United Pacific Industries
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Stock Code: 176

Interim Report
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United Pacific Industries

United Pacific Industries Limited
(Incorporated in Bermuda with limited liability)
(stock code : 00176)

Website: www.irasia.com/listco/hk/upi

Chairman's Statement

Interim Results - 31 March 2011

Our half year results to 31 March 2011 reflect the continued gradual improvement in overall world economic conditions.

After removing the results of Jade Precision Engineering Pte Ltd., our Singapore-based leadframes business ("Jade"), which we sold in the period, revenues from our continuing operations were HK$607.7 million, an improvement of 12.7% when compared to last year. Profit before tax from continuing operations was HK$20.9 million this year compared to HK$6.9 million last year, an improvement of 203%.

One year ago we advised Shareholders that our Board had set up a Strategic Review Committee made up of independent directors to review our operations and to recommend changes or rationalizations where deemed appropriate. In February 2011 we announced the completion of the sale of Jade for HK$48.2 million in cash. The Committee's review determined that this loss-making business would require significant changes and capital expenditure to attempt a turn-around with an uncertain outcome. We are very pleased with this sale which has strengthened our balance sheet and improved our overall profitability.

When I assumed the role as Chairman of the Group a little less than a year ago, our CEO, Henry Lim, and I agreed that we should make cash generation and balance sheet improvement our highest priority. This message was conveyed to all divisional and head office management and this goal was carried out in earnest. Our CEO and his management team deserve to be very proud of what they have accomplished in this short time.

In the six months to 31 March 2011, the Group generated excellent net cash inflows of HK$40.2 million. This net inflow includes the HK$48.2 million proceeds from the sale of Jade, positive operational cash flows of HK$31.3 million less approximately HK$36.2 million of capital expenditure, inventory build and restructuring spend, most of which was in connection with the relocation of our UK hacksaw blade manufacturing operation to the PRC, and taxation, interest and other payments of HK$3.1 million.

As a result of this cash flow, our balance sheet is the strongest it has been in recent years. Put simply, United Pacific Industries Limited has no net debt. At 31 March this year we had net cash of HK$24.7 million compared to a net debt of HK$15.5 million as at 30 September 2010. This is an outstanding improvement.

Now that our balance sheet has been put in shape, we can continue to focus on improving operations and to place emphasis on seeking strategic opportunities which can add value to the Group. We have said that many of our lines of business are in highly competitive areas characterized by over-capacity and low margins. We cannot change the basic nature of any business but, so long as a business is part of our Group, we will seek to constantly reduce costs, where possible, and develop new and innovative products which carry higher margins. And, of course, if we see some significant opportunity to enter a new area we will be able to consider it.

At the end of December 2010 Mr. Teo Ek Tor, who had been a director for many years, resigned to spend more time on other commitments. We would like to thank Mr. Teo for his many contributions to our Group over the years. His dedication to helping us will be greatly missed.

At our Annual General Meeting in March, our Shareholders, at the recommendation of the Board, approved the re-appointment of two new directors, Mr. Chan Kin Sang and Mr. Liu Ka Lim. We are delighted that these highly qualified candidates were re-elected and look forward to gaining their insights as we work together to build value to the Group.

There is still a lot of economic uncertainty in the world. As this is being written, there is rightful concern over inflation in China and India. In addition, certain countries in Europe, principally Greece, Portugal, Ireland and Spain, are financially precarious. However, we remain optimistic. We believe that the worst is behind us and that conditions will continue to improve, albeit slowly. In this connection, barring any unforeseen negative events, United Pacific Industries Limited should deliver good results in the second half of Fiscal 2011.

David H Clarke
Chairman
United Pacific Industries Limited

26 May 2011

Financial Highlights

- Sale of loss-making leadframes business concluded in the period for HK$48.2 million in cash. The results of this business shown as a discontinued operation in the current and prior period.
- Revenue from continuing operations increased by 12.7% to HK$607.7 million. Rising sales across all divisions with the exception of Consumer Electronics following delays in the launch of a new digital product range.
- Operating profit (i.e. result before restructuring costs, finance costs, share of associate's profits, other non-operating items and taxation) of HK$24.1 million, an improvement of HK$1.5 million compared to the operating profit of HK$22.6 million in the prior period.
- Restructuring costs of HK$7.0 million (2010 – HK$15.7 million) principally relating to continuing costs in respect of the relocation of the Group's UK hacksaw blade manufacturing plant to the PRC.
- Profit before tax from continuing operations of HK$20.9 million compared to a profit before tax of HK$6.9 million for the same period last year.
- Tax charge for the current period of HK$8.4 million, an increase of HK$1.3 million over the prior period.
- Post-tax profit from continuing operations of HK$12.5 million compared to a loss of HK$0.2 million in the prior period.
- Net profit from discontinued operation of HK$4.3 million (2010 - loss of HK$4.3 million) with credit disposal adjustments off-set by trading losses in the period.
- Profit from continuing and discontinued operations of HK$16.8 million (2010 – loss of HK$4.5 million).
- Zero gearing at 31 March 2011 with net cash of HK$24.7 million (30 September 2010 net-borrowings in continuing operations of HK$15.5 million).

- Net asset value of HK$506.8 million, an increase of HK$155.2 million compared to 30 September 2010 driven by increased profitability and reductions in the UK pension liability.
- In the six months ended 31 March 2011, the basic earnings per share from continuing operations was 1.261 HK cents (2010 – loss of 0.023 HK cents) and the basic earnings per share from combined continuing and discontinued operations was 1.699 HK cents (2010 – loss of 0.457 HK cents).

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)*

Non-executive Directors:

Mr. Chan Kin Sang
Mr. Liu Ka Lim

Independent Non-executive Directors:

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

Audit Committee

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

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

Auditors

BDO Limited

Registered Office

Clarendon House
Church Street, Hamilton HM 11, Bermuda

Head Office and Principal Place of Business in Hong Kong

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199 Des Voeux Road Central, Hong Kong
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Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Bermuda Principal Share Registrar and Transfer Office

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamiltons HM11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

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

Business Review and Prospects

The following sets out the highlights of the financial results of United Pacific Industries Limited ("UPI" or the "Company") and its subsidiaries (together, the "Group") for the six months ended 31 March 2011 with the comparative figures for the six months ended 31 March 2010.

	Six months ended 31 March		
	2011	2010	Change
	HK$ million	HK$ million	HK$ million
	(unaudited)	(unaudited)	
Continuing operations:			
Revenue	**607.7**	539.0	68.7
Earnings before restructuring costs, finance costs, taxation, depreciation and amortisation	**34.2**	33.8	0.4
Depreciation and amortisation	**(10.1)**	(11.2)	1.1
Operating profit	**24.1**	22.6	1.5
Restructuring and other costs	**(7.0)**	(15.7)	8.7
Net finance credit/(cost)	**2.7**	(0.8)	3.5
Share of results of an associate	**1.1**	0.8	0.3
Profit before tax	**20.9**	6.9	14.0
Income tax charge	**(8.4)**	(7.1)	(1.3)
Profit/(loss) for the period from continuing operations	**12.5**	(0.2)	12.7
Profit/(loss) for the period from discontinued operation	**4.3**	(4.3)	8.6
Profit/(loss) for the period	**16.8**	(4.5)	21.3
Attributable to:			
Owners of the Company:			
Continuing operations	**12.5**	(0.2)	12.7
Discontinued operation	**4.3**	(4.3)	8.6
	16.8	(4.5)	21.3

Group Overview

Group Results

For the six months ended 31 March 2011, the Group recorded revenue of HK$607.7 million from continuing operations, an increase of 12.7% compared to the revenue of HK$539.0 million for the period ended 31 March 2010.

The Group generated an operating profit from continuing operations (i.e. result before restructuring costs, finance costs, share of associate's profits, other non-operating items and taxation) of HK$24.1 million in the six months ended 31 March 2011, an improvement of HK$1.5 million compared to the operating profit of HK$22.6 million in the prior period.

Restructuring costs of HK$7.0 million have been provided in the period including HK$5.4 million in relation to the relocation of the Group's UK hacksaw blade manufacturing plant to a newly formed PRC subsidiary company operating from bespoke leased premises in Jiangmen. The majority of the project relocation and restructuring costs were expensed in the year to 30 September 2010 but HK$5.4 million of costs that could not be accrued at that date have been expensed during the current period.

The tax charge in the six months ended 31 March 2011 was HK$8.4 million (2010 – HK$7.1 million).

The profit for the period attributable to continuing operations was HK$12.5 million (2010 – HK$0.2 million loss), an increase of HK$12.7 million over the prior period.

Earnings per share from continuing operations was 1.261 HK cents compared to a loss per share of 0.023 HK cents in the prior year.

On 31 December 2010, the Group entered into an agreement to sell its Singapore-based leadframes business, Jade Precision Engineering Pte Ltd. ("Jade"). The deal closed on 28 February 2011. The results of Jade are shown as a discontinued operation in the 2011 financial statements and the 2010 comparatives. The profit for the period from the discontinued operation was HK$4.3 million compared to a HK$4.3 million loss in the prior period. The current period result comprises a trading loss for the period of HK$6.7 million off-set by credits of HK$11.0 million relating to closing disposal adjustments to asset fair values.

After including the result from the discontinued operation, the total Group net profit for the period was HK$16.8 million compared to a net loss of HK$4.5 million in 2010.

The 2011 earnings per share from continuing and discontinued operations was 1.699 HK cents compared to a loss per share of 0.457 HK cents in the prior year.

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2011 (2010 - nil).

Liquidity and Financial Resources

As at the balance sheet date, the Group had cash and cash equivalents of HK$120.9 million (30 September 2010 - HK$97.6 million), comprising bank and cash balances of HK$147.2 million (30 September 2010 – HK$114.0 million) less certain bank overdrafts amounting to HK$26.3 million (30 September 2010 – HK$16.4 million). Total Group net cash (i.e. bank and cash balances less all bank and other debt) amounted to HK$24.7 million (30 September 2010 - net debt of HK$15.5 million).

The Group's net asset value was HK$506.8 million (30 September 2010 – HK$351.6 million), with a liquidity ratio (ratio of current assets to current liabilities) of 201.4% (30 September 2010 – 177.8%). At the reporting date, the Group had zero gearing (30 September 2010 – 4.4%).

During the period, there was no material change in the Group's funding and treasury policy. At 31 March 2011, the Group had sufficient levels of banking facilities from its major bankers to finance working capital requirements. In anticipation of further expenditure regarding the transfer of the hacksaw blade manufacturing plant to the PRC and the initial build of working capital for the new operation, a short-term loan of GBP 1.5 million (approximately HK$19.0 million) has been provided by the principal bankers in March 2011 repayable by 30 September 2011.

The Group is exposed to continuous fluctuations in currency values and raw material prices. These fluctuations can increase the costs of investing, financing and business operations. The Group manages the currency risks through the use of derivatives and other hedging operations. The Group adopts cautious financial measures to manage and minimize its exchange risk and, in this regard, the Group has endeavoured to use natural hedges, wherever possible, to match the currencies of its sales with those of its purchases in order to neutralize the effect of currency exposure, augmented, where necessary, by the execution of various exchange contracts.

Financial and Operations Review

The Board presents its report on the unaudited consolidated trading results for the half-year ended 31 March 2011.

Group Results

The Group's principal business entities operate in global markets where an already competitive trading environment has been made more challenging by rising raw material and labour costs and by volatile currency movements.

Despite these difficult operational conditions, in the six months ended 31 March 2011 the Group recorded a 12.7% increase in revenue, compared to the prior year, and a 6.6% improvement in operating profit.

Although certain individual units suffered from softening demand, on a divisional basis rising revenues were evident across all of the Group's operations with the only exception being the Consumer Electronics Division where the transitioning of its baby monitor range of products from an analogue to a digital version restricted sales in the period.

A divisional review of the Group's results is presented below.

Divisional Results

Tools Division

Neill Tools Ltd/Spear & Jackson Garden Products Ltd

The UK Hand and Garden business continued to experience difficult trading conditions, especially in its UK home market where economic uncertainties persist following the government's action to radically cut public spending.

The increasingly cautious approach of consumers has been reflected in sluggish retail demand that has caused certain of the division's multiple retailers to postpone key product promotions. The fragile state of the UK retail arena was demonstrated shortly after the current period end when one of the division's biggest customers in the home improvement sector went into administration. In addition, a high percentage of the Division's business activity relates to the construction industry and, until demand in this sector returns to its pre recessionary levels, sales will remain depressed.

In the comparable six month period of the prior year, sales were boosted by a one-time HK$4.4 million sale to a retail customer. Additionally, Easter is the start of the garden tools season and fell in March last year compared to late April in the current year which has impacted negatively on 2011 sales compared to the prior year. However, despite these timing issues and the difficult trading landscape, sales were only marginally adverse to those achieved in the period to 31 March 2010. Operating profit, however, was adversely affected by a one-time provision against trade receivables owed by the retail customer, which, as described above, went into administration in May 2011.

In November 2009 the division announced the relocation of its hacksaw blade manufacturing plant in Sheffield, England, to a newly formed PRC subsidiary company operating from bespoke leased premises in Jiangmen.

UK manufacture ceased in October 2010 and partial production will begin in the PRC at the end of Q3. Full manufacturing capacity is expected to be achieved in Q4 of the current fiscal year.

The majority of the project relocation and restructuring costs were provided at 30 September 2010 but HK$5.4 million of costs that could not be accrued at that date have been expensed during the current period. Amounts spent in the period in respect of the migration total HK$13.6 million but this significant expenditure has been offset by cash inflows relating to the reversal of pre September 2010 hacksaw blade inventory builds as customers have looked to buy UK manufactured hacksaw blades in advance of Q2 price rises.

Product lead times from China (6 months from some suppliers) are causing supply chain issues. In order to keep our customers satisfied we are increasing key inventory holdings. Although this is being effected in a controlled, structured manner, working capital increases will result.

Emphasis will continue on the launch of new and innovative products and the expansion of sales territories. Overall, we are directing sales efforts towards better margin product groups and to new sectors where the competition is low and margins are higher.

In this respect, Asia markets are a target for our growth and we have started the process of establishing new industrial distribution within India, Indonesia and Vietnam. We are focused on providing new products to our existing base of Middle and Far East customers with whom we have developed excellent relationships.

Looking forward, the sales order book shows an improving demand picture with higher Q3 orders for garden tools and hacksaw blades.

Robert Sorby

The period under review proved difficult for the division. Compared to the prior year, sales declined by 6% and operating profit fell by 10%. Much of the shortfall was attributable to the domestic UK market where adverse weather conditions in December badly affected our mail order business and a VAT increase in January further negatively impacted sales.

In the early part of the period, the shortfall in the UK was made good by increased sales in overseas markets, especially the USA. However, we failed to sustain that momentum as the dollar weakened against sterling.

The US market remains the cornerstone of our business. In both October and February we undertook extensive demonstration tours taking in over 40 cities across the USA. As a result, we were able to introduce quickly the new Ultima hollowing system which was launched worldwide in September. At the same time we extended the distribution of our ProEdge sharpening system.

We also demonstrated our product line at dedicated woodworking events throughout Europe with particular emphasis on Eire where, following the financial crisis in that region, sales are now less than half of the levels of two years ago.

In mitigation of the sales shortfalls, we have managed to increase overall gross profit by selling more high margin lines and overhead costs have been rigorously monitored to offset material and component price increases imposed by suppliers.

Spear & Jackson France / Australasia

Sales in the French garden business have seen a 3% reduction over the same period last year. In the first quarter of the year, the company benefited from high sales of snow shovels as a result of the poor weather in Northern Europe in the winter months. These gains have been diluted, however, in the second quarter as order fulfillment has been disrupted by strikes of dock workers at Marseille which have caused shipments of components to be delayed as deliveries have been re-directed through Italy and Spain.

To drive sales growth, emphasis is directed towards product launches and increased sales via listings with new customers.

Various cost cutting initiatives are being explored, in particular through procurement savings effected by purchasing tools from Asia, principally via the Group's PRC sourcing centre, rather than from more expensive local sources.

In our Australian company, year to date sales were 15% higher than those recorded for the same period last year. This increase is attributable to improved sales of compressors and hand, garden, masonry and air tools as a result of new product launches and focused sales promotional activity across all market segments. Offsetting part of these sales gains were lower metal sales due to the downturn in the automotive and engineering sectors.

Sales for the remainder of 2011 will benefit from the incremental ranging of new garden and hand tool products within two major retail groups. Continued sales growth in 2011 will rely on the introduction of new products with existing major and independent retailers, securing new customers and aggressive promotional activity. Such growth will need to be achieved within a cautious retail market that has been negatively impacted by interest rate hikes, rising petrol and utility costs and the natural disasters in Australia, New Zealand and Japan.

Margins have improved by 4 percentage points over the prior year thanks to a favourable sales mix and positive currency movements. Additionally, various overhead savings have also been secured. As a result, operating profit has increased by 50% compared to the comparable period in 2010.

Trading conditions in New Zealand remained soft with sales 32% lower than the previous year. Although sales of hand tools were 7% higher than the prior year due to increased promotional activity, sales of garden and air tools were 45% and 22% lower than the prior year due to the loss of business with a major retail customer in FY 2010.

However, margins showed an eight point increase on the previous year, reflecting favourable changes in the sales mix and a stronger NZ$. Overall, the New Zealand business unit has performed better than expected during the first half of this year, despite the uncertain economic outlook and the ongoing impact of the loss of garden business with a major retail group in the last quarter of 2010.

The aim in the remainder of FY 2011 will be the consolidation of the business by developing the sales base, an increase in trading margins and a realignment of operating costs with sales volumes.

Magnetics Division

The Magnetics Division has continued to perform well with sales from its principal UK business 22% higher than the same period last year and its North American operation (ETNA) recording a 62% increase.

The year on year improvement in the UK arm was mainly attributable to increased demand in export markets from our distribution customers and continued growth within the food processing channel.

In ETNA, new business is being driven through the launch of the metrology tools programme, new products from Eclipse Magnetics (in particular filtration systems) and expanding existing distribution channels for magnetic products, hand tools and lawn and garden products.

Despite volatility in raw material and commodity prices, margins were 1% higher than the prior period in the main UK operation and marginally less than the prior year in ETNA.

In the UK, business remains cautious, although sales growth is being achieved from new products and new customers. Export demand has benefited from an increase in the existing customer base, particularly in Germany where order levels are back to pre-recessionary levels. The business is focused on commercialising the new products developed this year, in particular the new Automag filtration systems and metal detection systems for use in the food processing sector. The sale of these products into both existing and new markets (China, India and Eastern Europe) is central to our organic growth plans.

For ETNA, the main focus is on the development of the distribution network for the Magnetics Engineered Products range, new products developed by Neill Tools for sale into the industrial distribution sector and the roll out of the metrology programme into the Canadian market.

Metrology Division

Sales for the six months under review, excluding the effect of the sales of Baty International ("Baty") which was acquired in March 2010, were approximately 37% higher than the same period last year.

Sales activity in export markets has been particularly encouraging with strong performances from our key export distributors. In addition, sales to European mid-sized markets have normalized to pre-recessionary levels. Sales in the UK market have also exceeded expectations with many UK exporters continuing to benefit from the relatively low value of sterling which has given our customers the confidence to invest. However, the next six months are more uncertain due to cut backs in the UK public sector.

Sales could have been higher for the first half, due to orders being 20% ahead of sales output. We have however been severely restricted by a lack of manufacturing capacity and also supplies of certain products from China. This situation is unlikely to improve in the short term and we are looking at options to solve the issues, including investment in new machinery.

Gross margins for the first half of the year have held up well, particularly considering the increased cost of imported items. A 5% price increase has been implemented from 1 April 2011 which should mitigate negative impact of these supplier price increases.

The division acquired Baty in March 2010 to enable Bowers to introduce vision-based measuring systems into its product portfolio as well as offering ranges complimenting existing bore gauge and micrometer products. Since acquisition, the company has performed well delivering sales in the half year of HK$15.5 million and operating profit of HK$1.4 million, both in excess of budget.

Contract Manufacturing Division (The Pantene Group)

Compared with last year, sales showed an increase of HK$42.5 million (41%) from HK$103.7 million to HK$146.2 million. Operating profit in the period under review increased by HK$8.3 million to HK$8.6 million compared to a HK$0.3 million profit in the prior period.

Sales across all product categories show growth over the prior year with sales of solenoids particularly strong.

Pantene suffered significantly in fiscal year 2009 and in the first half of fiscal year 2010 as a result of the global financial crisis and its ongoing repercussions. Management reacted swiftly and decisively to restructure the division's cost base to take account of the sales demand shortfalls. This restructuring has left Pantene well placed to benefit from the market improvements experienced in the current period.

While, cumulatively to March 2011, Pantene has shown significant trading improvements when compared to last year, the division continues to be adversely affected by increasing raw material prices. Additionally, the division is also facing sharp increases in labour costs with the local government authority announcing, from 1 April 2011, an increase in rates of 20%.

It is likely that sales price increases will only partially offset these rises in raw material and labour costs and the division will seek to improve production efficiency and material control and to develop new products to ensure that, overall, there is not an adverse impact on profitability.

Looking forward, the trading environment shows continuing signs of strengthening with increases in order intake and sales demand. However, material cost pressures, labour shortages and increased labour costs will be ongoing issues as will any adverse effects the Japanese earthquake may have on the electrical component supply chain.

Consumer Electronics Division (Alford Industries)

Alford's sales in the six months to 31 March 2011 were HK$27.9 million, HK$30.3 million less than last year. The shortfall has arisen as a result of delays in the launch of its new range of digital baby monitors to replace its existing analog version and a softening of demand across other product categories.

With the development of the new digital monitors now complete and the phasing out of its analog range of monitors underway, Alford is focused on further sales of the new digital products, the expansion of its existing product range and widening of its customer base.

Sales of a range of up to five baby monitor models have been confirmed to a new European customer with the first deliveries targeted for June. Revenues from this source are expected to be HK$30 million per annum. The supply of an 8 inch digital monitor with an internet function is also under negotiation, and, if successful, could produce annual sales of approximately HK$15 million.

Strict control of costs will be maintained and, where necessary, the company's cost base will be realigned with current sales volumes to ensure that profitability and cash generation are maximized.

Computer Lead Frames Division (Jade Precision Engineering)

The sale of Jade Precision Engineering ("Jade") for S$8 million (approximately HK$49 million) was formally concluded on 28 February 2011.

Agreement in principle to the sale had been reached at 31 December 2010 and the Group's investment in Jade was written down to its estimated realisable amount in the financial statements for the year ended 30 September 2010.

Consequently, the results of Jade in the period from 1 October 2010 to the date of disposal are shown as a discontinued operation. In addition, adjustments to the provisional loss on disposal recognised in September have also been booked in the period.

UPI's cash flow has benefited from the receipt of HK$48.2 (net of costs) in respect of the sale and will be further improved by the repayment by Jade to UPI of certain group loans and trading balances.

Review and Prospects

Despite operating in highly competitive markets, in the six months ended 31 March 2011 the Group recorded a 12.7% increase in sales, compared to the prior year, a reflection of rising demand across the Group's divisions, resulting in a 6.6% improvement in operating profit from HK$22.6 million to HK$24.1 million.

This improvement reflects not only a more favourable economic climate but also the beneficial impact of the cost savings derived from the restructuring of divisional cost bases implemented in fiscal 2009.

To generate further sales and profitability growth, the Group remains committed to new product development, to improving procurement processes and to the ongoing reduction of direct and overhead costs.

A major initiative in the period has been the migration of the UK hacksaw blade plant to the PRC. Full production is anticipated to begin in the final quarter of the current fiscal year from which point it will deliver incremental cost and cash savings to the Group.

On 28 February 2011, the Group successfully completed the sale of its Singapore based leadframes business, Jade. The sale raised HK$48.2 million in cash and has enabled the Group to exit from a non-core loss-making, cash consuming business.

At 31 March 2011, the group had zero gearing. In the six months ended 31 March 2011, a net cash inflow of HK$40.2 million has converted September 2010 year end borrowings of HK$15.5 million to net cash of HK$24.7 million.

Cash generated from operations was HK$3.5 million. This is stated after restructuring payments in connection with the transfer of the hacksaw blade plant and onerous lease rentals of HK$15.0 million and contributions into the UK defined benefit pension plan of HK$4.9 million. The Group cash flow has also benefited from the one-time receipt of the net sales proceeds of the Jade sale of HK$48.2 million.

In the comparable period in FY 2010, the Group made pension contributions of HK$12.0 million. Last year the Group successfully agreed a reduction in the level of pension contributions into the plan over the three years commencing 1 April 2010 and as shown by the above decrease in pension contributions, the Group is now benefitting from the reduction in these annual payments.

The improvement in the Group's cash position and the prospect of further cash inflows leaves the Group well positioned to take advantage of investment and other strategic opportunities as they arise.

Barring unforeseen circumstances, it is anticipated that the improved trading performance recorded in the first half of the year will continue into the second half of fiscal 2011.

By order of the Board
United Pacific Industries Limited
David H Clarke
Chairman

Hong Kong, 26 May 2011

Report on Review of Interim Financial Information

BDO

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To the Board of Directors of United Pacific Industries Limited
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial statements set out on pages 22 to 80, which comprise the consolidated statement of financial position of United Pacific Industries Limited as of 31 March 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Financial Reporting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate no.: P04434
Hong Kong, 26 May 2011

Consolidated Income Statement

For the six months ended 31 March 2011

	Notes	Six months ended 31 March 2011 HK$'000 (unaudited)	Six months ended 31 March 2010 HK$'000 (unaudited and restated)
Continuing operations			
Revenue	3	**607,692**	539,035
Cost of sales		**(428,718)**	(378,783)
Gross profit		**178,974**	160,252
Other income		**9,228**	9,209
Selling and distribution costs		**(106,935)**	(94,957)
Administrative costs		**(49,285)**	(47,630)
Finance costs	4	**(3,109)**	(3,533)
Restructuring costs	5	**(7,025)**	(14,970)
Share of results of an associate		**1,095**	760
Costs on acquisition of a subsidiary		**—**	(772)
Cash flow hedge recycled from other comprehensive income		**(2,076)**	(1,502)
Profit before tax	6	**20,867**	6,857
Income tax charge	7	**(8,361)**	(7,081)
Profit/(loss) for the period from continuing operations		**12,506**	(224)
Discontinued operation			
Net result from discontinued operation	9	**4,343**	(4,272)
Profit/(loss) for the period		**16,849**	(4,496)

Consolidated Income Statement *(Continued)*

For the six months ended 31 March 2011

	Notes	Six months ended 31 March 2011 HK$'000 (unaudited)	Six months ended 31 March 2010 HK$'000 (unaudited and restated)
Attributable to:			
Owners of the Company:			
Continuing operations		**12,506**	(224)
Discontinued operation		**4,343**	(4,272)
		16,849	(4,496)
Earnings/(loss) per share from continuing and discontinued operations	10		
Basic		**1.699 cents**	(0.457 cents)
Diluted		**1.691 cents**	N/A
Earnings/(loss) per share from continuing operations	10		
Basic		**1.261 cents**	(0.023 cents)
Diluted		**1.255 cents**	N/A
Earnings/(loss) per share from discontinued operation	10		
Basic		**0.438 cents**	(0.434 cents)
Diluted		**0.436 cents**	N/A

Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2011

	Six months ended 31 March 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Profit/(loss) for the period	**16,849**	(4,496)
Other comprehensive income/(loss)		
Exchange differences arising on the translation of foreign operations	**12,614**	(3,277)
Realised exchange differences on the sale of a disposal group recycled to the income statement	**(1,194)**	—
Cash flow hedge (loss)/profit recognised in equity	**(1,608)**	736
Cash flow hedge recycled to the income statement	**2,076**	1,502
Recognition of actuarial gains on defined benefit pension plan (net of tax)	**126,444**	9,543
Other comprehensive income for the period, net of tax	**138,332**	8,504
Total comprehensive income for the period attributable to the owners of the Company	**155,181**	4,008

Consolidated Statement of Financial Position

At 31 March 2011

	Notes	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**186,514**	178,717
Prepaid land lease payments under operating leases		**546**	581
Goodwill	12	**2,407**	2,357
Other intangible assets		**823**	1,074
Interest in an associate		**5,661**	4,922
Available-for-sale financial assets		**724**	879
Deferred tax assets	19	**23,459**	75,241
		220,134	263,771
Current assets			
Inventories		**251,789**	255,894
Trade and other receivables	13	**248,606**	255,834
Tax recoverable		**1,297**	1,246
Derivative financial instruments		**104**	637
Pledged bank deposits		**5,000**	5,000
Cash and cash equivalents		**147,222**	114,029
		654,018	632,640
Assets classified as held for sale		**—**	84,476
		654,018	717,116

Consolidated Statement of Financial Position *(Continued)*

At 31 March 2011

	Notes	**31 March 2011 HK$'000 (unaudited)**	30 September 2010 HK$'000 (audited)
Current liabilities			
Trade and other payables	14	**201,367**	227,877
Interest-bearing bank borrowings			
- amounts due within one year	15	**97,865**	101,256
Obligations under finance leases			
- amounts due within one year	16	**5,501**	4,753
Provisions	17	**15,974**	22,056
Derivative financial instruments		**1,833**	3,359
Tax payable		**2,168**	5,908
		324,708	365,209
Liabilities classified as held for sale		**—**	38,023
		324,708	403,232
Net current assets		**329,310**	313,884
Total assets less current liabilities		**549,444**	577,655

Consolidated Statement of Financial Position *(Continued)*

At 31 March 2011

	Notes	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Non-current liabilities			
Interest-bearing bank borrowings			
- amounts due after one year	15	**18,076**	24,014
Obligations under finance leases			
- amounts due after one year	16	**6,077**	4,534
Provisions	17	**—**	1,698
Retirement benefit obligations	18	**1,858**	179,304
Deferred tax liabilities	19	**16,613**	16,466
		42,624	226,016
Net assets		**506,820**	351,639
Capital and reserves			
Share capital	20	**99,185**	99,185
Reserves		**407,635**	252,454
Total equity attributable to owners of the Company		**506,820**	351,639

Consolidated Statement of Changes in Equity

For the six months ended 31 March 2011

	Share capital HK$'000	Share premium* HK$'000	Treasury reserve* HK$'000	Share option reserve* HK$'000	Capital redemption reserve* HK$'000	Capital reserve* HK$'000	Translation reserve* HK$'000	Hedging reserve* HK$'000	Accumulated profits* HK$'000	Total HK$'000
At 1 October 2009 (audited)	98,400	38,808	–	794	1,442	19,870	(70,806)	(1,502)	282,729	369,735
Dividends paid (note 8)	–	–	–	–	–	–	–	–	(4,924)	(4,924)
Exercise of share options	76	72	–	–	–	–	–	–	–	148
Transactions with owners	76	72	–	–	–	–	–	–	(4,924)	(4,776)
Loss for the period	–	–	–	–	–	–	–	–	(4,496)	(4,496)
Other comprehensive income:										
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	(3,277)	–	–	(3,277)
Cash flow hedges - changes in fair value recognised in the period	–	–	–	–	–	–	–	736	–	736
Cash flow hedge recycled to income statement	–	–	–	–	–	–	–	1,502	–	1,502
Recognition of actuarial gains on defined benefit pension plan (net of tax)	–	–	–	–	–	–	–	–	9,543	9,543
Total comprehensive income/ (loss) for the period	–	–	–	–	–	–	(3,277)	2,238	5,047	4,008

Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 31 March 2011

	Share capital HK$'000	Share premium* HK$'000	Treasury reserve* HK$'000	Share option reserve* HK$'000	Capital redemption reserve* HK$'000	Capital reserve* HK$'000	Translation reserve* HK$'000	Hedging reserve* HK$'000	Accumulated profits* HK$'000	Total HK$'000
At 31 March 2010 (unaudited)	**98,476**	**38,880**	**–**	**794**	**1,442**	**19,870**	**(74,083)**	**736**	**282,852**	**368,967**
Treasury shares	–	–	(5,365)	–	–	–	–	–	–	(5,365)
Exercise of share options	709	1,170	–	(266)	–	–	–	–	–	1,613
Transactions with owners	**709**	**1,170**	**(5,365)**	**(266)**	**–**	**–**	**–**	**–**	**–**	**(3,752)**
Profit for the period	–	–	–	–	–	–	–	–	917	917
Other comprehensive income:										
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	11,083	–	–	11,083
Cash flow hedges - changes in fair value recognised in the period	–	–	–	–	–	–	–	(2,812)	–	(2,812)
Recognition of actuarial losses on defined benefit pension plan (net of tax)	–	–	–	–	–	–	–	–	(22,764)	(22,764)
Total comprehensive income/ (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**11,083**	**(2,812)**	**(21,847)**	**(13,576)**

Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 31 March 2011

	Share capital HK$'000	Share premium* HK$'000	Treasury reserve* HK$'000	Share option reserve* HK$'000	Capital redemption reserve* HK$'000	Capital reserve* HK$'000	Translation reserve* HK$'000	Hedging reserve* HK$'000	Accumulated profits* HK$'000	Total HK$'000
At 30 September 2010 (audited)	99,185	40,050	(5,365)	528	1,442	19,870	(63,000)	(2,076)	261,005	351,639
Profit for the period	–	–		–	–	–	–	–	16,849	16,849
Other comprehensive income:										
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	12,614	–	–	12,614
Realised exchange differences on the sale of a disposal group recycled to income statement	–	–	–	–	–	–	(1,194)	–	–	(1,194)
Cash flow hedges - changes in fair value recognised in the period	–	–	–	–	–	–	–	(1,608)	–	(1,608)
Cash flow hedge recycled to income statement	–	–	–	–	–	–	–	2,076	–	2,076
Recognition of actuarial gains on defined benefit pension plan (net of tax)	–	–	–	–	–	–	–	–	126,444	126,444
Total comprehensive income for the period	–	–	–	–	–	–	11,420	468	143,293	155,181
At 31 March 2011 (unaudited)	99,185	40,050	(5,365)	528	1,442	19,870	(51,580)	(1,608)	404,298	506,820

* The total of reserves at 31 March 2011 is HK$407,635,000 (30 September 2010 – HK$252,454,000).

Consolidated Statement of Cash Flows

For the six months ended 31 March 2011

	Six months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Cash flows from operating activities:		
Profit before tax from continuing operations	**20,867**	6,857
Profit/(loss) before tax from discontinued operation	**4,343**	(4,272)
Adjustments for:		
Interest income	**(1,480)**	(216)
Interest on interest-bearing bank borrowings and bank overdrafts	**2,693**	3,252
Interest on obligations under finance leases	**416**	281
Cash flow hedge recycled to income statement	**2,076**	1,502
Interest credit on retirement benefit obligations	**(4,352)**	(2,480)
Retirement benefit plan expenses/(credits)	**1,433**	(5,169)
Share of results of an associate	**(1,095)**	(760)
Gain on disposal of a subsidiary (note 9)	**(9,866)**	—
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary (note 9)	**(1,194)**	—
Gain on disposal of available-for-sale financial assets	**(123)**	—
Costs on acquisition of a subsidiary	**—**	772
Loss on disposal of property, plant and equipment	**—**	245
Amortisation of other intangible assets	**198**	186
Depreciation of property, plant and equipment	**9,910**	10,989
Amortisation of prepaid land lease payments under operating leases	**17**	17
Impairment loss on trade receivables	**1,873**	835
Impairment loss on inventories	**3,608**	760
Operating cash flows before movements in working capital	**29,324**	12,799

Consolidated Statement of Cash Flows *(Continued)*

For the six months ended 31 March 2011

	Six months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Decrease in inventories	**5,026**	4,709
Decrease/(increase) in trade and other receivables	**15,652**	(26,352)
(Decrease)/increase in trade and other payables	**(26,562)**	23,627
Restructuring costs	**(15,044)**	(2,946)
Employer contributions to the defined benefit pension plan	**(4,933)**	(11,998)
Net cash generated from/(used in) operations	**3,463**	(161)
Income tax refunded	**—**	44
Income tax paid	**(5,819)**	(479)
Net cash used in operating activities	**(2,356)**	(596)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(8,421)**	(664)
Proceeds from disposal of property, plant and equipment	**—**	(69)
Proceeds from disposal of available-for-sale financial assets	**172**	—
Dividends paid	**—**	(4,924)
Net cash inflow on disposal of a subsidiary (note 21)	**54,801**	—
Dividend received from an associate	**431**	—
Disposal group classified as asset held for resale	**4,005**	3,015
Deferred contingent consideration paid for the acquisition of a subsidiary (note 12)	**(1,547)**	—
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**—**	(6,208)
Interest received	**1,480**	216
Net cash generated from/(used) in investing activities	**50,921**	(8,634)

Consolidated Statement of Cash Flows *(Continued)*

For the six months ended 31 March 2011

	Six months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Cash flows from financing activities		
Proceeds from exercise of share options	**—**	149
Net cash outflow in trust receipts and export loans	**(14,668)**	(10,292)
Repayments of bank borrowings	**(10,008)**	(16,892)
New bank borrowings raised	**5,072**	24,990
Interest paid on interest-bearing bank borrowings and bank overdrafts	**(2,408)**	(3,252)
Principal repayment of obligations under finance leases	**(3,728)**	(3,016)
Interest paid on obligations under finance leases	**(416)**	(281)
Net cash used in financing activities	**(26,156)**	(8,594)
Net increase/(decrease) in cash and cash equivalents	**22,409**	(17,824)
Effect of foreign exchange rates	**4,603**	1,187
Cash and cash equivalents at the beginning of the period	**93,894**	87,932
Cash and cash equivalents at the end of the period	**120,906**	71,295
Analysis of the balance of cash and cash equivalents:		
Cash and cash equivalents	**147,222**	92,840
Bank overdrafts	**(26,316)**	(21,545)
	120,906	71,295

Notes to the Interim Financial Statements

For the six months ended 31 March 2011

1. Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial statments have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 September 2010, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 2 to these interim financial statements.

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

The interim financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2010.

Following the classification of Jade Precision Engineering Pte Ltd. ("Jade") as a discontinued operation in the financial statements for the year ended 30 September 2010, the comparative consolidated income statement, consolidated statement of cash flows and certain notes to the interim financial statements have been re-presented as if the operation that was discontinued during the year ended 30 September 2010 had been discontinued at the beginning of that comparative period.

2. Adoption of New or Revised HKFRSs

In the current period the Group has applied for the first time 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 2010.

HKAS 17 (Amendment)	Leases
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues
HKAS 36 (Amendment)	Impairment of Assets
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 5 (Revised)	Non-current Assets Held for Sale and Discontinued Operations
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs (Amendments)	Improvements to HKFRSs 2010

HKAS 17 (Amendments) – Leases

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

Prior to the amendment, land interest for which title is not expected to pass to the Group by the end of the lease term was classified as an operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 October 2010 on the basis of information existing at the inception of those leases, and considered the leasehold land in the PRC remained as operating lease. As a result of the reassessment, the Group has not reclassified any leasehold land from operating lease to finance lease.

2. Adoption of New or Revised HKFRSs *(Continued)*

The Group has concluded that the adoption of the new and revised HKFRSs, to the extent that they are relevant to the Group and which are expected to be reflected in the annual financial statements for the year ending 30 September 2011, would not have a significant impact on the Group's results of operations and financial position.

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

HKAS 12 (Amendment)	Deferred Tax-Recovery of Underlying Assets (3)
HKAS 24 (Revised)	Related Party Disclosures (1)
HKFRSs (Amendments)	Improvements to HKFRSs 2010 (1)
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets (2)
HKFRS 9	Financial Instruments (4)
HK (IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement (1)

Notes:

1 Effective for annual periods beginning on or after 1 January 2011

2 Effective for annual periods beginning on or after 1 July 2011

3 Effective for annual periods beginning on or after 1 January 2012

4 Effective for annual periods beginning on or after 1 January 2013

HKFRS 7 (Amendments) – Disclosures

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

2. Adoption of New or Revised HKFRSs *(Continued)*

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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. Revenue and Segment Information

The Group's segmental information is 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 their review of these components' performance.

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"); the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"), magnetic tools and products and provision of magnetic-based industrial solutions ("Magnetics") and metrology and measurement tools ("Metrology"); and electronic consumer products ("Consumer Electronics").These five business segments are the basis on which the Group reports its operating segment information. During the year ended 30 September 2010, the operations of Jade Precision Engineering Pte Ltd. ("Jade"), which comprised the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry ("leadframes"), were re-classified as discontinued. The segmental information for the period ended 31 March 2010 has been amended to conform with this presentation.

3. Revenue and Segment Information *(Continued)*

Operating segments

	Continuing operations						Discontinued operation	
	Contract Manufacturing HK$'000 (unaudited)	Tools HK$'000 (unaudited)	Metrology HK$'000 (unaudited)	Magnetics HK$'000 (unaudited)	Consumer Electronics HK$'000 (unaudited)	Sub-total HK$'000 (unaudited)	Lead-framaes HK$'000 (unaudited)	Total HK$'000 (unaudited)
For the six months ended 31 March 2011								
Revenue								
External customers	146,207	298,033	78,052	57,439	27,961	607,692	51,548	659,240
Inter-segment sales	—	1,321	1,965	556	—	3,842	—	3,842
	146,207	299,354	80,017	57,995	27,961	611,534	51,548	663,082
Profit/(loss) before tax								
Segment profit/(loss)	8,584	11,904	8,122	9,233	(9,546)	28,297	(6,257)	22,040
Restructuring costs	(30)	(5,396)	—	(1,888)	—	(7,314)	—	(7,314)
Share of results of an associate	—	—	—	1,095	—	1,095	—	1,095
Net finance costs	(920)	880	(99)	(38)	(20)	(197)	(770)	(967)
	7,634	7,388	8,023	8,402	(9,566)	21,881	(7,027)	14,854

3. Revenue and Segment Information *(Continued)*

Operating segments *(Continued)*

	Continuing operations						Discontinued operation	
	Contract Manufacturing HK$'000 (unaudited)	Tools HK$'000 (unaudited)	Metrology HK$'000 (unaudited)	Magnetics HK$'000 (unaudited)	Consumer Electronics HK$'000 (unaudited)	Sub-total HK$'000 (unaudited)	Lead-framaes HK$'000 (unaudited)	Total HK$'000 (unaudited)
For the six months ended 31 March 2010								
Revenue								
External customers	103,365	286,434	47,514	43,419	58,303	539,035	56,433	595,468
Inter-segment sales	354	6,675	1,588	269	—	8,886	—	8,886
	103,719	293,109	49,102	43,688	58,303	547,921	56,433	604,354
Profit/(loss) before tax								
Segment profit/(loss)	294	14,145	2,409	5,997	(246)	22,599	(3,997)	18,602
Restructuring costs	(331)	(14,229)	—	(399)	—	(14,959)	—	(14,959)
Share of results of an associate	—	—	—	760	—	760	—	760
Net finance costs	(1,020)	529	(113)	—	85	(519)	(655)	(1,174)
	(1,057)	445	2,296	6,358	(161)	7,881	(4,652)	3,229

3. 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 as follows:

	Six months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Reportable segment revenues	**663,082**	604,354
Discontinued operation	**(51,548)**	(56,433)
Elimination of inter-segment revenues	**(3,842)**	(8,886)
Total revenue	**607,692**	539,035

	Six months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Reportable segment profit	**14,854**	3,229
Segment loss from discontinued operation	**7,027**	4,652
Inter-company transactions with discontinued operation	**310**	105
Cash flow hedge recycled from other comprehensive income	**(2,076)**	(1,502)
Costs on acquisition on a subsidiary	**—**	(772)
Unallocated corporate restructuring credits/(costs)	**289**	(11)
Unallocated corporate net finance credits/(costs)	**2,610**	(423)
Unallocated corporate (costs)/income	**(2,147)**	1,579
Profit from continuing operations before income tax	**20,867**	6,857

3. Revenue and Segment Information *(Continued)*

Operating segments *(Continued)*

During the six month period ended 31 March 2011, there have been no changes from the last annual financial statements in the measurement methods used to determine operating segments and reported segment profit or loss.

There has been no material change in the Group's total assets since the last reporting date.

Certain of the Group's divisions are subject to seasonal trading variations, most significantly the garden tool operations included within the Tools Division. Here, operations located in the northern hemisphere have sales concentrated in quarters 2 and 3. The impact of this is mitigated by the Tools Division's Australasian businesses whose garden operations record higher sales in quarters 1 and 2.

Geographical information

The Group's continuing 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:

3. Revenue and Segment Information *(Continued)*

Revenue by geographical market

	Continuing operations Six months ended 31 March		Discontinued operation Six months ended 31 March		Total Six months ended 31 March	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
The People's Republic of China (the "PRC"):						
Mainland China	**15,762**	11,801	**377**	198	**16,139**	11,999
Hong Kong (place of domicile)	**12,560**	9,596	**1,055**	1,406	**13,615**	11,002
	28,322	21,397	**1,432**	1,604	**29,754**	23,001
United States of America	**107,032**	115,003	**380**	410	**107,412**	115,413
The UK	**138,689**	116,363	**—**	—	**138,689**	116,363
France	**62,194**	56,281	**—**	—	**62,194**	56,281
Australia	**106,817**	92,977	**—**	—	**106,817**	92,977
Others	**164,638**	137,014	**49,736**	54,419	**214,374**	191,433
	607,692	539,035	**51,548**	56,433	**659,240**	595,468

4. Finance Costs

	Continuing operations Six months ended 31 March		Discontinued operation Six months ended 31 March		Total Six months ended 31 March	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Finance costs comprise:						
Interest on interest-bearing bank borrowings and overdrafts wholly repayable within five years	**(2,693)**	(3,252)	**(379)**	(138)	**(3,072)**	(3,390)
Interest on obligations under finance leases	**(416)**	(281)	**(81)**	(138)	**(497)**	(419)
	(3,109)	(3,533)	**(460)**	(276)	**(3,569)**	(3,809)

5. Restructuring Costs

	Continuing operations Six months ended 31 March		Discontinued operation Six months ended 31 March		Total Six months ended 31 March	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Manufacturing reorganisation (note 17)	**1,415**	14,970	**—**	—	**1,415**	14,970
Pre-trading and set-up costs	**4,011**	—	**—**	—	**4,011**	—
Onerous lease rentals (note 17)	**1,599**	—	**—**	—	**1,599**	—
	7,025	14,970	**—**	—	**7,025**	14,970

5. Restructuring Costs *(Continued)*

The manufacturing reorganisation costs relate 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 ("ETM"), has been established which will be responsible for the Group's continuing manufacture of hacksaw blades. The relocation was announced in November 2009 and an initial provision was established in the financial statements for the six month period ended 31 March 2010 relating to employee severance payments, site closure costs and relocation costs. An additional provision has been made in the six months to 31 March 2011 for further relocation costs.

The pre-trading and set up costs relate to costs incurred in the establishment of ETM, as referred to above.

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

6. Profit Before Tax

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

	Continuing operations Six months ended 31 March		Discontinued operation Six months ended 31 March		Total Six months ended 31 March	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of property, plant and equipment	**9,910**	10,989	**1,524**	1,352	**11,434**	12,341
Amortisation of other intangible assets	**198**	186	**—**	—	**198**	186
Amortisation of lease payments under operating leases	**17**	17	**—**	—	**17**	17
Impairment loss/(reversal of impairment loss) on trade receivables	**1,873**	835	**—**	(216)	**1,873**	619
Impairment loss on inventories	**3,608**	760	**—**	—	**3,608**	760
Interest income	**(1,480)**	(216)	**—**	—	**(1,480)**	(216)
Cost of inventories recognised as expense	**428,718**	378,783	**53,714**	54,869	**482,432**	433,652
Loss/(gain) on disposal of property, plant and equipment	**—**	245	**—**	(2)	**—**	243
Retirement benefit plan charge/(credit):						
Current service cost	**1,433**	1,202	**—**	—	**1,433**	1,202
Curtailment gain	**—**	(6,371)	**—**	—	**—**	(6,371)
Net interest receivable	**(4,352)**	(2,480)	**—**	—	**(4,352)**	(2,480)
Cash flow hedge recycled from other comprehensive income	**2,076**	1,502	**—**	—	**2,076**	1,502
Restructuring costs	**7,025**	14,970	**—**	—	**7,025**	14,970

7. Income Tax Charge

The income tax charge for the period comprises:

	Continuing operations Six months ended 31 March		Discontinued operation Six months ended 31 March		Total Six months ended 31 March	
	2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)	**2011 HK$'000 (unaudited)**	2010 HK$'000 (unaudited)	**2011 HK$'000 (unaudited)**	2010 HK$'000 (unaudited)
Current income tax:						
Hong Kong	**(889)**	297	**—**	—	**(889)**	297
Australia	**1,773**	—	**—**	—	**1,773**	—
Mainland China	**—**	121	**—**	—	**—**	121
Canada	**629**	192	**—**	—	**629**	192
France	**421**	427	**—**	—	**421**	427
New Zealand	**100**	208	**—**	—	**100**	208
	2,034	1,245	**—**	—	**2,034**	1,245
Deferred tax (note 19)	**6,327**	5,836	**—**	—	**6,327**	5,836
	8,361	7,081	**—**	—	**8,361**	7,081

Hong Kong Profits Tax is calculated at 16.5% (31 March 2010 - 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

8. Dividends

Dividends attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Final dividend in respect of the year ended 30 September 2009 of 0.5 HK cents per ordinary share	—	4,924

9. 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. for a total consideration of S$8 million (equivalent to approximately HK$48.2 million, after applicable costs on disposal), payable in cash. In the financial statements for the year ended 30 September 2010, Jade was presented as a discontinued operation. The sale of Jade was completed on 28 February 2011.

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 comparative consolidated income statement, consolidated statement of cash flows and certain related notes have been re-presented as if the operation discontinued during the year ended 30 September 2010 had been discontinued at the beginning of that comparative period. The revenues, results and cash flows of Jade were as follows:

9. Discontinued Operation *(Continued)*

	Six months ended 31 March 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Revenue	**51,548**	56,433
Cost of sales	**(53,714)**	(54,869)
Gross (loss)/profit	**(2,166)**	1,564
Selling and distribution costs	**(1,092)**	(1,344)
Administrative costs	**(2,999)**	(4,216)
Finance costs	**(460)**	(276)
	(6,717)	(4,272)
Gain on disposal (note 21)	**9,866**	—
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary (note 21)	**1,194**	—
Profit/(loss) before tax from discontinued operation	**4,343**	(4,272)
Income tax charge	**—**	—
Net result from discontinued operation	**4,343**	(4,272)

9. Discontinued Operation *(Continued)*

The cash flows from the discontinued operation are as follows:

	Six months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(1,882)**	(1,053)
Net cash (used in)/generated from investing activities	**(1,857)**	19
Net cash generated from financing activities	**1,026**	1,084
Effect of foreign exchange rates	**(177)**	(56)
Net decrease in cash and cash equivalents	**(2,890)**	(6)

10. Earnings Per Share

(a) From continuing and discontinued operations

The calculation of the basic and diluted earnings per share for the six month periods ended 31 March 2011 and 31 March 2010 is based on the profit attributable to the owners of the Company of HK$16,849,000 (31 March 2010 - loss of HK$4,496,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 991,852,107 shares (31 March 2010 – 984,569,407 shares). For diluted earnings per share a weighted average number of shares of 996,312,188 has been used.

For the six months ended 31 March 2010 diluted earnings per share have not been presented because the deemed exercise of the share options is anti-dilutive.

10. Earnings Per Share *(Continued)*

(a) From continuing and discontinued operations *(Continued)*

The calculations are as follows:

(i) Weighted average number of ordinary shares

	31 March 2011 (unaudited)	31 March 2010 (unaudited)
Issued ordinary shares at 1 October	**991,852,107**	984,000,000
Effect of share options exercised (note a)	**—**	569,407
Weighted average number of ordinary shares at 31 March	**991,852,107**	984,569,407
Basic earnings/(loss) per share (HK$)	**1.699 cents**	(0.457 cents)

Note:

(a) Relates to 762,000 Share Options exercised on 16 November 2009 under the 2004 Share Option Scheme.

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

	31 March 2011 (unaudited)	31 March 2010 (unaudited)
Issued ordinary shares at 1 October	**991,852,107**	—
Effect of deemed issue of shares under the Company's share option schemes	**4,460,081**	—
Weighted average number of ordinary shares at 31 March	**996,312,188**	—
Diluted earnings per share (HK$)	**1.691 cents**	N/A

10. Earnings Per Share *(Continued)*

(b) From continuing operations

The calculation of the basic and diluted earnings per share for the six month periods ended 31 March 2011 and 31 March 2010 is based on the profit for the period from continuing operations of HK$12,506,000 (31 March 2010 – loss of HK$224,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 991,852,107 shares (31 March 2010 – 984,569,407 shares). For diluted earnings per share, a weighted average number of shares of 996,312,188 has been used.

For the six months ended 31 March 2010 diluted earnings per share have not been presented because the effect of the share options is anti-dilutive.

The calculations are as follows:

	31 March 2011 (unaudited)	31 March 2010 (unaudited)
Basic earnings/(loss) per share (HK$)	**1.261 cents**	(0.023 cents)
Diluted earnings per share (HK$)	**1.255 cents**	N/A

10. Earnings Per Share *(Continued)*

(c) From discontinued operation

The calculation of the basic and diluted earnings per share for the six month periods ended 31 March 2011 and 31 March 2010 is based on the profit for the period from the discontinued operation of HK$4,343,000 (31 March 2010 - loss of HK$4,272,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 991,852,107 shares (31 March 2010 – 984,569,407 shares). For diluted earnings per share, a weighted average number of shares of 996,312,188 has been used.

For the six months ended 31 March 2010 diluted earnings per share have not been presented because the effect of the share options is anti-dilutive.

The calculations are as follows:

	31 March 2011 (unaudited)	31 March 2010 (unaudited)
Basic earnings/(loss) per share (HK$)	**0.438 cents**	(0.434 cents)
Diluted earnings per share (HK$)	**0.436 cents**	N/A

11. Property, Plant and Equipment

Property, plant and equipment additions in the period amounted to approximately HK$13,028,000 (31 March 2010 - HK$3,496,000). The additions in the period include HK$4,607,000 (31 March 2010 - HK$2,832,000) in relation to assets acquired under finance leases for which there is no cash flow included in the consolidated statement of cash flows.

12. Goodwill

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
At 1 October 2010/1 October 2009	**2,357**	—
Additions	—	2,252
Currency realignment	**50**	105
At 31 March 2011/30 September 2010	**2,407**	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.

In the six months to 31 March 2011, deferred contingent consideration of HK$1,547,000 was paid.

The recoverable amount of the goodwill arising on the acquisition 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 were as follows: discount rate of 5%; growth rate of 5%; and cash flow, 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 unit to exceed the recoverable amount. Since the recoverable amount of the cash-generating unit is higher than its carrying value, the Directors consider that the carrying amount at the reporting date is not impaired.

13. Trade and Other Receivables

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Trade receivables	**244,123**	254,451
Less: impairment provisions	**(11,887)**	(10,294)
Trade receivables - net	**232,236**	244,157
Prepayments and other receivables	**16,370**	11,677
	248,606	255,834

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

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
0-60 days	**195,958**	226,976
61-90 days	**24,298**	7,272
91-120 days	**12,363**	3,979
Greater than 120 days	**11,504**	16,224
	244,123	254,451

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

13. Trade and Other Receivables *(Continued)*

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

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
At 1 October 2010/1 October 2009	**10,294**	12,356
Impairment losses recognised	**3,520**	3,641
Impairment losses reversed	**(1,647)**	(5,238)
Debts recovered	**(443)**	—
Currency realignment	**163**	229
Transfer to assets classified as held for sale	**—**	(876)
Acquisition of a subsidiary	**—**	182
At 31 March 2011/30 September 2010	**11,887**	10,294

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

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
91-120 days	**12,363**	3,979
Greater than 120 days	**2,265**	5,930
	14,628	9,909

Debtors that are past due but not impaired relate to a number of independent customers that have a good payment 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.

14. Trade and Other Payables

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Trade payables	**123,172**	145,812
Accruals and other payables	**78,195**	82,065
	201,367	227,877

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

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
0-60 days	**102,176**	130,098
61-90 days	**13,476**	5,446
Greater than 90 days	**7,520**	10,268
	123,172	145,812

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

15. Interest-bearing Bank Borrowings

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Bank borrowings (all secured) comprise:		
Bank overdrafts	**26,316**	16,444
Export invoices/loan financing	**19,402**	23,793
Invoice discounting	**29,466**	26,806
Other bank loans	**10,843**	22,492
HKSAR Government-backed loans	**29,914**	35,735
Total overdrafts and bank borrowings	**115,941**	125,270
Bank borrowings are repayable as follows:		
Within one year or on demand	**97,865**	101,256
More than one year, but not exceeding two years	**8,089**	10,962
More than two years, but not exceeding five years	**9,987**	13,052
	115,941	125,270
Less: Amounts due within one year shown under current liabilities	**(97,865)**	(101,256)
Amounts due after one year shown under non- current liabilities	**18,076**	24,014

15. Interest-bearing Bank Borrowings *(Continued)*

The HKSAR Government-backed loans, which are all denominated in Hong Kong Dollars, carry fixed interest rates ranging from 4.19% to 4.83% per annum and are repayable in monthly instalments over a five-year period.

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

The effective interest rates on the Group's floating rate borrowings range from 2.75% to 7% per annum (30 September 2010 – 2.75% to 7.0% per annum).

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

16. Obligations Under Finance Leases

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

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Amounts payable under finance leases:				
Within one year	**5,647**	5,550	**5,501**	4,753
In the second to fifth years inclusive	**7,178**	4,795	**6,077**	4,534
	12,825	10,345	**11,578**	9,287
Less: Future finance charges	**(1,247)**	(1,058)	**—**	—
Present value of lease obligations	**11,578**	9,287	**11,578**	9,287
Less: amount due for settlement within one year shown under current liabilities			**(5,501)**	(4,753)
Amount due for settlement after one year shown under non-current liabilities			**6,077**	4,534

During the period, the Group has acquired certain motor vehicles and computer equipment under finance leases with lease terms ranging from 2 to 4 years (30 September 2010 – 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% (30 September 2010 – 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 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.

17. Provisions

	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1 October 2009 (audited)	12,823	445	13,268
Utilisation of provision	(2,356)	(590)	(2,946)
Provision for the period	1,356	14,970	16,326
Currency realignment	(416)	225	(191)
At 31 March 2010 (unaudited)	11,407	15,050	26,457
Utilisation of provision	(1,216)	(4,528)	(5,744)
(Reversal)/provision for the period	(205)	2,781	2,576
Currency realignment	199	266	465
At 30 September 2010 (audited)	10,185	13,569	23,754
Utilisation of provision	(1,484)	(9,549)	(11,033)
Provision for the period	1,599	1,415	3,014
Currency realignment	337	(98)	239
At 31 March 2011 (unaudited)	10,637	5,337	15,974

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Analsyed for reporting purposes as:		
Current liabilities	**15,974**	22,056
Non-current liabilities	**—**	1,698
	15,974	23,754

17. Provisions *(Continued)*

The onerous contract provisions represent the estimated present value of the future lease payments, including estimated dilapidation costs, that the Group is presently obligated to make under non-cancelable 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 less than one year.

The manufacturing reorganisation costs in the period comprise additional 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 newly formed company, Eclipse Tools Manufacturing Company Limited, is responsible for the Group's continuing manufacture of hacksaw blades. The relocation was announced in November 2009 and is expected to be completed by the summer of 2011.

18. Retirement Benefit Obligations

The Group operates defined contribution retirement benefits schemes and a defined benefit plan. The details of the defined contribution retirement benefit schemes are consistent with those disclosed in the financial statements of the Group for the year ended 30 September 2010. Details of the defined benefit plan are described as below.

The Group operates a contributory defined benefit pension plan covering certain of its employees in the UK based subsidiaries of Spear & Jackson plc and Bowers Group plc (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 last formal valuation of the Pension Plan, for accounting valuation purposes, was carried out by the Group's actuary, PricewaterhouseCoopers LLP at 30 September 2010. This valuation has been updated to 31 March 2011 for the purposes of this Interim Report.

The Group's annual contributions to the Plan in the two years ended 31 March 2010 were £1.9 million (approximately HK$23 million). For the year ended 31 March 2011 they were £0.75 million (approximately HK$9.4 million). Thereafter, contributions will be £0.954 million (approximately HK$12.0 million) for the year to 31 March 2012, and £1.079 million (approximately HK$13.6 million) for the year to 31 March 2013. From 1 April 2013 the annual rate of contribution will be £2.1 million (approximately HK$26.5 million) and this will increase each year at a rate of 4.2% for the remainder of the recovery period, currently estimated to be 17 years. This contribution schedule is currently subject to UK Pension Regulator approval and may be liable to revision and amendment in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of the Plan's investments and liabilities and the financial strengths and cash flow requirements of the Plan's sponsoring employers.

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 23).

18. Retirement Benefit Obligations *(Continued)*

Furthermore, in connection with the renegotiation of the employer's contribution schedule 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 for the purpose of the actuarial valuations of the Pension Plan at 31 March 2011 and 30 September 2010 are detailed below:

	31 March 2011 (unaudited)	30 September 2010 (audited)
Long term rate of increase in pensionable salaries (note a)	**0.00%**	0.00%
Rate of increase of benefits in payment (note b)	**3.20%**	2.85%
Rate of increase of benefits in payment (note c)	**2.20%**	2.40%
Discount rate	**5.55%**	5.10%
Inflation assumption (Retail Prices Index ("RPI"))	**3.40%**	3.00%
Inflation assumption (Consumer Prices Index ("CPI")) (note d)	**2.70%**	N/A
Expected return on equities	**N/A**	8.00%
Expected return on bonds	**N/A**	5.10%
Expected return on cash	**N/A**	0.50%
Expected return on property	**N/A**	5.10%

18. Retirement Benefit Obligations *(Continued)*

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.

(d) Following changes in applicable legislation, inflationary increases applied to the value of deferred members' pension liabilities have been recalculated using CPI rather than RPI.

The methodology and criteria underlying the calculation and setting of the assumptions at 31 March 2011 are consistent with those used to determine the comparable assumptions disclosed in the financial statements of the Group for the year ended 30 September 2010.

The amount recognised in the consolidated statement of financial position in respect of the Plan is as follows:

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Fair value of Plan assets:		
Equities	**788,746**	720,782
Bonds	**380,700**	378,404
Property	**135,645**	130,906
Cash	**2,357**	1,685
Insurance policies	**11,310**	12,066
	1,318,758	1,243,843
Present value of funded obligations	**(1,320,616)**	(1,423,147)
Net liabilities recognised	**(1,858)**	(179,304)

18. Retirement Benefit Obligations *(Continued)*

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

	Six months ended 31 March	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current service cost	**1,433**	1,202
Curtailment gain	**—**	(6,371)
Expected return on assets	**(40,411)**	(40,300)
Interest cost	**36,059**	37,820
	(2,919)	(7,649)

The current service cost charge and the curtailment gain are included in administrative costs in the consolidated income statement. The net interest receivable is included in other income.

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

	Six months ended		
	31 March 2011	30 September 2010	31 March 2010
	HK$'000	HK$'000	HK$'000
	(unaudited)	(unaudited)	(unaudited)
At the beginning of the period	**1,423,147**	1,349,596	1,368,316
Currency realignment	**30,054**	39,521	(57,321)
Current service cost	**1,433**	1,397	1,202
Curtailment gain	**—**	—	(6,371)
Interest cost	**36,059**	36,559	37,820
Member contributions	**1,146**	1,293	1,311
Benefit payments	**(32,410)**	(31,671)	(39,517)
Actuarial (gains)/losses	**(138,813)**	26,452	44,156
At the end of the period	**1,320,616**	1,423,147	1,349,596

18. Retirement Benefit Obligations *(Continued)*

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

	Six months ended		
	31 March 2011	30 September 2010	31 March 2010
	HK$'000	HK$'000	HK$'000
	(unaudited)	(unaudited)	(unaudited)
At the beginning of the period	**1,243,843**	1,200,226	1,178,764
Currency realignment	**26,431**	35,372	(50,044)
Employer contributions	**4,933**	4,497	11,998
Member contributions	**1,146**	1,293	1,311
Expected return on assets	**40,411**	39,292	40,300
Benefit payments	**(32,410)**	(31,671)	(39,517)
Actuarial gains/(losses)	**34,404**	(5,166)	57,414
At the end of the period	**1,318,758**	1,243,843	1,200,226

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

	Six months ended		
	31 March 2011	30 September 2010	31 March 2010
	HK$'000	HK$'000	HK$'000
	(unaudited)	(unaudited)	(unaudited)
Actuarial gain/(loss)	**173,217**	(31,618)	13,258

The cumulative amount of actuarial gains recognised in the consolidated statement of comprehensive income, before tax, is HK$252,598,000 (30 September 2010 – HK$79,381,000).

18. Retirement Benefit Obligations *(Continued)*

The history of experience adjustments is as follows:

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Present value of defined benefit obligation	**(1,320,616)**	(1,423,147)
Fair value of Plan assets	**1,318,758**	1,243,843
Deficit	**(1,858)**	(179,304)
Experience gain adjustment on Plan liabilities	**31,910**	—
Experience gain adjustment on Plan assets	**—**	52,248

The actuarial valuation showed that the market value of the Plan's assets at 31 March 2011 was HK$1,318,758,000 (30 September 2010 – HK$1,243,843,000) and that the actuarial value of these assets represented 99% (30 September 2010 - 87%) of the benefits that had accrued to members. The shortfall of HK$1,858,000 (30 September 2010 – HK$179,304,000) is subject to variation as, going forward, assumptions and investment conditions change. The current deficit and any future liabilities, as calculated by the Plan actuary, will be cleared in accordance with current UK pensions legislation and after consultation with, and agreement by, the Trustees of the Plan.

19. Deferred Tax

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

	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 2009 (audited)	12,019	(16,082)	53,075	8,398	5,801	63,211
(Charged)/credited to profit or loss for the period (note 7)	(1,565)	229	(5,677)	3,086	(1,909)	(5,836)
Recognition of actuarial gain on retirement benefit obligation in other comprehensive income	—	—	(3,715)	—	—	(3,715)
Currency realignment	(401)	777	(1,859)	(548)	(85)	(2,116)
At 31 March 2010 (unaudited)	10,053	(15,076)	41,824	10,936	3,807	51,544
(Charged)/credited to profit or loss for the period	2,248	731	(3,083)	(2,455)	(235)	(2,794)
Recognition of actuarial loss on retirement benefit obligation in other comprehensive income	—	—	8,854	—	—	8,854
Currency realignment	221	(347)	791	501	5	1,171
At 30 September 2010 (audited)	12,522	(14,692)	48,386	8,982	3,577	58,775
(Charged)/credited to profit or loss for the period (note 7)	(3,926)	224	(2,125)	245	(745)	(6,327)
Recognition of actuarial gain on retirement benefit obligation in other comprehensive income	—	—	(46,773)	—	—	(46,773)
Currency realignment	257	(370)	1,011	217	56	1,171
At 31 March 2011 (unaudited)	**8,853**	**(14,838)**	**499**	**9,444**	**2,888**	**6,846**

19. Deferred Tax *(Continued)*

For the purposes of presentation in the consolidated 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.

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Deferred tax liabilities	**(16,613)**	(16,466)
Deferred tax assets	**23,459**	75,241
	6,846	58,775

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% (30 September 2010 – 27%).

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:

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Unused tax losses	**402,366**	440,429
Capital losses	**119,859**	124,384
Other temporary differences	**34,254**	36,601
Other tax credits	**368,505**	360,904
	924,984	962,318

19. Deferred Tax *(Continued)*

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 portion of its tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits principally arise in Hong Kong, the UK and France 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 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 the 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.

At 31 March 2011 and 30 September 2010, 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 the 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 investments in subsidiaries and associate in Mainland China for which deferred tax liabilities have not been recognised totaled HK$474,000 and HK$253,000 at 31 March 2011 and 30 September 2010, respectively.

20. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 March 2011 and 30 September 2010	1,500,000,000	150,000
Issued and fully paid:		
At 31 March 2011 and 30 September 2010	991,852,107	99,185

21. Disposal of a Subsidiary

As disclosed in note 9, 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., for a total consideration of S$8 million (equivalent to approximately HK$48.2 million, after applicable costs on disposal), payable in cash. The sale of Jade was concluded on 28 February 2011 (the "Disposal date").

In the financial statements for the year ended 30 September 2010, Jade was presented in the consolidated income statement as a discontinued operation. The assets and liabilities attributable to Jade were classified as a disposal group held for sale at 30 September 2010 and were presented separately in the consolidated statement of financial position.

21. Disposal of a Subsidiary *(Continued)*

The net assets as at the Disposal date were as follows:

	HK$'000
Property, plant and equipment	23,721
Inventories	19,028
Trade and other receivables	35,184
Cash and cash equivalents	446
Trade and other payables	(23,231)
Bank overdrafts	(7,027)
Other interest bearing bank borrowings	(9,033)
Obligations under finance leases	(1,928)
	37,160
Gain on disposal (note 9)	9,866
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary (note 9)	1,194
Total consideration	48,220
Satisfied by:	
Cash consideration	48,916
Transaction costs directly attributable to the disposal	(696)
	48,220
Net cash flow arising from the disposal:	
Cash consideration	48,916
Transaction costs directly attributable to the disposal	(696)
Cash and cash equivalents disposed of	6,581
	54,801

The gain on disposal is included in the net result from discontinued operation in the consolidated income statement (note 9).

22. Major Non-cash Transactions

During the period, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$4,607,000 (1 October 2009 to 31 March 2010 – HK$ 2,832,000).

23. Pledge of Assets

At the reporting date, the Group has pledged bank deposits of HK$5,000,000 (30 September 2010 – HK$5,000,000) to certain banks to secure credit facilities granted by the banks to the extent of approximately HK$13,900,000 (30 September 2010 – HK$13,900,000).

The banking facility of the UK subsidiaries of Spear & Jackson is a £7,250,000 Sterling (approximately HK$91,000,000) composite facility comprising confidential invoice discounting, an overdraft and short-term loans. This facility is secured by certain trade receivables in the UK trading operations of Spear & Jackson, by fixed and floating charges on the other 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 31 March 2011 was HK$29,466,000 (30 September 2010 – HK$26,806,000) 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 31 March 2011 was HK$11,235,000 (30 September 2010 – HK$ 269,000).The amount drawn down under short-term loans at 31 March 2011 was HK$9,352,000 (30 September 2010 – HK$ 12,212,000). The net book value of the Group's UK freehold properties at 31 March 2011 was approximately HK$107,035,000 (30 September 2010 – HK$111,750,000) over which there is a first fixed charge of approximately HK$63,000,000 (30 September 2010 – 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% of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, the UK, which at 31 March 2011 had an approximate value of HK$44,500,000 (30 September 2010 – HK$46,000,000).

24. Reconciliation of Increase/(Decrease) in Cash and Cash Equivalents to Movement in Net Cash/(Borrowings)

	Six months ended	
	31 March 2011 HK$'000 (unaudited)	31 March 2010 HK$'000 (unaudited)
Net increase/(decrease) in cash and cash equivalents for the period	**22,409**	(17,824)
Effect of foreign exchange rates	**4,603**	1,187
Net movement in cash and cash equivalents	**27,012**	(16,637)
Repayment of bank loans	**10,008**	16,892
New bank loans raised	**(5,072)**	(24,990)
Net cash ouflow from export loans	**14,668**	8,257
Others	**(2,800)**	1,313
Disposal group bank and other loans	**10,961**	—
Net borrowings at the beginning of the period	**(30,074)**	(22,990)
Net cash/(borrowings) at the end of the period	**24,703**	(38,155)

24. Reconciliation of Increase/(Decrease) in Cash and Cash Equivalents to Movement in Net Cash/(Borrowings) *(Continued)*

	31 March 2011 HK$'000 (unaudited)	31 March 2010 HK$'000 (unaudited)
Analysis of net cash/(borrowings) at 31 March		
Cash and cash equivalents	**147,222**	92,840
Pledged bank deposits	**5,000**	5,000
Interest-bearing bank borrowings - amounts due within one year	**(97,865)**	(94,476)
Interest-bearing bank borrowings - amounts due after one year	**(18,076)**	(29,521)
Obligations under finance leases - amounts due within one year	**(5,501)**	(6,879)
Obligations under finance leases - amounts due after one year	**(6,077)**	(5,119)
	24,703	(38,155)

25. Related Party Transactions

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

	Six months ended 31 March 2011 HK$'000 (unuadited)	31 March 2010 HK$'000 (unuadited)
Basic salaries and allowances, bonuses and benefits in kind	**2,806**	3,067
Mandatory provident fund contribution	**6**	6
	2,812	3,073

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. For the six months period ended 31 March 2011, goods to the value of approximately HK$8,750,000 (31 March 2010 – HK$6,908,000) were purchased from Ningbo Hi-tech.

The Group operates a contributory defined 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 period are disclosed in note 18.

Other than the disclosures above, the Group has not entered into any other related party transactions.

26. 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.

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

27. Capital Commitments

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Committed but not contracted for:		
Property, plant and equipment	**6,197**	12,395
Contracted but not provided for:		
Capital contribution payable to a PRC wholly-owned subsidiary	**8,950**	19,865
	15,147	32,260

28. 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:

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Operating leases which expire:		
Within one year	**12,251**	7,853
In the second to fifth years inclusive	**17,110**	30,120
Over five years	**16,934**	29,880
	46,295	67,853

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 an option to renew the leases and renegotiate the terms at the expiry date or 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 recognized:

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Onerous lease contracts (Note 17)		
Within one year	**10,637**	8,487
In the second to fifth years inclusive	**—**	1,698
	10,637	10,185

28. Operating Lease Commitments *(Continued)*

The Group as lessor

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

	31 March 2011 HK$'000 (unaudited)	30 September 2010 HK$'000 (audited)
Within one year	**586**	—
In the second to fifth years inclusive	**306**	830
Over five years	**5,365**	5,654
	6,257	6,484

Operating lease income represents the rental 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 an option to renew the leases and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and the respective tenants.

Review by Audit Committee

The unaudited interim results for the six months ended 31 March 2011 have been reviewed by the Company's Audit Committee. The information in these interim results does not constitute statutory accounts.

Interim Dividend

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 March 2011, in order that the Group retains flexibility to take advantage of investment and other strategic opportunities presented by the improving business climate. This position will be kept under continuing review as it relates to a final dividend payment.

Employees

At 31 March 2011 the Group had approximately 2,196 employees worldwide. The remuneration of employees is determined by overall guidelines for each category of employees, commensurate with qualification and experience and takes into account business performance, market practices and competitive market conditions. The Group has adopted a discretionary bonus program, share option scheme, medical insurance and personal accident insurance for certain categories of employees. Incentive awards for relevant employees are determined annually based on various criteria, including the performance of the Group as a whole and the careful assessment of the individual performance of each participating employee.

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

As at 31 March 2011, 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 Stock Exchange of Hong Kong Limited ("SEHK") pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred 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. 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%

Note:

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 of the Company

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 as at 31 March 2011, neither the Directors, nor any of their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Shareholders with Notifiable Interests

As at 31 March 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders (other than the 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	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%

Notes:

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

2. 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.

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 31 March 2011 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 period 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:

Name	Date of grant	Exercise price HK$	Number of option shares outstanding at 1 October 2010 and 31 March 2011
Mr. Simon N Hsu	23.7.2003	0.286	3,773,165

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 at 28 July 2006, are available for future grants under the 2004 Scheme. Following adjustments due to capital changes in 2009, as at 31 March 2011, the number of options available for grants is 35,031,217 shares.

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

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

(b) *(Continued)*

The details of the exercise price and the number of options outstanding during the period 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 HK$	Outstanding at 1 October 2010	Granted/ exercised/ cancelled/ lapsed during the period	Outstanding at 31 March 2011
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
			9,530,552	—	9,530,552
Other employees	28.9.2004	0.193	1,236,393	—	1,236,393
	20.12.2004	0.198	1,050,937	—	1,050,937
			11,817,882	—	11,817,882

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

Other than as disclosed above, at no time during the period under review 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 period under review.

Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding share options as set out above, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 March 2011 and there had been no exercise of convertible securities, options, warrants or similar rights during the period.

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

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

Pre-Emptive Rights

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

Compensation Committee

The Compensation Committee of the Company comprises two Independent Non-Executive Directors, Mr. Ramon S Pascual (Chairman) and Dr. Wong Ho Ching, Chris, and an Executive Director, Mr. Simon N Hsu. It is responsible for advising the Board on the remuneration policy and framework for the Directors and senior management of the Company. The Committee also assists the Board to review and consider the Company's policy for the remuneration of all the Executive Directors and senior management of the Company with reference to the Company's objectives from time to time.

Audit Committee

The members of the Audit Committee comprise three Independent Non-Executive Directors, Mr. Robert B Machinist (Chairman), Dr. Wong Ho Ching, Chris and Mr. Ramon S Pascual.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the unaudited interim consolidated financial statements for the six months ended 31 March 2011. The information in these interim results does not constitute statutory accounts.

Nominating and Corporate Governance Committee ("NCGC")

The NCGC Committee of the Company currently comprises two Independent Non-Executive Directors, Dr. Wong Ho Ching, Chris (Chairman) and Mr. Robert B Machinist and an Executive Director, Mr. Simon N Hsu. It 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. It 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six month period ended 31 March 2011, with the exception of the following deviation:

Under code provision A.4.1, non-executive directors should be appointed for a specific term. Under 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.

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 period 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 no less exacting than the terms of the Model Code. No incident of non-compliance of the guidelines by employees was noted by the Company.