Financial Position

At 30 September 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	16	**16**	—
Investment in subsidiaries	20	**124,802**	124,802
Available-for-sale financial assets	22	**—**	—
		124,818	124,802
Current assets			
Trade and other receivables	24	**852**	476
Amounts due from subsidiaries	20	**207,860**	211,012
Derivative financial instruments	25	**637**	2,345
Cash and cash equivalents	27	**15,321**	37,316
		224,670	251,149
Current liabilities			
Trade and other payables	29	**5,944**	5,397
Amounts due to subsidiaries	20	**228,209**	222,853
Interest-bearing bank borrowings - amounts due within one year	30	**—**	186
		234,153	228,436
Net current (liabilities)/assets		**(9,483)**	22,713
Total assets less current liabilities		**115,335**	147,515
Net assets		**115,335**	147,515
Capital and reserves			
Share capital	36	**99,185**	98,400
Reserves	38(b)	**16,150**	49,115
Total equity attributable to owners of the Company		**115,335**	147,515

Consolidated Statement of Changes in Equity

	Share capital HK$'000	Share premium * HK$'000	Treasury share reserve * HK$'000	Share option reserve * HK$'000	Capital redemption reserve * HK$'000	Capital reserve * HK$'000	Trans-lation reserve * HK$'000	Hedging reserve * HK$'000	Investment revaluation reserve * HK$'000	Accum-ulated profits * HK$'000	Total HK$'000
At 1 October 2008	72,000	15,569	–	794	1,442	19,870	(32,344)	–	(3,465)	294,411	368,277
Dividends paid (note 12)	–	–	–	–	–	–	–	–	–	(7,700)	(7,700)
Issue of shares at a premium	26,400	23,239	–	–	–	–	–	–	–	–	49,639
Transactions with owners	26,400	23,239	–	–	–	–	–	–	–	(7,700)	41,939
Profit for the year	–	–	–	–	–	–	–	–	–	784	784
Other comprehensive income:											
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(38,462)	–	–	–	(38,462)
Cash flow hedges - changes in fair value recognised in the year (note 25)	–	–	–	–	–	–	–	(1,502)	–	–	(1,502)
Investment revaluation reserve recycled to income statement	–	–	–	–	–	–	–	–	3,465	–	3,465
Recognition of actuarial losses on defined benefit plan (net of tax)	–	–	–	–	–	–	–	–	–	(4,766)	(4,766)
Total comprehensive (loss)/ income for the year	–	–	–	–	–	–	(38,462)	(1,502)	3,465	(3,982)	(40,481)
At 30 September 2009	**98,400**	**38,808**	**–**	**794**	**1,442**	**19,870**	**(70,806)**	**(1,502)**	**–**	**282,729**	**369,735**
Dividends paid (note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,924)**	**(4,924)**
Treasury shares (note 38)	**–**	**–**	**(5,365)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,365)**
Exercise of share options	**785**	**1,242**	**–**	**(266)**	**–**	**–**	**–**	**–**	**–**	**–**	**1,761**
Transactions with owners	**785**	**1,242**	**(5,365)**	**(266)**	**–**	**–**	**–**	**–**	**–**	**(4,924)**	**(8,528)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,579)**	**(3,579)**
Other comprehensive income:											
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**7,806**	**–**	**–**	**–**	**7,806**
Cash flow hedges - changes in fair value recognised in the year (note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,076)**	**–**	**–**	**(2,076)**
Cash flow hedges - recycled to income statement (note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,502**	**–**	**–**	**1,502**
Recognition of actuarial losses on defined benefit plan (net of tax)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,221)**	**(13,221)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**7,806**	**(574)**	**–**	**(16,800)**	**(9,568)**
At 30 September 2010	**99,185**	**40,050**	**(5,365)**	**528**	**1,442**	**19,870**	**(63,000)**	**(2,076)**	**–**	**261,005**	**351,639**

* The total of reserves at 30 September 2010 is HK$252,454,000 (2009- HK$271,335,000).

Consolidated Statement of Cash Flows

For the year ended 30 September 2010

	2010 HK$'000	2009 HK$'000
Cash flows from operating activities:		
Profit before tax from continuing operations	39,906	13,812
Loss before tax from discontinued operation	(30,608)	(6,441)
Adjustments for:		
Interest income	(405)	(829)
Interest on interest-bearing bank borrowings and overdrafts	6,245	6,542
Interest on obligations under finance leases	670	926
Interest (credit)/charge on retirement benefit obligations	(5,213)	8,986
Retirement benefit plan credits	(3,772)	(19,488)
Share of results of an associate	(1,959)	(664)
Loss/(gain) on disposal of property, plant and equipment	128	(427)
Amortisation of other intangible assets	515	389
Depreciation of property, plant and equipment	20,930	22,297
Amortisation of prepaid land lease payments under operating leases	17	27
Impairment credit of trade receivables	(1,452)	(106)
Impairment loss/(gain) on inventories	2,702	(3,063)
Costs on acquisition of a subsidiary	772	—
Cash flow hedge recycled to income statement	1,502	—
Compensation income	(5,365)	—
Loss on remeasurement to fair value less costs to sell	26,348	—
Over-provision of legal costs on acquisition of subsidiaries in prior years	—	(2,297)
Discount on acquisition of a subsidiary	—	(10,616)
Gain on disposal of available-for-sale financial assets	—	(92)
Impairment loss on available-for-sale financial assets	—	3 ,813
Operating cash flows before movements in working capital	50,961	12,769
(Increase)/decrease in inventories	(31,117)	52,541
(Increase)/decrease in trade and other receivables	(28,773)	74,837
Increase/(decrease) in trade and other payables	52,741	(98,811)
Decrease in provisions	(8,690)	(12,814)
Decrease in retirement benefit obligations	(16,495)	(22,562)
Net cash generated from operations	18,627	5,960
Income tax refunded	—	2,795
Income tax paid	(1,872)	(1,176)
Net cash generated from operating activities	16,755	7,579

Consolidated Statement of Cash Flows

For the year ended 30 September 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,190)**	(4,860)
Purchase of other intangible assets		**—**	(430)
Proceeds from disposal of available-for-sale financial assets		**—**	1,951
Disposal group classified as asset held for sale		**(698)**	3,442
Interest received		**405**	829
Proceeds from disposal of property, plant and equipment		**959**	2,423
Dividend received from an associate		**933**	885
Dividends paid		**(4,924)**	(7,700)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	39	**(6,208)**	(5,329)
Net cash used in investing activities		**(11,723)**	(8,789)
Proceeds from exercise of share options		**1,761**	—
Principal repayment of obligations under finance leases		**(6,569)**	(7,852)
Interest paid on interest-bearing bank borrowings and bank overdrafts		**(6,245)**	(6,542)
Interest paid on obligations under finance leases		**(670)**	(926)
Net cash inflow/(outflow) in trust receipts and export loans		**3,409**	(41,611)
Repayment of bank borrowings		**(33,171)**	(27,833)
Proceeds of rights issue, net of expenses		**—**	22,639
New bank borrowings raised		**31,255**	34,000
Increase in invoice discounting facility		**10,000**	14,253
Net cash used in financing activities		**(230)**	(13,872)
Net increase/(decrease) in cash and cash equivalents	42	**4,802**	(15,082)
Effect of foreign exchange rates		**1,160**	(1,901)
Cash and cash equivalents at 1 October		**87,932**	104,915
Cash and cash equivalents at 30 September		**93,894**	87,932
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents	27	**114,029**	107,203
Bank overdrafts	30	**(16,444)**	(19,271)
Cash and cash equivalents included in assets classified as held for sale	28	**2,181**	—
Bank overdrafts included in liabilities classified as held for sale	28	**(5,872)**	—
		93,894	87,932

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 "HKEx"). 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, on OEM and EMS bases, of a wide range of power-related and electrical/electronic products; and the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools, magnetic tools and products including the provision of magnetic-based industrial solutions, and metrology and measurement tools. Following the acquisition of Alford Industries Limited in January 2009 there was a further expansion of the principal segments to include electronic consumer products. These five business segments are the basis upon which the Group reports its primary segment information. Details of the principal activities of the Company's subsidiaries are set out in note 20. During the year the operations of Jade Precision Engineering Pte Ltd. ("Jade"), the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry, have been re-classified as discontinued. Details of this discontinued operation are set out in note 13 to the consolidated financial statements.

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 2010.

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 applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the HKEx (the "Listing Rules").

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 October 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39	Embedded derivatives
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement-Eligible Hedge Items
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendment)	Share-based Payments - Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) - Int 2 (Amendments)	Members' Shares in Co-operative Entities and Similar Instruments
HK (IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) - Int 17	Distribution of Non-cash Assets to Owners
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2008
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009
HK - Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the above new and revised HKFRSs have had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for the following changes:

HKAS 1 (Revised) Presentation of Financial Statements

The adoption of HKAS 1 (Revised) makes certain changes to the format and titles and primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example, exchange differences arising on the translation of financial statements of foreign operations. HKAS 1 affects the presentation of changes in equity and introduces a "Statement of Comprehensive Income". Comparatives have been restated to conform with the revised standard.

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

HKFRS 3 (Revised) Business Combinations

HKFRS 3 (Revised) has been applied prospectively from 1 October 2009 and its application has affected the accounting for the Group's acquisition of subsidiaries during the year (note 39a). The adoption of HKFRS 3 (Revised) requires acquisition-related costs of business combinations to be accounted for as expenses. As a result, the Group has recognised HK$772,000 of such costs as an expense in the consolidated income statement, whereas previously they would have been accounted for as part of the cost of the acquisition.

During the year, these changes in policies have affected the accounting for the acquisition of subsidiaries and resulted in lower amount of goodwill recognised in the consolidated statement of financial position of HK$772,000 and a corresponding increase in loss for the year in the consolidated income statement arising on the recognition of acquisition-related costs when incurred as result of the application of HKRFS 3 (Revised).

Early Adoption of HKFRS 8 Operating Segments

The adoption of HKFRS 8, Operating Segments, has not affected the identifiable and reportable operating segments of the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the executive directors and other chief operating decision makers. As a result, the adoption of HKFRS 8 has resulted in the presentation of the segment information in a manner that is more consistent with regular internal financial information. Corresponding amounts have been provided on a basis consistent with the revised segment information.

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

HKAS 1	Presentation of Financial Statements (1)
HKAS 7	Statement of Cash Flows (1)
HKAS 12 (Amendment)	Deferred Tax - Recovery of Underlying Assets (8)
HKAS 17	Leases (1)
HKAS 24 (Revised)	Related Party Disclosures (5)
HKAS 32 (Amendment)	Financial Instruments: Presentation - Classification of Rights Issues (2)
HKAS 36	Impairment of Assets (1)
HKAS 39	Financial Instruments - Recognition and Measurement (1)
HKFRSs (Amendments)	Improvements to HKFRSs 2010 (7)
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions (1)
HKFRS 5 (Revised)	Non-current Assets Held for Sale and Discontinued Operations (1)
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets (4)
HKFRS 9	Financial Instruments (6)
HK (IFRIC) - Int 14 (Amendment)	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (5)
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments (3)

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

Notes:

[1] Effective for annual periods beginning on or after 1 January 2010

[2] Effective for annual periods beginning on or after 1 February 2010

[3] Effective for annual periods beginning on or after 1 July 2010

[4] Effective for annual periods beginning on or after 1 July 2011

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 January 2013

[7] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

[8] Effective for annual periods beginning on or after 1 January 2012

The Directors of the Group 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 pronouncements.

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 adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities, which are stated at their fair values. 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 judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement 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 its subsidiaries (together referred to as "the Group") made up to 30 September each year.

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

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 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 statement of financial position, 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 end of the reporting period.

Business combinations prior to 1 October 2009

The acquisition of subsidiaries was accounted for using the purchase method. The cost of the acquisition was 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 met the conditions for recognition under HKFRS 3 "Business Combinations" were recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was 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 assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination, the excess was recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree was initially measured as the minority's proportion of the net fair value of all identifiable assets, liabilities and contingent liabilities recognised.

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

Business combinations on or after 1 October 2009

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the consolidated income statement as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (Revised) are recognised at their fair values, except that: deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively; liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payments awards are measured in accordance with HKFRS 2 Share-based Payments; and assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisitiondate amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Non-controlling interests may be initially measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on the acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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

Change in ownership interests in a subsidiary

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). No gain or loss from these changes is recognised in profit or loss.

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 statement of financial position 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.

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.

(d) Royalty income from the use of certain brand names and patents, is recognised on an accruals basis in accordance with the substance of the relevant agreements.

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

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.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position 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.

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

Financial instruments *(Continued)*

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.

The Group assesses, at the end of each reporting period, whether there is any objective evidence that the financial asset is impaired. A financial asset is classed as impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include, but not be limited to: significant financial difficulty of the debtor; a breach of contract, such as a default or delinquency in interest or principal payments; the granting of a concession to a debtor due to financial difficulties; and it becoming probable that the debtor will enter bankruptcy or any other financial reorganisation.

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 reporting 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 the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each reporting date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income or loss, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in other comprehensive income or loss is recognised in the income statement. Any impairment loss on available-for-sale financial assets is recognised in the income statement. For available-for-sale equity investments, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

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

Financial instruments *(Continued)*

Available-for-sale financial assets (Continued)

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 the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but note remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of the trade receivable is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

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 subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

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

Financial instruments *(Continued)*

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 values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

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 other comprehensive income. The ineffective portion of any gain or loss is recognised immediately in the income statement.

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 other comprehensive income 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 other comprehensive income and recognised in the income statement 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 other comprehensive income and recognised in the income statement 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 other comprehensive income 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 other comprehensive income is recognised immediately in the income statement.

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

Financial instruments *(Continued)*

Cash flow hedges (Continued)

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

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Inventories

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

Cash and cash equivalents

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting 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.

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

Impairment of assets

At each reporting 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.

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 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 the end of each reporting period 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 other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associate, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

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

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 the income statement for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars) at the rate of exchange prevailing at the end of the reporting period, 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 other comprehensive income (the translation reserve). Such exchange differences are recognised in the income statement in the period in which the foreign operation is disposed of.

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 other comprehensive income. 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.

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

Leases *(Continued)*

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. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

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 statement of financial position 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 the income statement.

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 subsidiary operating in Singapore contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. Contributions to the CPF are charged to the income statement in the year to which the contributions relate.

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

Retirement benefits costs *(Continued)*

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 the end of each reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in other comprehensive income. 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 statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

Equity-settled share-based payment transactions

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

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

At the end of each reporting period, 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 the income statement over the remaining vesting period, with a corresponding adjustment to share option 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.

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 the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement 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.

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

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.

Segmental reporting

On adoption of HKFRS 8 Operating Segments, the Group has identified its operating segments and prepared segmental information based on regular internal financial information reported to the Group's Executive Directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

The business components in the internal reporting to the Executive Directors are determined following the Group's principal activities. The adoption of HKFRS 8 has not changed the identified operating segments of the Group as compared to the 2009 annual financial statements.

The Group's principal segments for internal reporting purposes are: the contract manufacturing, on OEM and EMS bases, of a wide range of power-related and electrical/electronic products ("Contract Manufacturing"); and the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"), magnetic tools and products including the provision of magnetic-based industrial solutions ("Magnetics"), and metrology or measurement tools ("Metrology"). Following the acquisition of Alford Industries Limited in January 2009, there was a further expansion of the principal segments to include electronic consumer products ("Consumer Electronics"). These five business segments are the basis upon which the Group reports its primary segment information. During the year the operations of Jade Precision Engineering Pte Ltd., the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry, ("Leadframes") have been re-classified as discontinued.

Under HKFRS 8, reported segmental information is based on internal management reporting information that is regularly reviewed by the Executive Directors. The measurement policies the Group uses for reporting segment HKFRS 8 are the same as those used in the HKFRS financial statements except for cash flow hedges recycled from other comprehensive income, the cost on acquisition of a subsidiary, any impairment loss on available-for-sale financial assets, the discount on acquisition of a subsidiary, corporate income and expenses that are not directly attributable to the business activities of any operating unit and income tax.

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

Segmental reporting *(Continued)*

Segment assets include all assets but exclude deferred tax assets, goodwill, other intangible assets, interest in an associate, available-for-sale financial assets, consolidated and Group assets unrelated to the business activities of any operating segment.

Segment liabilities include all liabilities but exclude deferred tax liabilities and consolidation and Group liabilities unrelated to the business activities of any operating 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.

Assets classified as held for sale

The assets of a disposal group are classified as held for sale if it is highly probable that their carrying amount will be recovered through a sale transaction rather than through continuing use and the disposal group is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of all individual assets and liabilities in a disposal group is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the disposal group is recognised at the lower of its carrying amount and fair value less cost to sell.

Impairment loss on initial classification as held for sale, and on subsequent remeasurement under held for sale, is recognised in the consolidated income statement. As long as a disposal group is classified as held for sale, the non-current asset is not depreciated and amortised.

Discontinued operation

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less cost to sell, or on disposal, of the assets or disposal group(s) constituting the discontinued operation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The key sources of estimation uncertainty at the end of each reporting period, 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 the end of each reporting period, 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 statement of financial position.

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 tax charge will follow.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(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 statements of financial position. A review of all available positive and negative evidence is undertaken by the Group at the end of each reporting period 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 favourable 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 end of each reporting period which is the amount that the Company would pay to settle the obligation at the end of each reporting period or to transfer it to a third party at that time. The estimates of the outcome and the financial effect are determined by the judgement 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 end of each reporting period. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various estimation methods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(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; statement of financial position asset and liability accounts are translated at the end of each reporting period exchange rates; and equity accounts are translated at historical exchange rates.

The Hong Kong Dollar statement of financial position 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 other comprehensive income. 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 after consulation with the Plan's actuary with the agreement of the principal employer and the UK Pension Regulator. 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 the maximum affordable amount with the intention of clearing the deficit over the shortest period possible and in accordance with applicable UK law and pension regulations. In addition to cash contributions made into the Plan, 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 41).

The Group's contributions to the Plan in the two years ended 31 March 2010 were £1.9 million (approximately HK$23 million) per annum. Thereafter, contributions will be £0.75 million (approximately HK$9 million) for the year to 31 March 2011, £0.875 million (approximately HK$10.5 million) for the year ended 31 March 2012 and £1 million (approximately HK$12 million) for the year ended 31 March 2013. This contribution schedule may be subject to revision and amendment in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of the Plan investments and liabilities and the financial strength and cash flow requirements of the Plan's sponsoring employers.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Retirement benefit costs *(Continued)*

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 and expected return on Plan assets 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 income statement pension expense and the statement of financial position pension liability that are to be recognised in the Group's financial statements.

Certain of these assumptions have judgemental 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Retirement benefit costs *(Continued)*

The following sensitivity table illustrates the impact on the Group's consolidated statement of financial position and the amounts charged against the Group'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 2011 Pre-Tax Pension Expense HK$	Impact on 30 September 2010 Pension Deficit HK$
Change in assumption		
25 basis point decrease in discount rate	+$0.97 million	+$48.85 million
25 basis point increase in discount rate	-$0.97 million	-$48.85million
25 basis point decrease in expected return on assets	+ $3.0 million	—
25 basis point increase in expected return on assets	-$3.0 million	—
25 basis point increase in compensation assumption	N/A	N/A
25 basis point decrease in compensation assumption	N/A	N/A
25 basis point increase in inflation assumption	+$0.97 million	+$18.32 million
25 basis point decrease in inflation assumption	-$0.97 million	-$18.32 million
Increase mortality assumption by 1 year	+$ 2.44 million	+$42.7 million

Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates of future cash flows expected to arise for the cash generating units and suitable discount rates in order to calculate the present value.

5. REVENUE AND SEGMENT INFORMATION

The Group's principal segments for internal reporting purposes are: the contract manufacturing, on OEM and EMS bases, of a wide range of power-related and electrical/electronic products ("Contract Manufacturing"); and the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"), magnetic tools and products including the provision of magnetic-based industrial solutions ("Magnetics"), and metrology or measurement tools ("Metrology"). Following the acquisition of Alford Industries Limited ("Alford") in January 2009, there was a further expansion of the principal segments to include electronic consumer products ("Consumer Electronics"). These five business segments are the basis upon which the Group reports its primary segment information. During the year the operations of Jade, the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry, ("Leadframes") have been re-classified as discontinued.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments

	Continuing operations						Discontinued operation	
	Contract Manufacturing HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Consumer Electronics HK$'000	Sub-total HK$'000	Leadframes HK$'000	Consolidated HK$'000
For the year ended 30 September 2010								
Revenue								
External customers	261,313	562,111	114,197	90,790	117,118	1,145,529	130,461	1,275,990
Inter-segment sales	354	3,161	3,179	868	–	7,562	–	7,562
	261,667	565,272	117,376	91,658	117,118	1,153,091	130,461	1,283,552
Profit/(loss) before tax								
Segment profit/(loss)	16,211	24,837	9,498	12,170	(758)	61,958	(3,508)	58,450
Restructuring costs	(448)	(17,291)	–	–	–	(17,739)	–	(17,739)
Other non-operating costs	–	–	–	(2,015)	–	(2,015)	–	(2,015)
Share of results of an associate	–	–	–	1,959	–	1,959	–	1,959
Net finance costs	(2,266)	1,264	(207)	–	94	(1,115)	(1,695)	(2,810)
	13,497	8,810	9,291	12,114	(664)	43,048	(5,203)	37,845
Assets								
Segment assets	119,429	396,479	133,287	109,583	100,337	859,115	110,824	969,939
Liabilities								
Segment liabilities	83,556	343,220	56,226	70,576	41,743	595,321	59,402	654,723
Other information								
Additions of property, plant and equipment	–	773	264	181	954	2,172	1,519	3,691
Depreciation of property, plant and equipment	6,494	3,121	1,919	201	1,547	13,282	2,778	16,060
Amortisation of other intangible assets	–	–	359	156	–	515	–	515
Amortisation of prepaid land lease payments under operating leases	17	–	–	–	–	17	–	17
Net (credit)/charge for bad and doubtful debts	365	(1,082)	(189)	–	(546)	(1,452)	(145)	(1,597)
Impairment loss/(gain) in inventories	1,753	992	1,089	(1,135)	3	2,702	736	3,438

Inter-segment sales are charged at prevailing market rates.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

	Continuing operations						Discontinued operation	
	Contract Manufacturing HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Consumer Electronics HK$'000	Sub-total HK$'000	Lead-frames HK$'000	Total HK$'000
For the year ended 30 September 2009								
Revenue								
External customers	229,010	480,838	93,300	75,775	83,699	962,622	79,384	1,042,006
Inter-segment sales	2,539	2,159	2,524	642	—	7,864	—	7,864
	231,549	482,997	95,824	76,417	83,699	970,486	79,384	1,049,870
(Loss)/profit before tax								
Segment profit/(loss)	(14,055)	4,220	2,504	14,155	5,870	12,694	(7,400)	5,294
Restructuring costs	(4,069)	(1,192)	(1,367)	(151)	—	(6,779)	1,491	(5,288)
Share of results of an associate	—	—	—	664	—	664	—	664
Net finance costs	(2,520)	(2,285)	(349)	(288)	(1)	(5,443)	(1,321)	(6,764)
	(20,644)	743	788	14,380	5,869	1,136	(7,230)	(6,094)
Assets								
Segment assets	141,966	397,266	112,033	93,661	94,074	839,000	85,130	924,130
Liabilities								
Segment liabilities	59,309	325,880	39,484	60,309	18,622	503,604	17,332	520,936
Other information								
Additions of property, plant and equipment	854	3,379	36	202	389	4,860	1,053	5,913
Depreciation of property, plant and equipment	8,301	2,791	2,332	136	1,070	14,630	2,362	16,992
Amortisation of other intangible assets	—	—	360	29	—	389	—	389
Amortisation of prepaid land lease payments under operating leases	27	—	—	—	—	27	—	27
Net (credit)/charge for bad and doubtful debts	(504)	526	(246)	(456)	574	(106)	(405)	(511)
Impairment (gain)/loss in inventories	(4,940)	(714)	3,426	216	(1,051)	(3,063)	(2,774)	(5,837)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements are as follows:

	2010 **HK$'000**	2009 HK$'000
Reportable segment revenues	**1,283,552**	1,049,870
Discontinued operation	**(130,461)**	(79,384)
Elimination of inter-segment revenues	**(7,562)**	(7,864)
Total revenue	**1,145,529**	962,622

	2010 **HK$'000**	2009 HK$'000
Reportable segment profit/(loss)	**37,845**	(6,094)
Segment loss from discontinued operation	**5,203**	7,230
Inter-company transactions with discontinued operation	**(943)**	(789)
Cash flow hedge recycled from other comprehensive income	**(1,502)**	—
Costs on acquisition of a subsidiary	**(772)**	—
Unallocated corporate restructuring costs	**(3,308)**	—
Unallocated corporate net finance credits/(costs)	**761**	(9,393)
Unallocated corporate income	**2,622**	16,055
Discount on acquisition of a subsidiary	**—**	10,616
Impairment loss on available-for-sale financial assets	**—**	(3,813)
Profit from continuing operations before income tax	**39,906**	13,812

	2010 **HK$'000**	2009 HK$'000
Reportable segment assets	**969,939**	924,130
Segment assets of discontinued operation	**(110,824)**	(85,130)
Assets classified as held for sale	**84,476**	—
Deferred tax assets	**75,241**	81,212
Goodwill	**2,357**	—
Other intangible assets	**1,074**	1,623
Interest in an associate	**4,922**	3,556
Available-for-sale financial assets	**879**	632
Consolidation and Group assets	**(47,177)**	3,591
Total assets	**980,887**	929,614

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

	2010 **HK$'000**	2009 HK$'000
Reportable segment liabilities	**654,723**	520,936
Segment liabilities of discontinued operation	**(59,402)**	(17,332)
Liabilities classified as held for sale	**38,023**	—
Deferred tax liabilties	**16,466**	18,001
Consolidation and Group liabilities	**(20,562)**	38,274
Total liabilities	**629,248**	559,879

Geographical Segments

The Group's operations are mainly located in Mainland China, Hong Kong, the United Kingdom ("the UK"), the United States of America, France and Australia. The following provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:

Revenue by geographical market

	Continuing operations		**Discontinued operation**		**Total**	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
The People's Republic of China (the "PRC")						
Mainland China	**25,320**	27,929	**—**	—	**25,320**	27,929
Hong Kong (place of domicile)	**32,284**	29,026	**—**	—	**32,284**	29,026
	57,604	56,955	**—**	—	**57,604**	56,955
United States of America	**260,112**	188,065	**—**	—	**260,112**	188,065
UK	**253,194**	223,702	**—**	—	**253,194**	223,702
France	**97,411**	94,710	**—**	—	**97,411**	94,710
Australia	**188,455**	130,318	**—**	—	**188,455**	130,318
Others	**288,753**	268,872	**130,461**	79,384	**419,214**	348,256
	1,145,529	962,622	**130,461**	79,384	**1,275,990**	1,042,006

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical Segments *(Continued)*

The following is an analysis of the carrying value of non-current assets (excluding deferred tax assets and financial assets) analysed by the geographical areas in which the assets are located:

Carrying value of non-current assets:

	2010	2009
	HK$'000	HK$'000
UK	**132,493**	135,040
Singapore	**—**	49,396
Mainland China	**28,822**	33,645
France	**17,586**	20,219
Hong Kong	**6,691**	8,563
Others	**2,059**	1,958
	187,651	248,821

6. OTHER INCOME

	Continuing operations		**Discontinued operation**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other income comprises:						
Fair value gain on forward exchange contract	**637**	2,345	**—**	—	**637**	2,345
Realised gain on forward exchange contract	**5,538**	—	**—**	—	**5,538**	—
(Loss)/gain on disposal of property, plant and equipment	**(128)**	427	**367**	1,752	**239**	2,179
Property rental income	**1,647**	1,710	**—**	—	**1,647**	1,710
Gain on disposal of available-for-sale financial assets	**—**	92	**—**	—	**—**	92
Interest earned on bank deposits and balances	**405**	829	**—**	—	**405**	829
Compensation income	**5,365**	—	**—**	—	**5,365**	—
Interest credit on retirement benefit obligations (note 34)	**5,213**	—	**—**	—	**5,213**	—
Royalty income	**3,039**	—	**—**	—	**3,039**	—
Over-provision of legal costs on acquisition of subsidiaries in prior years	**—**	2,297	**—**	—	**—**	2,297
Others	**2,862**	2,117	**—**	—	**2,862**	2,117
	24,578	9,817	**367**	1,752	**24,945**	11,569

7. RESTRUCTURING COSTS

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Manufacturing reorganisation	**17,751**	6,779	**—**	(1,491)	**17,751**	5,288
Onerous lease rentals	**1,151**	—	**—**	—	**1,151**	—
Retrenchment and other costs	**2,145**	—	**—**	—	**2,145**	—
	21,047	6,779	**—**	(1,491)	**21,047**	5,288

The manufacturing reorganisation costs incurred in the year comprise costs in relation to the relocation of the hacksaw blade manufacturing plant of Neill Tools Limited, a UK based subsidiary of the Company, to the PRC. A new company, Eclipse Tools Manufacturing Company Limited, has been established which will be responsible for the Group's continuing manufacture of hacksaw blades. The relocation was announced in November 2009 and is expected to be completed by early 2011. The costs include employee severance payments, site closure and relocation costs.

Onerous lease rental costs relate to changes in estimates of the present value of the future lease payments that the Group is presently obligated to make under non-cancelable onerous operating lease contracts.

In the years ended 30 September 2010 and 2009 retrenchment costs were incurred in the Group's Head Office, Contract Manufacturing, Metrology and Tools divisions as the Group's management restructured individual companies' cost bases to take account of sales demand as a result of the global financial crisis prevalent at that time.

8. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Finance costs comprise:						
Interest on interest-bearing bank borrowings and overdrafts wholly repayable within five years	**6,245**	6,542	**497**	200	**6,742**	6,742
Interest on obligations under finance leases	**670**	926	**255**	332	**925**	1,258
Interest on retirement benefit obligations (note 34)	**—**	8,986	**—**	—	**—**	8,986
	6,915	16,454	**752**	532	**7,667**	16,986

9. PROFIT BEFORE TAX

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

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Labour and related costs:						
Directors' remuneration (note 10)	**7,001**	6,149	**—**	—	**7,001**	6,149
Staff salaries, allowances and welfare	**134,281**	119,790	**5,273**	12,790	**139,554**	132,580
Share-based employee remuneration (note 10)	**449**	1,041	**—**	—	**449**	1,041
Other defined contribution plans (note 33)	**4,545**	4,047	**—**	—	**4,545**	4,047
Provident fund contributions (note 33)	**4,313**	4,887	**—**	—	**4,313**	4,887
Mandatory provident fund obligations (note 33)	**726**	511	**—**	—	**726**	511
Retirement benefit plan credits (note 34)	**(3,772)**	(19,488)	**—**	—	**(3,772)**	(19,488)
Direct labour costs	**81,159**	71,072	**23,512**	12,769	**104,671**	83,841
	228,702	188,009	**28,785**	25,559	**257,487**	213,565
Other items:						
Amortisation of lease payments under operating leases	**17**	27	**—**	—	**17**	27
Auditors' remuneration	**5,675**	4,020	**170**	235	**5,845**	4,255
Exchange losses	**3,864**	2,391	**1,202**	289	**5,066**	2,680
Depreciation of property, plant and equipment	**20,930**	22,297	**2,778**	2,362	**23,708**	24,659
Amortisation of other intangibles assets	**515**	389	**—**	—	**515**	389
Net credit for bad and doubtful debts	**(1,452)**	(106)	**(145)**	(405)	**(1,597)**	(511)
Impairment loss/(gain) in inventories (note 23)	**2,702**	(3,063)	**736**	(2,774)	**3,438**	(5,837)
Minimum lease payments in respect of rented premises	**11,792**	9,972	**552**	—	**12,344**	9,972
Cost of inventories recognised as expenses	**807,472**	711,786	**126,222**	81,515	**933,694**	793,301
Assets of disposal group classified as held for sale - loss on remeasurement to fair value less costs to sell (note 13)	**—**	—	**(26,348)**	—	**(26,348)**	—

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 9 (2009 - 10) directors were as follows:

For the year ended 30 September 2010

	Fees HK$'000	Basic salaries and allowances HK$'000	Other fees HK$'000	Bonuses HK$'000	Benefits in kind HK$'000	Retirement benefits scheme contribution HK$'000	Compensation for loss of office HK$'000	Consulting fee HK$'000	Total HK$'000
Executive Directors:									
Mr. David H Clarke	75	194	156	—	—	—	—	—	425
Mr. Henry W Lim	—	650	—	—	—	—	—	—	650
Mr. Simon N Hsu	—	480	156	—	—	—	—	—	636
Mr. Patrick J Dyson	—	1,122	63	379	133	236	—	—	1,933
Mr. Brian C Beazer	—	—	63	164	—	—	868	826	1,921
Non-executive Directors:									
Mr. Brian C Beazer	45	—	—	—	—	—	—	—	45
Mr. Henry W Lim*	157	—	156	—	—	—	—	—	313
Dr. Wong Ho Ching, Chris*	180	—	63	—	—	—	—	—	243
Mr. Ramon S Pascual*	100	—	63	—	—	—	—	—	163
Mr. Teo Ek Tor*	180	—	156	—	—	—	—	—	336
Mr. Robert B Machinist *	180	—	156	—	—	—	—	—	336
	917	2,446	1,032	543	133	236	868	826	7,001

On 24 June 2010, Mr. Teo Ek-Tor was re-designated as an Independent Non-executive Director. With effect from 1 January 2011, Mr. Teo Ek-Tor tendered his resignation as an Independent Non-executive Director.

With effect from 30 June 2010, Mr. Brian C Beazer tendered his resignation as Executive Chairman of the Company and was re-designated as a Non-executive Director. On the same date, Mr. David H Clarke was appointed as Chairman of the Company and Mr. Henry W Lim was appointed as Chief Executive Officer and re-designated as an Executive Director of the Company. With effect from 1 October 2010, Mr. Brian C Beazer tendered his resignation as a Non-executive Director.

During the year Mr. Brian C Beazer waived emoluments of HK$94,000 and Mr. Patrick J Dyson waived emoluments of HK$118,000.

* *Independent Non-executive Directors*

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

Directors' emoluments *(Continued)*

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

* *Independent Non-executive Directors*

None of the Directors 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.

With effect from I May 2009, Mr. William Fletcher tendered his resignation as Executive Director of the Company.

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

Employees' emoluments

The five highest paid individuals of the Group included 2 Directors (2009 - 2), details of whose emoluments are set out above. The emoluments of the 3 (2009 - 3) highest paid employees for the year ended 30 September 2010, other than the Directors of the Company, were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other benefits	**4,995**	4,097
Expenses of retirement benefit plan	**361**	402
	5,356	4,499

Emoluments of these employees were within the following bands:

	Number of employees **2010**	 2009
Nil - HK$1,000,000	**—**	—
HK$1,000,001 - HK$1,500,000	**—**	3
HK$1,500,001 - HK$2,000,000	**2**	—
HK$2,000,001 - HK$2,500,000	**1**	—
	3	3

Share-based employee remuneration

For the year ended 30 September 2010 the Group operated an Economic Value Added bonus scheme for certain of its senior management, whereby bonus payments were made based upon the excess of net operating profit over a calculated cost of capital. A portion of this bonus was 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 2010, the share-based employee remuneration charged to the consolidated income statement amounted to HK$449,000 (2009 - HK$1,041,000 (Note 9)).

11. INCOME TAX CHARGE

The income tax charge for the year comprises:

	Continuing operations		Discontinued operation		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current income tax:						
Hong Kong	**575**	1,446	**—**	—	**575**	1,446
Australia	**1,924**	—	**—**	—	**1,924**	—
Mainland China	**287**	(758)	**—**	—	**287**	(758)
Canada	**322**	—	**—**	—	**322**	—
United Kingdom	**—**	(455)	**—**	—	**—**	(455)
France	**811**	925	**—**	—	**811**	925
New Zealand	**328**	304	**—**	—	**328**	304
	4,247	1,462	**—**	—	**4,247**	1,462
Deferred tax (note 35)	**8,630**	5,125	**—**	—	**8,630**	5,125
	12,877	6,587	**—**	—	**12,877**	6,587

(a) Hong Kong profits tax is calculated at 16.5% (2009 - 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.

11. INCOME TAX CHARGE *(Continued)*

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

	2010	2009
	HK$'000	HK$'000
Profit/(loss) before tax:		
Continuing operations	**39,906**	13,812
Discontinued operation	**(30,608)**	(6,441)
	9,298	7,371
Tax at domestic rates applicable to profits or losses in the jurisdictions concerned	**(6,544)**	(3,560)
Tax effect of expenses not deductible for tax purposes	**(6,277)**	(5,726)
Tax effect of income not taxable for tax purposes	**1,540**	4,115
Tax effect of losses not recognised	**(6,197)**	(3,061)
Utilisation of tax losses previously not recognised	**6,866**	1,702
Effect of prior year adjustments	**(940)**	(899)
Decrease in recoverable amount of UK deferred tax asset (note c)	**(2,875)**	—
Others	**1,550**	842
Tax charge for the year	**(12,877)**	(6,587)

(c) 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 27% (2009 - 28%). Legislation formally enacted during the year has had the effect of reducing the effective tax rate from 28% to 27% from April 2011. Included in the HK$8,630,000 deferred charge for the year is a charge of HK$2,875,000 to reflect this change in tax rates.

(d) On 16 March 2007 the PRC promulgated the Law of the People's Republic of China on Corporate 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 corporate 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. The PRC subsidiaries currently subject to a corporate 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.

12. DIVIDENDS

Dividend declared and paid during the year:

	2010 HK$'000	2009 HK$'000
Final dividend relating to the year to 30 September 2009 declared and paid of 0.5 HK cent per ordinary share (note a)	**4,924**	—
Interim dividend relating to the year to 30 September 2009 declared and paid of 0.5 HK cent per ordinary share (note b)	**—**	4,100
Final dividend relating to the year to 30 September 2008 declared and paid of 0.5 HK cent per ordinary share (note c)	**—**	3,600
	4,924	7,700

(a) 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 which was granted at the Annual General Meeting held on 12 March 2010. This final dividend was distributed on 17 March 2010 to shareholders whose names appeared on the share register of members of the Company as at the close of business on 12 March 2010.

(b) At a Board Meeting held on 25 June 2009, the Directors approved the payment of an interim dividend of 0.5 HK cent per ordinary 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.

(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 ordinary 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.

The Board does not recommend the payment of a final dividend for the year ended 30 September 2010 (2009 - 0.5 HK cent per ordinary share).

13. DISCONTINUED OPERATION

On 31 December 2010, the Company entered into an agreement for the sale of its 100% equity interest in Jade Precision Engineering Pte Ltd. ("Jade") to Rokko Holdings Ltd. ("Rokko"), for a total consideration of S$8 million (equivalent to approximately HK$45.2 million, after applicable costs on disposal), payable in cash.

Jade was acquired by the Company in July 2008 and is principally involved in the manufacture and distribution of stamped, etched and plated leadframes for the semi-conductor industry.

The sale is expected to conclude on or before 28 February 2011 following an EGM convened by Rokko at which shareholder approval for the acquisition will be sought. An irrevocable undertaking has been received from Rokko's majority shareholder, holding 68% of that company's issued share capital, to vote in favour of the acquisition.

The comparative consolidated income statement and related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period. The revenues, results and cash flows of Jade were as follows:

	Note	**2010 HK$'000**	2009 HK$'000
Revenue	5	**130,461**	79,384
Cost of sales		**(126,222)**	(81,815)
Gross profit		**4,239**	(2,431)
Other income	6	**367**	1,752
Selling and distribution costs		**(1,634)**	(2,459)
Administrative costs		**(6,480)**	(4,262)
Restructuring costs	7	**—**	1,491
Finance costs	8	**(752)**	(532)
		(4,260)	(6,441)
Loss on remeasurement to fair value less costs to sell	9	**(26,348)**	—
Loss before tax from discontinued operation		**(30,608)**	(6,441)
Income tax charge		**—**	—
Net result from discontinued operation		**(30,608)**	(6,441)

The cash flows from the discontinued operation are as follows:

	2010 HK$'000	2009 HK$'000
Net cash generated from/(used in) operating activities	**548**	(7,888)
Net cash generated from/(used in) investing activities	**917**	(4,218)
Net cash (used in)/ generated from financing activities	**(275)**	4,110
Net increase/(decrease) in cash and cash equivalents	**1,190**	(7,996)

14. (LOSS)/PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss of HK$3,579,000 (2009 - HK$784,000 profit) attributable to the owners of the Company, a loss of HK$23,652,000 (2009 - HK$11,113,000 profit) has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the loss attributable to the owners of the Company of HK$3,579,000 (2009 - HK$784,000 profit) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 984,915,993 (2009 - 839,871,173). For diluted earnings per share, a weighted average number of shares of 991,245,347 has been used.

The diluted loss per share has not been presented for the year ended 30 September 2010 because the deemed exercise of the share options and issue of shares are anti-dilutive. 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.

The calculations are as follows:

Weighted average number of ordinary shares

	2010	2009
Issued ordinary shares at 1 October	**984,000,000**	720,000,000
Effect of share options exercised (note a)	**915,993**	—
Effect of new shares issued (note b)	—	66,575,342
Effect of Rights Issue (note c)	—	53,295,831
Weighted average number of ordinary shares at 30 September	**984,915,993**	839,871,173
Basic (loss)/earnings per share (HK$)	**(0.36 cents)**	0.09 cents
Diluted earnings per share (HK$)	**N/A**	N/A

(a) Relates to the share options exercised under the Company' share option scheme during the year.

(b) Relates to consideration shares issued in respect of the acquisition of Alford Industries Limited on 30 January 2009.

(c) Relates to Rights Issue shares issued in respect of a 1 for 5 Rights Issue on 5 August 2009.

15. EARNINGS PER SHARE *(Continued)*

(b) From continuing operations

The calculation of the basic and diluted earnings per share is based on the profit for the year from continuing operations of HK$27,029,000 (2009 - HK$7,225,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 984,915,993 (2009 - 839,871,173). For diluted earnings per share, the weighted average number of shares of 991,245,347 has been used. Diluted earnings per share have not been presented for the year ended 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.

	2010	2009
Basic earnings per share (HK$)	**2.75 cents**	0.86 cents
Weighted average number of ordinary shares (diluted)		
Issued ordinary shares at 1 October	**984,000,000**	N/A
Effect of share options exercised (note a)	**915,993**	N/A
Effect of deemed issue of shares under the Company's share option scheme	**6,329,354**	N/A
Weighted average number of ordinary shares at 30 September	**991,245,347**	N/A
Diluted earnings per share (HK$)	**2.74 cents**	N/A

(c) From discontinued operation

The calculation of the basic and diluted earnings per share is based on the loss for the year from discontinued operation of HK$30,608,000 (2009 - HK$6,441,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 984,915,993 (2009 - 839,871,173). For diluted earnings per share, the weighted average number of shares 991,245,347 has been used.

The diluted loss per share has not been presented for the year ended 30 September 2010 because the deemed exercise of the share options and issue of shares are anti-dilutive. 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.

	2010	2009
Basic loss per share (HK$)	**(3.11 cents)**	(0.77 cents)
Diluted loss per share (HK$)	**N/A**	N/A

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 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 a 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
Additions	382	3,956	5,170	1,984	11,492
Acquired on acquisition of a subsidiary	—	—	—	338	338
Disposals	—	(942)	(3,281)	(504)	(4,727)
Transfer to assets classified as held for sale	(42,425)	—	—	(15,007)	(57,432)
Currency realignment and others	(989)	938	(1,233)	2,316	1,032
At 30 September 2010	**163,865**	**69,399**	**23,765**	**91,618**	**348,647**
Accumulated depreciation, amortisation and impairment					
At 1 October 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
Provided for the year	5,519	6,033	5,268	6,888	23,708
Disposals	—	(780)	(3,281)	(121)	(4,182)
Transfer to assets classified as held for sale	(2,821)	—	—	(2,957)	(5,778)
Currency realignment and others	(964)	590	299	1,357	1,282
At 30 September 2010	**20,779**	**53,145**	**17,301**	**78,705**	**169,930**
Carrying values					
At 30 September 2010	**143,086**	**16,254**	**6,464**	**12,913**	**178,717**
At 30 September 2009	187,852	18,145	8,094	28,953	243,044

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

COMPANY	**Furniture, fixtures and equipment HK$'000**
Cost	
At 1 October 2009	—
Additions	16
At 30 September 2010	16
Accumulated Depreciation	
At 1 October 2009 and 30 September 2010	—
Carrying values	
At 30 September 2010	16
At 30 September 2009	—

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% - $33\frac{1}{3}$%

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

The carrying value of properties shown above comprises:

	2010 HK$'000	2009 HK$'000
Properties held outside Hong Kong that are:		
Freehold	**130,251**	137,253
Long leasehold	**—**	37,647
Held under medium-term leases	**12,835**	12,952
	143,086	187,852

Additions for the year include HK$7,783,000 (2009 - HK$3,929,000) (note 40) in relation to assets acquired under finance leases for which there is no cash outflow included in the consolidated statement of cash flows.

The net book value of furniture, fixtures and equipment, motor vehicles and plant and machinery of HK$16,254,000 (2009 - HK$18,145,000), HK$6,464,000 (2009 - HK$8,094,000) and HK$12,913,000 (2009 - HK$28,953,000) includes amounts of HK$3,783,000 (2009 - HK$4,288,000), HK$6,399,000 (2009 - HK$7,869,000) and HK$nil (2009 - HK$4,658,000), respectively, in respect of assets held under finance leases (note 31).

Additionally, land and buildings with a carrying value of HK$46,000,000 (2009 - HK$48,600,000) have been pledged in favour of the James Neill Pension Plan (note 41).

17. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

GROUP

The Group's interest in leasehold land and land use rights represent prepaid operating lease payments and the movements in their net carrying values are as follows:

	2010 HK$'000	2009 HK$'000
At 1 October	**598**	625
Amortisation	**(17)**	(27)
At 30 September	**581**	598

18. GOODWILL

GROUP

	2010 HK$'000	2009 HK$'000
At 1 October	**—**	—
Additions	**2,252**	—
Currency realignment	**105**	—
At 30 September	**2,357**	—

On 10 March 2010, the Company, through its UK-based subsidiary, Bowers Group plc, acquired the entire share capital of Baty International Limited ("Baty") (formerly known as Quality Measurement Limited), a company incorporated in the United Kingdom and engaged in the design, manufacturing and procurement of precision measuring instruments. The consideration for the acquisition, excluding costs, amounted to HK$10,854,000, comprising HK$6,886,000 in cash and deferred contingent consideration capped at HK$3,968,000, payable over a maximum of four years. The fair value of assets at the acquisition date were HK$8,602,000 resulting in goodwill on the acquisition of a subsidiary of HK$2,252,000. See note 39 for further details.

The recoverable amount of the goodwill arising on the acquisition in the financial year has been tested for impairment based on value in use calculations, covering a three-year forecast period, for the relevant cash generating unit. The key assumptions used were as follows: discount rate of 5%; growth rate of 5%; and cash flows, gross margins and net profits determined by the management of Baty based on past performance and expectations for market development.

The Directors believe that any change in these assumptions would not cause the carrying value of the cash-generating units to exceed the recoverable amount. Since the recoverable amount of the cash-generating units is higher than its carrying value, the Directors consider that the carrying amount at the reporting date is not impaired.

19. OTHER INTANGIBLE ASSETS

GROUP

	Intellectual property rights HK$'000	**Purchased goodwill HK$'000**	**Total HK$'000**
At 1 October 2008	1,848	—	1,848
Additions (see below)	—	430	430
Amortisation	(360)	(29)	(389)
Currency alignment	(274)	8	(266)
Carrying values at 30 September 2009	1,214	409	1,623
Amortisation	(359)	(156)	(515)
Currency alignment	(25)	(9)	(34)
Carrying values at 30 September 2010	**830**	**244**	**1,074**

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

20. INTERESTS IN SUBSIDIARIES

COMPANY

	2010 HK$'000	2009 HK$'000
Unlisted investments, at cost (note a)	**124,802**	124,802
Amount due from subsidiaries (note b)	**207,860**	211,012
Amount due to subsidiaries (note c)	**228,209**	222,853

(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, a privately-owned company incorporated in Hong Kong and engaged in the design, manufacture and procurement 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 HKEx 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$13,957,000 (2009 - HK$10,900,000), which is unsecured, interest-bearing at 6.25% per annum and repayable on demand, the amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(c) Except for loans from subsidiary undertakings of approximately HK$10,000,000 (2009 - HK $10,000,000), HK$3,326,000 (2009 - HK$nil) and HK$ 1,480,000 (2009 - HK$nil), which are interest bearing at rates of 5%, 5% and 4.5% per annum, respectively, 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*	Registered capital HK$22,074,000	—	100%	Manufacture and design of consumer electronic products
Bowers Equipment Shanghai Co. Limited	PRC*	Registered capital RMB4,026,000	—	100%	Manufacture, quality control and distribution of metrology products
Baty International Ltd (formerly Quality Measurement Systems Ltd)	UK	Ordinary £1,819,915	—	100%	Assembly and distribution of precision measuring equipment

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
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 Manufacturing Company Limited	PRC	Registered capital US$3,000,000	—	100%	Procurement and manufacture of hacksaws, hacksaw blades and other industrial hand 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

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Proportion of ownership interest held by the Company 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 Euro198,184	—	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 and trading of 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%	—	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%	—	Investment holding in Hong Kong
Spear & Jackson (Australia) Pty Limited	Australia	Ordinary AU$4,640,000	—	100%	Procurement, marketing and sale of group tools and externally sourced related products
Spear & Jackson France SA	France	Ordinary Euro1,300,000	—	100%	Marketing and sale of lawn and garden tools and other related products

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Spear & Jackson Garden Products Limited	UK	Ordinary £16,977,000	—	100%	Manufacture and sale of garden, agricultural and contractors' hand tools, woodsaws and builders' tools
Spear & Jackson Holdings Limited	UK	Ordinary £16,470,391 Cumulative Preference £80,000	—	100%	Investment holding
Spear & Jackson plc	UK	Ordinary £60,834,229 Deferred £22,599,309	—	100%	Investment holding
Spear & Jackson (New Zealand) Limited	New Zealand	Ordinary NZ$400,000	—	100%	Marketing and sale of group hand and garden tools and other related products
Pin Xin Power Resources (Shenzhen) Co. Limited	PRC*	Registered HK$2,000,000	—	100%	Sale and distribution of rechargeable battery products
Shenzhen Pantai Electronic Co. Ltd.	PRC*	Registered US$1,700,000	—	100%	Manufacture and sale of electronic products

* *Established in the PRC as a 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 2010 or at any time during the year (2009 - HK$nil).

21. INTEREST IN AN ASSOCIATE

GROUP

	2010 HK$'000	2009 HK$'000
At 1 October	**3,556**	3,768
Currency realignment	**340**	9
Share of profit before tax for the year	**2,651**	757
Share of tax for the year	**(692)**	(93)
Dividends received	**(933)**	(885)
At 30 September	**4,922**	3,556

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	US$800,000	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:

	2010 HK$'000	2009 HK$'000
Total assets	**38,455**	23,284
Total liabilities	**(18,767)**	(9,059)
Net assets	**19,688**	14,225
Share of an associate's net assets	**4,922**	3,556
Sales	**102,840**	56,304
Profit for the year after tax	**7,836**	2,656
Share of result of an associate (net of tax)	**1,959**	664

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP

	2010 HK$'000	2009 HK$'000
Unlisted equity investments at purchase cost	879	1,725
Impairment loss	—	(1,093)
Unlisted equity investments at fair value (note a)	879	632
Listed equity investments at purchase cost	3,813	3,813
Impairment loss	(3,813)	(3,813)
Listed equity investments at fair value (note b)	—	—
Equity securities listed in Hong Kong at fair value (note c)	—	—
Total	879	632

COMPANY

	2010 HK$'000	2009 HK$'000
Listed equity investments at purchase cost	3,813	3,813
Impairment loss	(3,813)	(3,813)
Listed equity investments at fair value (note b)	—	—
Equity securities listed in Hong Kong at fair value (note c)	—	—
Total	—	—

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

(a) The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the United States of America, France and India respectively. They are measured at cost less impairment at each reporting 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 Baty France SARL ("BFL") and Bipico Industries (Tools) Private Limited ("BITPL").

A 33% stake in BFL, a company incorporated and operating in France was acquired on the acquisition of Baty International Limited in March 2010. It has a carrying amount of HK$256,000 (2009 - HK$nil). Subsequent to the year end in October 2010, the Group's shareholding was reduced to 11%. BFL has not been recognised as an associate of the Group on the grounds of immateriality and the post year end reduction in the Group's shareholding.

BITPL is a company incorporated and operating in India, with a carrying amount of HK$623,000 (2009 - HK$502,000). 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.

During the year, the Group's investment in Bowers Metrologie SARL ("BML") was liquidated as BML was dissolved under French legislation. At 30 September 2009 the carrying value, after impairment write-downs, was HK$nil.

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

(c) 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 HKEx, representing a holding of approximately 0.25% (2009 - 0.25%) of the issued share capital of CICL as at 30 September 2010.

In the opinion of the Directors, because of the low volume of transactions in the market for CICL's shares, it is difficult to dispose of the entire shares in the market. Hence, the fair value of CICL's shares held by the Group is estimated to be HK$nil (2009 - HK$nil).

23. INVENTORIES

GROUP

	2010 **HK$'000**	2009 HK$'000
Raw materials	**42,755**	49,336
Work in progress	**23,695**	11,864
Finished goods	**189,444**	172,316
	255,894	233,516

The carrying value of inventories carried at the lower of cost and net realisable value amounted to HK$255,894,000 (2009 - HK$233,516,000). Impairment losses of HK$3,438,000 were recognised in the financial statements for the year ended 30 September 2010 (2009 - HK$5,837,000 gain). The gain in 2009 represented relevant inventories being sold above their net realisable value during the year.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**254,451**	245,957	**—**	—
Less: impairment provisions	**(10,294)**	(12,356)	**—**	—
Trade receivables - net	**244,157**	233,601	**—**	—
Prepayments and other receivables	**11,677**	15,847	**852**	476
	255,834	249,448	**852**	476

At the reporting date, the aged analysis of trade receivables is as follows:

GROUP

	2010	2009
	HK$'000	HK$'000
0 - 60 days	**226,976**	210,371
61 - 90 days	**7,272**	8,609
91 - 120 days	**3,979**	5,166
Greater than 120 days	**16,224**	21,811
	254,451	245,957

The Group allows credit periods ranging from 30 to 120 days (2009 - 30 to 120 days) to its trade customers depending on their credit status and geographical location. The Directors consider that the carrying value of the trade and other receivables approximate to their fair values.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

GROUP

	2010 HK$'000	2009 HK$'000
At 1 October	**12,356**	13,747
Impairment losses recognised	**3,641**	1,206
Impairment losses reversed	**(5,238)**	(1,717)
Currency realignment	**229**	(880)
Transfer to assets classified as held for sale	**(876)**	—
Acquisition of a subsidiary	**182**	—
At 30 September	**10,294**	12,356

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.

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but not impaired, based on due date is as follows:

	2010 HK$'000	2009 HK$'000
91 - 120 days	**3,979**	5,166
Greater than 120 days	**5,930**	9,455
	9,909	14,621

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

25. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP

	2010 HK$'000	2009 HK$'000
Derivative financial assets:		
Forward exchange contracts - held-for-trading (note a)	**637**	2,345
Derivative financial liabilities:		
Forward exchange contracts - cash flow hedges (note b)	**2,858**	1,029
Forward exchange contracts - held-for-trading (note a)	**501**	—
	3,359	1,029

COMPANY

	2010 HK$'000	2009 HK$'000
Derivative financial assets:		
Forward exchange contracts - held-for-trading (note b)	**637**	2,345

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

(a) The Group 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 an economic hedge arrangement but have not been formerly designated. The forward exchange contracts relate primarily to forward purchases of US Dollars and Euros and the cash flows are expected to occur before April 2011.

(b) The Group also 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 2010. The amount recognised in equity during the year was HK$2,076,000 (2009 - HK$1,502,000) and this will be transferred to the income statement in the same year that the associated inventory impacts profit or loss (i.e when it is sold or impaired). The amount transferred to the income statement during the year was HK$1,502,000 (2009 - HK$nil).

26. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$5,000,000 (2009 - HK$5,000,000) have been pledged to secure trust receipt and export invoices financing facilities (notes 30 and 41) 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 reporting date approximates to its fair value.

Pledged time deposits earn 0.025% (2009 - 0.6%) interest per annum and have a maturity of 1 month.

27. CASH AND CASH EQUIVALENTS

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

Included in bank and cash balances of the Group are bank balances denominated in Renminbi ("RMB") of HK$7,550,000 (2009 - HK$5,312,000) placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

28. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 31 December 2010, the Company entered into an agreement for the sale of its 100% equity interest in Jade Precision Engineering Pte Ltd. ("Jade") to Rokko Holdings Ltd. ("Rokko"), an independent third party, for a total consideration of S$8 million (equivalent to approximately HK$45.2 million, after applicable costs on disposal), payable in cash.

Jade was acquired by the Company in July 2008 and is principally involved in the manufacture and distribution of stamped, etched and plated leadframes for the semi-conductor industry.

The assets and liabilities attributable to Jade, which have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position, are as follows:

	Carrying amount as at 30 September 2010 HK$'000	Carrying amount upon being classified as held for sale HK$'000
Assets of disposal group classified as held for sale:		
Property, plant and equipment	**25,306**	51,654
Inventories	**20,450**	20,450
Trade and other receivables	**36,539**	36,539
Cash and cash equivalents	**2,181**	2,181
	84,476	110,824
Liabilities of disposal group classified as held for sale:		
Trade and other payables	**21,296**	21,296
Bank overdrafts	**5,872**	5,872
Other interest bearing bank borrowings	**8,460**	8,460
Obligations under finance leases	**2,395**	2,395
	38,023	38,023

28. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE *(Continued)*

Cumulative income/(expense) recognised directly in other comprehensive income relating to disposal group classified as held for sale:

	2010	2009
	HK$'000	HK$'000
Exchange differences arising on translation of foreign operations	**242**	(3,473)

29. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**145,812**	84,930	**—**	—
Accruals and other payables	**82,065**	114,192	**5,944**	5,397
	227,877	199,122	**5,944**	5,397

At the reporting date, the aged analysis of trade payables, based on invoice date, is as follows:

GROUP

	2010	2009
	HK$'000	HK$'000
0 - 60 days	**130,098**	76,286
61 - 90 days	**5,446**	3,896
Greater than 90 days	**10,268**	4,748
	145,812	84,930

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

30. INTEREST-BEARING BANK BORROWINGS

GROUP

	2010 HK$'000	2009 HK$'000
Bank borrowings (all secured) comprise:		
Bank overdrafts	**16,444**	19,271
Export invoices/loan financing	**23,793**	35,474
Invoice discounting	**26,806**	16,638
Other bank loans	**22,492**	33,908
HKSAR Government-backed bank loans	**35,735**	17,000
Total overdrafts and bank borrowings	**125,270**	122,291
Bank borrowings are repayable as follows:		
Within one year or on demand	**101,256**	101,691
More than one year, but not exceeding five years	**24,014**	20,600
	125,270	122,291
Less: Amounts due within one year shown under current liabilities	**(101,256)**	(101,691)
Amounts due after one year shown under non-current liabilities	**24,014**	20,600

COMPANY

	2010 HK$'000	2009 HK$'000
Bank borrowings (all secured) comprise:		
Other bank loans	**—**	186
Bank borrowings are repayable as follows:		
Within one year or on demand	**—**	186
More than one year, but not exceeding five years	**—**	—
	—	186
Less: Amounts due within one year shown under current liabilities	**—**	(186)
Amounts due after one year shown under non-current liabilities	**—**	—

The HKSAR Government-backed bank loans, which are denominated in Hong Kong Dollars, carry fixed interest rates ranging from 4.5% to 4.83% (2009 - 4.5% to 4.83%) per annum and are repayable in monthly instalments over a five-year period.

The other bank borrowings which are denominated in Hong Kong Dollars, US Dollars, Singapore Dollars and Pounds Sterling, 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.

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

The effective interest rates on the Group's floating rate borrowings range from mainly 2.5% to 7.0% (2009 - 2.75% 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 reporting date, approximate to their carrying values.

Refer to note 41 for details of pledged assets.

31. OBLIGATIONS UNDER FINANCE LEASES

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

GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases:				
Within one year	**5,550**	7,342	**4,753**	6,941
In the second to fifth years inclusive	**4,795**	6,888	**4,534**	5,961
	10,345	14,230	**9,287**	12,902
Less: Future finance charges	**(1,058)**	(1,328)	**—**	—
Present value of lease obligations	**9,287**	12,902	**9,287**	12,902
Less: Amount due for settlement within one year shown under current liabilities			**(4,753)**	(6,941)
Amount due for settlement after one year shown under non-current liabilities			**4,534**	5,961

During the year, the Group has acquired certain motor vehicles and computer equipment under finance leases with lease terms ranging from 2 to 4 years (2009 - 2 to 4 years). Interest rates underlying all obligations under finance leases are fixed at their respective contract rates ranging from 3.3% to 7.0% (2009 - 3.3% to 7%). 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 the reporting date, approximate to their carrying values.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 16).

32. PROVISIONS

GROUP

	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1 October 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
Utilisation of provision	(3,572)	(5,118)	(8,690)
Provision for the year	1,151	17,751	18,902
Currency realignment	(217)	491	274
At 30 September 2010	**10,185**	**13,569**	**23,754**

	2010 HK$'000	2009 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**22,056**	6,095
Non-current liabilities	**1,698**	7,173
	23,754	13,268

The onerous contract provisions represent the estimated present value of the future lease payments that the Group is presently obligated to make under non-cancelable 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 (2009 - three years).

The manufacturing reorganisation costs incurred during the year comprise costs in relation to the relocation of the hacksaw blade manufacturing plant of Neill Tools Limited, a UK based subsidiary of the Company, to the PRC. A new company, Eclipse Tools Manufacturing Company Limited, has been established which will be responsible for the Group's continuing manufacture of hacksaw blades. The relocation was announced in November 2009 and is expected to be completed by early 2011. The costs include employee severance payments, site closure and relocation costs.

33. DEFINED CONTRIBUTION PENSION 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 2010, the retirement benefit scheme contributions charged to the consolidated income statement amounted to HK$726,000 (2009 - HK$511,000) (note 9), 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 2010 was HK$4,313,000 (2009 - HK$4,887,000) (note 9). 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 are held under the control of independent trustees. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. The total contributions made for the year ended 30 September 2010 was HK$4,545,000 (2009 - HK$4,047,000) (note 9).

34. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a contributory defined benefit pension plan covering certain of its employees in the UK based subsidiaries of Spear & Jackson (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 2010 for the purposes of this annual report.

The Group's contributions for the year ended 30 September 2010 amounted to £1.3 million Sterling (approximately HK$16.5 million) (2009 - £1.9 million (approximately HK$22.6 million)). In addition to cash contributions made into the Plan, 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 41).

34. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The Group's contributions to the Plan in the two years ended 31 March 2010 were £1.9 million (approximately HK$23 million) per annum. Thereafter, contributions will be £0.75 million (approximately HK$9 million) for the year to 31 March 2011, £0.875 million (approximately HK$10.5 million) for the year ended 31 March 2012 and £1 million (approximately HK$12 million) for the year ended 31 March 2013. This contribution schedule may be subject to revision and amendment in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of the Plan investments and liabilities and the financial strength and cash flow requirements of the Plan's sponsoring employers.

In addition, in connection with the renegotiation of the employer's contribution scheme relating to the annual payments to be made by the participating employers of the Plan, guarantees have been provided by Spear & Jackson plc and Bowers Group plc, UK subsidiaries of the Group, to secure certain obligations ("the guaranteed obligations") relative to the Plan in the event of a contribution default by any of the participating companies or in certain other circumstances.

The guaranteed obligations represent all present and future obligations (actual or contingent) of each participating employer to make payments to the Plan up to a maximum amount that is equal to the lowest non-negative amount which, when added to the assets of the Plan, would result in the Plan being at least 105% funded on the date on which any liability under the guarantee crystallised based on an actuarial valuation of the Plan carried out on that date.

The principal financial assumptions used in the updated actuarial valuations at 30 September 2010 and 30 September 2009 for the purpose of the accounting disclosures in this annual report were as follows:

	2010	2009
Long term rate of increase in pensionable salaries (note a)	**0.00%**	2.95%
Rate of increase of benefits in payment (note b)	**2.85%**	2.55%
Rate of increase of benefits in payment (note c)	**2.40%**	2.25%
Discount rate	**5.10%**	5.70%
Inflation assumption	**3.00%**	2.75%
Expected return on equities	**8.00%**	8.30%
Expected return on bonds	**5.10%**	5.70%
Expected return on cash	**0.50%**	0.50%
Expected return on property	**5.10%**	n/a

Notes:

(a) Pensionable pay has been frozen with effect from 5 April 2010.

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

(c) 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 reporting date. The assumed return on equities reflects an assumed allowance for the out-performance of these asset classes over UK Government bonds in the long-term. The rates of return are shown net of investment manager expenses. The expected return on property is based upon funds being invested in properties with high quality tenants for which the income stream is bond-like, and the return is expected to be similar to a portfolio of high quality corporate bonds.

34. 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 65:	Male 17.8 years	Female 20.1 years
Future pensioner when aged 65:	Male 19.5 years	Female 21.4 years

The amount recognised in the consolidated statement of financial position in respect of the defined benefit plan for the current year and the previous four years is as follows:

	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of Plan assets:					
Equities	**720,782**	598,215	602,009	818,840	740,951
Bonds	**378,404**	505,992	606,637	715,815	692,262
Property	**130,906**	—	—	—	—
Cash	**1,685**	60,458	7,650	10,146	7,567
Insurance policies	**12,066**	14,099	16,732	23,046	26,830
	1,243,843	1,178,764	1,233,028	1,567,847	1,467,610
Present value of funded obligations	**(1,423,147)**	(1,368,316)	(1,473,599)	(1,845,046)	(1,879,386)
Net liabilities recognised	**(179,304)**	(189,552)	(240,571)	(277,199)	(411,776)

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

	2010	2009
	HK$'000	HK$'000
Current service cost	**2,599**	4,193
Past service credit	**—**	(21,471)
Curtailment gain	**(6,371)**	(2,210)
Expected return on assets	**(79,592)**	(75,111)
Interest cost	**74,379**	84,097
Net pension credit	**(8,985)**	(10,502)

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

34. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2010 **HK$'000**	2009 HK$'000
At 1 October	**1,368,316**	1,473,599
Currency realignment	**(17,800)**	(198,864)
Current service cost	**2,599**	4,193
Past service credit	**—**	(21,471)
Curtailment gain	**(6,371)**	(2,210)
Interest cost	**74,379**	84,097
Member contributions	**2,604**	3,084
Benefit payments	**(71,188)**	(73,844)
Actuarial losses	**70,608**	99,732
At 30 September	**1,423,147**	1,368,316

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

	2010 **HK$'000**	2009 HK$'000
At 1 October	**1,178,764**	1,233,028
Currency realignment	**(14,672)**	(175,273)
Employer contributions	**16,495**	22,562
Expenses	**—**	985
Member contributions	**2,604**	3,084
Expected return on assets	**79,592**	75,111
Benefit payments	**(71,188)**	(73,844)
Actuarial gains	**52,248**	93,111
At 30 September	**1,243,843**	1,178,764

The actual return on the Plan assets was a gain of approximately HK$131,840,000 (2009 - HK$168,222,000).

34. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2010	2009
	HK$'000	HK$'000
Actuarial loss	**(18,360)**	(6,621)

The total cumulative amount of actuarial gains recognised in the consolidated statement of comprehensive income, before tax is HK$79,381,000 (2009 - HK$97,741,000).

The history of experience adjustments is as follows:

	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Present value of defined benefit obligation	**(1,423,147)**	(1,368,316)	(1,473,599)	(1,845,046)	(1,879,386)
Fair value of Plan assets	**1,243,843**	1,178,764	1,233,028	1,567,847	1,467,610
Deficit	**(179,304)**	(189,552)	(240,571)	(277,199)	(411,776)
Experience gain/(loss) adjustment on Plan liabilities	**—**	—	—	219,726	(29,620)
Experience gain/(loss) adjustment on Plan assets	**52,248**	93,111	(84,141)	(92,330)	18,964

The actuarial valuation showed that the market value of the Plan assets at 30 September 2010 was HK$1,243,843,000 (2009 - HK$1,178,764,000) and that the actuarial value of these assets represented 87% (2009 - 86%) of the benefits that had accrued to members. The shortfall of HK$179,304,000 (2009 - HK$189,552,000) is to be cleared in accordance with current UK pensions legislation and after consultation with, and agreement by, the Trustees of the Plan.

35. 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 2008	12,578	(18,538)	67,360	10,086	3,773	75,259
(Charged)/credited to consolidated income statement (note 11)	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 other comprehensive income	—	—	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
(Charged)/credited to consolidated income statement (note 11)	683	960	(8,760)	631	(2,144)	(8,630)
Recognition of actuarial loss on retirement benefit obligation in other comprehensive income	—	—	5,139	—	—	5,139
Currency realignment	(180)	430	(1,068)	(47)	(80)	(945)
At 30 September 2010	12,522	(14,692)	48,386	8,982	3,577	58,775

For the purposes of presentation in the statement of financial position, 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.

	2010 HK$'000	2009 HK$'000
Deferred tax liabilities	**(16,466)**	(18,001)
Deferred tax assets	**75,241**	81,212
	58,775	63,211

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 27% (2009 - 28%). Legislation formally enacted during the year has had the effect of reducing the effective tax rate from 28% to 27% from April 2011. Included in the HK$8,630,000 charge for the year is a charge of HK$2,875,000 to reflect this change in tax rates.

35. DEFERRED TAX *(Continued)*

At the reporting 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:

	2010	2009
	HK$'000	HK$'000
Unused tax losses	**440,429**	409,444
Capital losses	**124,384**	215,295
Other temporary differences	**36,601**	7,483
Other tax credits	**360,904**	366,120
	962,318	998,342

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 and Singapore and can be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and associate established in Mainland China in respect of earnings generated from 1 January 2008.

As at 30 September 2010 and 30 September 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries and associate established in Mainland China. In the opinion of Directors, it is not probable that these subsidiaries and associate will distribute their earnings accrued after 1 January 2008 in the foreseeable future. The aggregate amount of temporary differences associated with investment in subsidiaries and associate in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$253,000 and HK$18,000 at 30 September 2010 and 30 September 2009 respectively.

36. SHARE CAPITAL

Ordinary shares of HK$0.10 each

	2010		2009	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Authorised:				
At 1 October and 30 September	**1,500,000,000**	**150,000,000**	1,500,000,000	150,000,000
Issued and fully paid:				
At 1 October	**984,000,000**	**98,400,000**	720,000,000	72,000,000
Share options exercised (note a)	**7,852,107**	**785,210**	—	—
Consideration shares (note b)	**—**	**—**	100,000,000	10,000,000
Rights Issue (note c)	**—**	**—**	164,000,000	16,400,000
At 30 September	**991,852,107**	**99,185,210**	984,000,000	98,400,000

(a) In November 2009, August 2010 and September 2010 the Company approved the exercise of 762,000, 762,443 and 3,812,221 Share Options, respectively, under the 2004 Share Option Scheme. In September 2010, the Company approved the exercise of 2,515,443 Share Options under the 1994 Share Scheme.

(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 5 August 2009, the Company completed a Rights Issue of 164,000,000 Rights Shares of HK$0.10 each at 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.

37. 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 HKEx 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 will not exceed 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 ceases to be an eligible participant pursuant to the 1994 Scheme before the options are vested or 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 were adjusted at 30 September 2009. The number of share options had increased from 6,000,000 to 6,288,608 and the exercise price was 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:

	Outstanding at 1 October 2009	Exercised during the year	**Outstanding at 30 September 2010**
Mr. Brian C Beazer	2,515,443	(2,515,443)	**—**
Mr. Simon N Hsu	3,773,165	—	**3,773,165**
	6,288,608	(2,515,443)	**3,773,165**

Full details of the closing price of the securities immediately before the date on which the options were exercised are disclosed in note 38 to these financial statements.

37. 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 will not exceed 10 years from the date of grant. Options granted to a participant are lapsed if the participant ceases to be an eligible participant pursuant to the 2004 Scheme before the options are vested or 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 were adjusted at 30 September 2009.

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 October 2009	Exercised during the year	Lapsed during the year	**Outstanding at 30 September 2010**
Directors	28.9.2004	0.193	7,212,311	(2,060,660)	—	**5,151,651**
	20.12.2004	0.198	6,130,462	(1,751,561)	—	**4,378,901**
Other employees	28.9.2004	0.193	2,060,655	(824,131)	(131)	**1,236,393**
	20.12.2004	0.198	1,751,560	(700,312)	(311)	**1,050,937**
			17,154,988	(5,336,664)	(442)	**11,817,882**

37. SHARE OPTIONS *(Continued)*

The options granted on 28 September 2004 and 20 December 2004 vest 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.

Full details of the closing price of the securities immediately before the date on which the options were exercised are disclosed in note 38 to these financial statements.

38. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for both the current and prior years are presented in the consolidated statement of changes in equity on page 52 of the financial statements.

Share premium account

The application of the share capital account is governed by Sections 48B and 49H, respectively, of the Hong Kong Companies Ordinance.

The movement on the share premium account is as follows:

	2010 **HK$'000**	2009 HK$'000
At 1 October	**38,808**	15,569
Excercise of share options (note a)	**976**	—
Transfer from share option reserve on exercise of options	**266**	—
Issue of shares at a premium (note b)	**—**	17,000
Rights Issue shares at a premium (note c)	**—**	6,239
At 30 September	**40,050**	38,808

(a) The following share options have been exercised during the year:

Date	**Number of options exercised**	**Excercise price HK$**	**Share premium HK$'000**	**Closing price prior to exercise HK$**
November 2009	412,000	0.193	38	0.45
November 2009	350,000	0.198	34	0.45
August 2010	412,131	0.193	38	0.34
August 2010	350,312	0.198	34	0.34
September 2010	2,515,443	0.286	468	0.37
September 2010	1,751,561	0.198	172	0.37
September 2010	2,060,660	0.193	192	0.37
	7,852,107		976	

38. RESERVES *(Continued)*

(a) GROUP *(Continued)*

Share premium account (Continued)

(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 5 August 2009 the Company completed a Rights Issue comprising 164,000,000 Rights Shares of HK$0.10 each at 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.

Treasury Share Reserve

During the year the Company obtained at nil cost 14,500,000, of its own HK$0.10 shares with a value of HK$5,365,000 at 30 September 2010. The relevant shares are available for resale and have been included in a Treasury Share Reserve, shown as a component of Capital and Reserves.

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 the consolidated income statement over the remaining vesting period, with a corresponding adjustment to share options reserve.

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

Capital Reserve

The capital reserve represents a reserve arising on a Group reorganization carried out in 1994.

Translation Reserve

The translation reserve comprises the exchange differences arising on the translation of the financial statements of foreign operations.

Hedging Reserve

The hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of hedging reserve will be reclassified to the income statement only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

38. RESERVES *(Continued)*

(a) GROUP *(Continued)*

Investment Revaluation Reserve

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to the income statement when those assets have been disposed of or are determined to be impaired.

(b) COMPANY

	Share premium HK$'000	Treasury share reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contribution surplus HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2008	15,569	—	794	1,442	70,911	(3,465)	(66,253)	18,998
Profit for the year	—	—	—	—	—	—	11,113	11,113
Change in fair value	—	—	—	—	—	3,465	—	3,465
Dividends paid	—	—	—	—	—	—	(7,700)	(7,700)
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
Loss for the year	—	—	—	—	—	—	(23,652)	(23,652)
Dividends paid	—	—	—	—	—	—	(4,924)	(4,924)
Treasury shares (note 38)	—	(5,365)	—	—	—	—	—	(5,365)
Excercise of share options	1,242	—	(266)	—	—	—	—	976
	1,242	(5,365)	(266)	—	—	—	(28,576)	(32,965)
At 30 September 2010	40,050	(5,365)	528	1,442	70,911	—	(91,416)	16,150

The contribution surplus represents the difference between the book values of the underlying assets of one of the Company's subsidiaries, Pantronics Holdings Limited, and its subsidiaries at the date on which the shares of these companies were acquired, and the nominal amount of the share capital issued by the Company under the Group reorganization in 1994.

In addition to accumulated profits, under company law in Bermuda, the contribution surplus account of a company is also available for distribution. However, the Company cannot pay or declare a dividend, or make a distribution out of contribution surplus if: it is, or would after the payment be, unable to pay its liabilities as they become due; or 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.

39. ACQUISITION OF A SUBSIDIARY

(a) On 10 March 2010, the Company, through its UK-based subsidiary, Bowers Group plc, acquired the entire share capital of Baty International Ltd (formerly known as Quality Measurement Limited),("Baty"), a company incorporated in the United Kingdom and engaged in the design and manufacturing of precision measuring instruments. The acquisition of Baty will allow the Group to expand its vision-based measurement systems as well as complementing existing products within the Metrology division.

The consideration for the acquisition amounted to HK$10,854,000, comprising HK$6,886,000 in cash and deferred consideration capped at HK$3,968,000, payable over a four year period. The deferred compensation is computed based on the annual audited post-tax profits of Baty over a four year period commencing 1 October 2009. The Directors consider that the necessary pre-tax profits required to generate the deferred consideration will be achievable.

Acquisition related costs of HK$772,000 are included in the consolidated income statement.

Goodwill of HK$2,252,000 arose on the acquisition, reflecting Baty's strong position within the metrology industry, its brand strength and diversity and expected synergies that the acquisition is anticipated to offer within the Group's existing Metrology division.

The fair value of trade and other receivables is HK$6,513,000 and includes trade receivables with a fair value of HK$4,785,000. The gross contractual amount for trade receivables due is HK$4,972,000, of which HK$187,000 is expected to be uncollectible.

The acquired business contributed revenues of approximately HK$17,613,000 and a net profit of HK$2,317,000 in the period from acquisition to 30 September 2010. If the acquisition had taken place on 1 October 2009, the Group's revenue from continuing operations would have been approximately HK$1,156,111,000 and the net profit for the year from continuing operations would have been approximately HK$27,751,000. 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 2009, nor is it intended to be a projection of future results.

39. ACQUISITION OF A SUBSIDIARY *(Continued)*

	Carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	455	(117)	338
Available-for-sale financial assets	245	—	245
Inventories	4,855	(525)	4,330
Trade and other receivables	6,571	(58)	6,513
Cash and cash equivalents	1,450	—	1,450
Trade and other payables	(4,216)	(58)	(4,274)
	9,360	(758)	8,602
Goodwill on acquisition			2,252
Less: deferred consideration			(3,968)
Total consideration satisfied by cash			6,886
Net cash outflow arising on acquisition:			
Cash consideration paid			(6,886)
Legal and professional fees			(772)
Cash and cash equivalents acquired			1,450
			(6,208)

(b) 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 HKEx 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 values. This discount reflects the impact on the purchase price of the depressed nature of financial markets and the world-wide economic recession at that time.

The acquired business contributed revenues 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 from continuing operations for the year then ended would have been approximately HK$999,615,000 and the net profit for the year from continuing operations then ended would have been approximately HK$3,241,000. 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.

39. 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)

(c) 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.

(d) In addition to the HK$10,404,000 discount on acquisition referred to in note (b) above, a further HK$212,000 of excess acquisition cost provisions in relation to the acquisition of Jade Precision Engineering Pte Ltd. in July 2008, have been credited to the consolidated income statement in the year to 30 September 2009.

40. 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$7,783,000 (2009 - HK$3,929,000) (note 16).

41. PLEDGE OF ASSETS

At the reporting date, the Group has pledged bank deposits of HK$5,000,000 (2009 - HK$5,000,000) (note 26) to certain banks to secure credit facilities granted by those banks to the extent of approximately HK$13,900,000 (2009 - HK$13,900,000).

Land and buildings with a net carrying value of approximately HK$32,500,000 (2009 - HK$31,000,000), which for 30 September 2010 consolidated financial statement disclosure purposes, have been included within assets classified as held for sale (note 28), have been pledged to secure general banking facilities granted to the Group's subsidiary, Jade Precision Engineering Pte Ltd.

The banking facilities of the UK subsidiaries of Spear & Jackson comprise a £6,000,000 Sterling (approximately HK$73,000,000) composite facility comprising confidential invoice discounting, an overdraft and a short-term loan. This facility is secured by certain trade receivables in the UK trading operations of Spear & Jackson, by fixed and floating charges on the assets and undertakings of Spear & Jackson and its trading subsidiaries and by a first fixed charge on the Group's freehold properties in the United Kingdom. The amount drawn down under the confidential invoice facility at 30 September 2010 was HK$26,806,000 (2009 - HK$16,638,000) which is secured against trade debts of the same amount in the Spear & Jackson UK trading subsidiaries. The amount drawn down under the overdraft facility at 30 September 2010 was HK$269,000 (2009 - HK$nil). The amount drawn down under the short-term loan at 30 September 2010 was HK$12,212,000 (2009 - HK$nil). The net book value of the Group's UK freehold properties at 30 September 2010 is approximately HK$111,750,000 over which there is a first fixed charge of approximately HK$65,600,000.

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$46,000,000) (2009 - HK$48,600,000) of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, the UK (note 34).

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

	Note	**2010** HK$'000	2009 HK$'000
Net increase/(decrease) in cash and cash equivalents for the year		**4,802**	(15,082)
Effect of foreign exchange rates		**1,160**	(1,901)
Net movement in cash and cash equivalents		**5,962**	(16,983)
Repayment of bank borrowings and shareholder loans		**33,171**	27,833
New bank and shareholder loans raised		**(31,255)**	(34,000)
Increase in invoice discounting facility		**(10,000)**	(14,253)
Net cash (inflow)/outflow from export loans		**(5,263)**	35,857
Others		**301**	1,504
Net borrowings at the beginning of the period		**(22,990)**	(22,948)
Net borrowings at the end of the period		**(30,074)**	(22,990)
Represented by:			
Pledged bank deposits	26	**5,000**	5,000
Cash and cash equivalents	27	**114,029**	107,203
Interest-bearing bank borrowings - amounts due within one year	30	**(101,256)**	(101,691)
Obligations under finance leases - amounts due within one year	31	**(4,753)**	(6,941)
Interest-bearing bank borrowings - amounts due after one year	30	**(24,014)**	(20,600)
Obligations under finance leases - amounts due after one year	31	**(4,534)**	(5,961)
Amounts included in assets and liabilities classified as held for sale:	28		
Cash and cash equivalents		**2,181**	—
Bank overdrafts		**(5,872)**	—
Other interest-bearing bank borrowings		**(8,460)**	—
Obligations under finance leases		**(2,395)**	—
		(30,074)	(22,990)

43. CONTINGENT LIABILITIES

The Group is, from time to time, subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to personal injury claims, customer contract matters, employment claims and environmental matters.

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

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities including lawsuits, the Directors of the Company believe that the aggregate amount of such liabilities, if any, in excess of amounts accrued or covered by insurance, will not have a material adverse effect on the consolidated financial position or results of operations of the Group.

44. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$99,966,000 (2009 - HK$111,629,000) 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 reporting date, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was not probable that the repayments of any loans or facilities would be in default.

45. CAPITAL COMMITMENTS

	2010 **HK$'000**	2009 HK$'000
Committed but not contracted for:		
Property, plant and equipment	**12,395**	—
Contracted but not provided for:		
Capital contribution payable to a PRC wholly-owned subsidiary	**19,865**	—
	32,260	—

46. OPERATING LEASE COMMITMENTS

The Group as Lessee

At the reporting 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:

	2010	2009
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**7,853**	12,188
In the second to fifth years inclusive	**30,120**	26,647
Over five years	**29,880**	26,816
	67,853	65,651

Operating lease payments represent rentals payable by the Group for its office properties and factories. The leases run for an initial period of 1 to 86 years, with options to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and the respective landlords. None of the leases contain contingent rentals.

In respect of non-cancelable operating lease commitments, the following liabilities have been recognised:

	2010	2009
	HK$'000	HK$'000
Onerous lease contracts (note 32)		
Within one year	**8,487**	5,650
In the second to fifth years inclusive	**1,698**	7,173
	10,185	12,823

The Group as Lessor

At the reporting date, the Group had contracted with tenants for the following minimum lease payments:

	2010	2009
	HK$'000	HK$'000
Within one year	**—**	1,103
In the second to fifth years inclusive	**830**	297
Over five years	**5,654**	5,079
	6,484	6,479

Operating lease income represents the rentals receivable by the Group for its leased properties under sub-lease agreements. The leases run for an initial period of 1 to 86 years, with options to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants.

47. RELATED PARTY TRANSACTIONS

Eclipse Magnetics Limited, a subsidiary undertaking of United Pacific Industries Limited, purchases manufactured products directly from Ningbo Hi-tech Assemblies Co. Ltd ("Ningbo Hi-tech"), a company in which it has a 25% interest (note 21). In the year ended 30 September 2010, goods to the value of approximately HK$21,000,000 (2009 - HK$17,000,000) were purchased from Ningbo Hi-tech.

Mr. Brian C Beazer, the former 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 34.

Other than the emoluments paid to the Directors of the Company, as disclosed in note 10, who are also considered as the key management of the Group and the points referred to above, the Group has not entered into any other related party transactions.

48. FINANCIAL RISK MANAGEMENT AND POLICIES

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

Foreign currency risk

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

The Group's principal operating subsidiaries carry out their operations in the PRC (including Hong Kong), Singapore, UK, France and Australasia. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the selling and purchase of products. As a consequence of the various trading activities, certain trade receivables and borrowings of the Group are denominated in foreign currencies. The Group has a formal hedging policy which seeks 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.

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

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.

	2010 Group		**2010 Company**	
	Euro	**US$**	**Euro**	**US$**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Trade receivables	**5,264**	**47,927**	**—**	**—**
Cash and cash equivalents	**5,141**	**4,135**	**—**	**—**
Trade payables	**(3,908)**	**(34,431)**	**—**	**—**
Borrowings	**(183)**	**(16,267)**	**—**	**—**
Gross exposure arising from recognised financial assets and liabilities	**6,314**	**1,364**	**—**	**—**
Notional amounts of forward foreign exchange contracts	**(213)**	**(45,538)**	**—**	**—**

	2009 Group		2009 Company	
	Euro	US$	Euro	US$
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	1,557	46,175	—	—
Cash and cash equivalents	1,449	—	—	—
Trade payables	(1,238)	(13,674)	—	—
Borrowings	—	(9,679)	—	—
Gross exposure arising from recognised financial assets and liabilities	1,768	22,822	—	—
Notional amounts of forward foreign exchange contracts	—	(14,995)	—	—

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 30. 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$2.0 million (2009 - HK$16.2 million). If there was a 1% increase/decrease, the net interest costs would increase/decrease by approximately HK$0.9 million (2009 - HK$2.7 million).

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

Equity price risk

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

Fair value risk

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

Credit risk

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current assets:				
Derivative finacial instruments	**637**	2,345	**637**	2,345
Cash and cash equivalents	**114,029**	107,203	**15,321**	37,316
Pledged bank deposits	**5,000**	5,000	**—**	—
Trade receivables	**244,157**	233,601	**—**	—
Amounts due from subsidiaries	**—**	—	**207,860**	211,012
	363,823	348,149	**223,818**	250,673

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 2010, trade receivables of HK$78,950,000 (2009 - HK$63,487,000) 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 trade receivables 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.

48. 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 reporting date to the contractual maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

At 30 September 2010

GROUP

	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	Total undiscounted amount or on demand HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities:				
Trade payables	145,812	—	145,812	145,812
Other payables and accruals	82,065	—	82,065	82,065
Interest-bearing bank borrowings	104,620	25,960	130,580	125,270
Obligations under finance leases	5,550	4,795	10,345	9,287
	338,047	30,755	368,802	362,434
Derivative financial liabilities:				
Gross settled forward foreign exchange contracts:				
– cash inflow	51,724	—	51,724	
– cash outflow	(53,221)	—	(53,221)	
	(1,497)	—	(1,497)	

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

Liquidity risk *(Continued)*

At 30 September 2010

COMPANY

	Within one year or on demand HK$'000	**More than one year but less than five years HK$' 000**	**Total undiscounted amount or on demand HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities:				
Other payables and accruals	**5,944**	**—**	**5,944**	**5,944**
Issued financial guarantee contracts	**99,966**	**—**	**99,966**	**—**
Amounts due to subsidiaries	**228,209**	**—**	**228,209**	**228,209**
	334,119	**—**	**334,119**	**234,153**

At 30 September 2009

GROUP

	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	Total undiscounted amount or on demand HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities:				
Trade payables	84,930	—	84,930	84,930
Other payables and accruals	114,192	—	114,192	114,192
Interest-bearing bank borrowings	103,739	21,975	125,714	122,291
Obligations under finance leases	7,342	6,888	14,230	12,902
	310,203	28,863	339,066	334,315
Derivative financial liabilities:				
Gross settled forward foreign exchange contracts:				
– cash inflow	19,455	—	19,455	
– cash outflow	(18,426)	—	(18,426)	
	1,029	—	1,029	

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

Liquidity risk *(Continued)*

At 30 September 2009

COMPANY

	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	Total undiscounted amount or on demand HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities:				
Other payables and accruals	5,397	—	5,397	5,397
Interest-bearing bank borrowings	186	—	186	186
Amounts due to subsidiaries	222,853	—	222,853	222,853
Issued financial guarantee contracts	111,629	—	111,629	—
	340,065	—	340,065	228,436

Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities presented in the consolidated statement of financial position relates to the following categories:

Financial assets:

	Group		**Company**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Loans and receivables:				
Cash and cash equivalents	**114,029**	107,203	**15,321**	37,316
Pledged bank deposits	**5,000**	5,000	**—**	—
Trade and other receivables	**255,834**	249,448	**852**	476
Amounts due from subsidiaries	**—**	—	**207,860**	211,012
Available-for-sale financial assets:				
Unlisted equity investments	**879**	632	**—**	—
Financial assets at fair value through profit or loss:				
Derivative financial instruments	**637**	2,345	**637**	2,345
	376,379	364,628	**224,670**	251,149

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

Categories of financial assets and liabilities *(Continued)*

Financial liabilities:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities measured at amortised cost:				
Trade and other payables	**227,877**	199,122	**5,944**	5,397
Interest-bearing bank borrowings	**125,270**	122,291	**—**	186
Obligations under finance leases	**9,287**	12,902	**—**	—
Provision for onerous contracts	**10,185**	12,823	**—**	—
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	**3,359**	1,029	**—**	—
Amounts due to subsidiaries	**—**	—	**228,209**	222,853
	375,978	348,167	**234,153**	228,436

Fair value measurements recognised in the statement of financial position

The Group has adopted the amendments to HKFRS 7, Improving Disclosures about Financial Instruments, which introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparatives have been presented.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities as follows:

— Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

— Level 3: inputs for the asset or liability that are not based on observable market data.

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

Fair value measurements recognised in the statement of financial position *(Continued)*

The level in the fair value hierarchy within which the financial asset or liability is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities are measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

GROUP

	2010			
	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Assets:				
Forward foreign exchange contracts	—	637	—	637
Liabilities:				
Forward foreign exchange contracts	—	3,359	—	3,359
Net fair value	—	(2,722)	—	(2,722)

COMPANY

	2010			
	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Assets:				
Forward foreign exchange contracts	—	637	—	637
Liabilities:				
Forward foreign exchange contracts	—	—	—	—
Net fair value	—	637	—	637

49. CAPITAL MANAGEMENT POLICIES AND RISK

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

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

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

	2010 **HK$'000**	2009 HK$'000
Total net debt	**30,074**	22,990
Total capital	**351,639**	369,735
Gearing ratio	**8.55%**	6.22%

50. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised), Presentation of Financial Statements, certain comparative figures have been adjusted to conform to the current year's presentation. In addition, the comparative consolidated income statement has been restated in respect of the discontinued operation set out in note 13 to the financial statements as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

51. EVENTS SINCE THE REPORTING DATE

On 31 December 2010, the Company entered into an agreement for the sale of its 100% equity interest in Jade Precision Engineering Pte Ltd. ("Jade") to Rokko Holdings Ltd. ("Rokko"), an independent third party, for a total consideration of S$8 million (equivalent to approximately HK$45.2 million, after applicable costs on disposal), payable in cash.

Jade was acquired by the Company in July 2008 and is principally involved in the manufacture and distribution of stamped, etched and plated leadframes for the semi-conductor industry.

The sale is expected to conclude on or before 28 February 2011 following an EGM convened by Rokko at which shareholder approval for the acquisition will be sought. An irrecovable undertaking has been received from Rokko's majority shareholder, holding 68% of that company's share capital, to vote in favour of the acquisition.

In the financial statements for the year ended 30 September 2010, Jade has accordingly been presented as a discontinued operation and as an asset held for sale.

Financial Summary

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$'000	**2010 HK$'000**
Turnover	454,339	390,189	1,402,305	1,411,718	962,622	**1,145,529**
Cost of sales	(392,599)	(335,056)	(1,060,451)	(1,036,923)	(711,786)	**(807,472)**
Gross profit	61,740	55,133	341,854	374,795	250,836	**338,057**
Other income	2,482	4,916	15,225	21,844	9,817	**24,578**
Selling and distribution costs	(3,140)	(31,590)	(219,314)	(235,091)	(167,666)	**(191,733)**
Administrative costs	(40,043)	(33,599)	(93,099)	(107,338)	(63,409)	**(100,704)**
Gain arising from changes in fair value of investment properties	1,000	—	—	—	—	**—**
Restructuring costs	—	—	—	(13,604)	(6,779)	**(21,047)**
Other non-operating costs	—	—	—	—	—	**(2,015)**
Gain on sale of a subsidiary	—	—	—	23	—	**—**
Gain on sale of land and buildings	—	—	1,447	—	—	**—**
Finance costs	(2,028)	(2,533)	(8,773)	(12,265)	(16,454)	**(6,915)**
Share of results of an associate	—	236	1,528	1,525	664	**1,959**
Costs on acquisition of a subsidiary	—	—	—	—	—	**(772)**
Cash flow hedge recycled from other comprehensive income	—	—	—	—	—	**(1,502)**
Discount on acquisition of a subsidiary	—	26,200	60,095	46,674	10,616	**—**
Impairment loss on available-for-sale financial assets	—	—	—	—	(3,813)	**—**
Profit before tax from continuing operations	20,011	18,763	98,963	76,563	13,812	**39,906**
Income tax (charge)/credit	(4,357)	815	(7,581)	(5,176)	(6,587)	**(12,877)**
Profit for the year/period from continuing operations	15,654	19,578	91,382	71,387	7,225	**27,029**
Net result from discontinued operation	—	—	—	(4,713)	(6,441)	**(30,608)**
Profit/(loss) for the year/period	15,654	19,578	91,382	66,674	784	**(3,579)**

RESULTS *(Continued)*

	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$'000	**2010 HK$'000**
Attributable to:						
Owners of the Company	15,654	19,009	76,370	66,674	784	**(3,579)**
Minority interests	—	569	15,012	—	—	**—**
	15,654	19,578	91,382	66,674	784	**(3,579)**
Dividends paid	—	—	—	3,000	7,700	**4,924**
Earnings/(loss) per share from continuing and discontinued operations						
Basic	2.81 cents	3.41 cents	11.28 cents	10.03 cents	0.09 cents	**(0.36 cents)**
Diluted	N/A	N/A	11.19 cents	9.94 cents	N/A	**N/A**
Earnings per share from continuing operations						
Basic	2.81 cents	3.41 cents	11.28 cents	10.03 cents	0.86 cents	**2.75 cents**
Diluted	N/A	N/A	11.19 cents	9.94 cents	N/A	**2.74 cents**

ASSETS AND LIABILITIES

	At 31 March 2006 HK$'000	At 30 September 2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
Total assets	272,312	1,035,440	1,062,943	1,088,795	929,614	**980,887**
Total liabilities	(99,738)	(808,612)	(725,748)	(720,518)	(559,879)	**(629,248)**
	172,574	226,828	337,195	368,277	369,735	**351,639**
Equity attributable to:						
Owners of the Company	172,574	182,817	337,195	368,277	369,735	**351,639**
Minority interests	—	44,011	—	—	—	**—**
	172,574	226,828	337,195	368,277	369,735	**351,639**

United Pacific Industries
聯 太 工 業

Tel : (852) 2802 9988 Fax : (852) 2802 9163
Websites: www.upi.com.hk, www.irasia.com/listco/hk/upi