United Pacific Industries

聯 太 工 業

Stock Code: 176

Annual Report 2011

United Pacific Industries
聯太工業

NEILL TOOLS
THE TOOLS TO TRUST

Spear & Jackson

ECLIPSE MAGNETICS

BOWERS METROLOGY GROUP

baty

Robert Sorby

品頂實業有限公司
Pantene Industrial Co., Ltd.

INDUSTRIES
A • L • F • O • R • D

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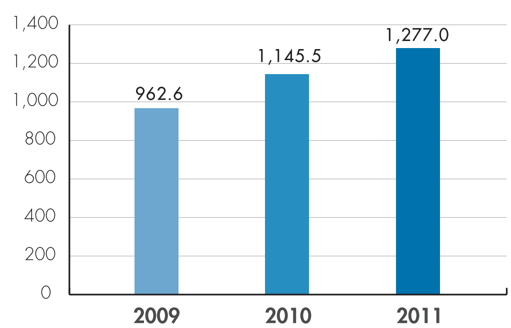
FINANCIAL HIGHLIGHTS

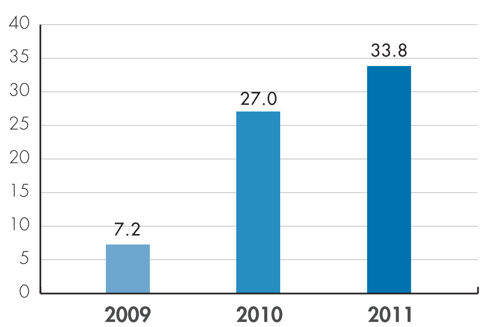
- **Revenue increase of 11%.**
- **Profit after tax from continuing operations improves by 25%.**
- **Earnings per share from continuing operations up by 24%.**

	2011 HK$m	2010 HK$m	% Change
Revenue	**1,277.0**	1,145.5	+11%
EBIT (from continuing operations, before restructuring and other non-operating, one-time costs and credits)	**54.9**	52.8	+4%
EBITDA (from continuing operations)	**76.3**	74.3	+3%
Profit before tax from continuing operations	**51.2**	39.9	+28%
Profit after tax from continuing operations	**33.8**	27.0	+25%
Profit/(loss) after tax from discontinued operation	**4.0**	(30.6)	+113%
Profit/(loss) attributable to Owners of the Company	**37.7**	(3.6)	+1,147%
Earnings per share from continuing operations	**3.405 cents**	2.75 cents	+24%
Net assets	**418.6**	351.6	+19%
Net cash/(borrowings)	**35.5**	(15.5)	+329%
Net gearing	**N/A**	4.4%	

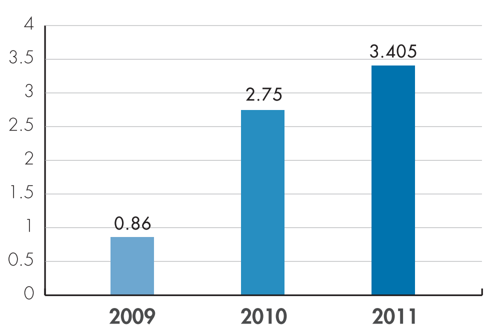
Revenue
HK$m



Profit After Tax from Continuing Operations
HK$m



Earnings per Share from Continuing Operations
HKcents



CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS,

In a year of considerable economic uncertainty and volatile raw material prices, United Pacific Industries Limited ("UPI") delivered a solid financial performance. Our Company achieved growth in both top-line sales and net income while, at the same time, improving our financial health and cash position.

Turning attention to the overall numbers, our fiscal 2011 sales were HK$1.28 billion, an increase of 11% over last year, and post tax profits were HK$33.8 million, an improvement of 25%. Most important to shareholders is our earnings per share of HK3.4 cents, an improvement of 24% over last year's results. All of these figures are, of course, presented on a continuing operations basis, after removing the results of Jade Precision Engineering Pte. Ltd., which was sold during the year.

We mentioned in our Interim Report that cash generation and balance sheet improvement have been a high priority at UPI, and that this policy has brought us to a very financially healthy net cash position. I am personally delighted that this net cash position has continued to improve in the second half of our fiscal year, to the extent that at 30 September 2011 it was HK$35.5 million. Our improved financial strength gives us two very important advantages: first, we will be able to weather a significant economic downturn if the world economy deteriorates further, and second, we will be able to act upon reasonable opportunities which may arise.

This thought leads into a discussion of what management believes is the best strategy for us during this uncertain future. We are highly confident that we will achieve optimum success by focusing on organic growth, developing new and better products while, at the same time, implementing cost containment programs. We will also place a large emphasis on geographic expansion. UPI has moved a substantial amount of its manufacturing and production to China. We will continue to expand our Asian presence and will pursue Asian markets as this area of the world continues its stellar growth. However, we are also open to new areas, and if an opportunity to take UPI to a new level presents itself, it will be seriously considered.

PROSPECTS

It is early in our fiscal 2012. In the first two months, we are experiencing improved operating results but at a level below what we would like. What will happen this year will depend heavily on the world economy, particularly that in the western countries. Unfortunately, the outlook is not good, at least at the moment. The European Union has neither addressed its problems nor grasped any reasonable solution. At this point, it appears all but inevitable that Europe will slip backward into recession. In America, politicians are so polarized that little or nothing is being accomplished. Elections in America are eleven months away so we see little of substance happening during this period. However, unlike Europe, America is slowly improving and growth is taking place.

Against this uneasy backdrop we must make our best estimate as to what we think we can achieve for UPI's shareholders this year. Put simply, we are cautiously optimistic and believe that, barring some unforeseen catastrophic economic or other event, we will achieve growth in earnings and earnings per share this year.

In closing, I would like to thank all who contributed to our Company during 2011: our customers, suppliers, financiers, our Board of Directors and our employees. As I have said in the past, it takes many people for any company to succeed in the long run. In this connection, we are very appreciative of the efforts of all our constituents and the support of our shareholders.

DAVID H CLARKE
Chairman
Hong Kong, 13 December 2011

CHIEF EXECUTIVE OFFICER'S BUSINESS REVIEW

I am very pleased to report that United Pacific Industries had an excellent year in fiscal 2011. Despite the huge increases in material prices worldwide and labor costs in China, our Group was able to achieve solid financial results across most of its geographic regions and business segments. We also significantly improved our cash flow in the year which resulted in the Group having zero gearing at 30 September 2011.

The performance highlights are discussed below:

Divisional Performance

The divisions that achieved highest revenue growth were Metrology (+40%), Magnetics (+30%) and Contract Manufacturing (+27%). This growth was due to a general recovery in the capital equipment markets in which we operate, new customers being secured and new product launches. The Tools division only grew 4%, primarily as a result of delays experienced in the relocation of its hacksaw blade operations from England to China. The Consumer Electronics division suffered a revenue decline of 32% due to the transition from the older analog to newer digital versions of its baby monitor range as well as declining sales to its top customer.

New Product Development

We continued to develop and introduce innovative and value added products to the market which allowed us to satisfy our customers' needs as well as improve our competitive edge and margins.

New products launched included the following:

Tools Division

- Eclipse locking jaw pliers. These are used for clamping, crimping and wire cutting and are targeted at professionals around the world across a wide spectrum of industries. The Eclipse range is manufactured to a specification higher than the ASME standard, providing a strong and durable product.
- A new insulated range of digging tools, manufactured in compliance with relevant safety standards, which has been designed to provide the construction industry with a complete range of ground work tools that provide the highest possible protection in "live wire" environments.
- Within our speciality tools division, Robert Sorby, a five piece turning set in a six pocket leather tool roll which gives the wood turner easy access to tools used to rough down square objects, turn bowls, add fine details to spindles, finish face plate work and separate work from the lathe. Each tool roll has been designed specifically to carry Sorby woodturning tools and to provide a hard wearing attractive carrier enabling turners to easily carry their tools to chapter and club meetings.
- A fifty piece air tool kit, a short magazine framing gun and a pinned head sledge hammer for sale in Australia.
- The introduction by our French division of a ratchet pruner, hand tools with bamboo handles and a new merchandiser display for their successful children's plastic tools range.

Magnetics Division

- The Automag magnetic filtration system, designed to remove ferrous particles to sub-micron levels from coolants and oils that are used within all grinding, milling and EDM applications. Magnetic filtration provides improved filtration capabilities over conventional methods with a single system. Automag is designed to handle large flow rates of up to 900 litres per minute with PLC controls proving full automation.
- Magnetic separation products, compliant with the ATEX specification, to be sold mainly within the food processing sector where the workplace has to avoid potentially combustible fine organic dusts. ATEX is an EU directive that provides accreditation for products that are manufactured to a design that will remove the risk of an explosion being created within hazardous environments.

Metrology Division

- Bowers XT500 large diameter 3-point bore gauge with a measuring range of 300-500 mm. that is ideal for heavy engineering and oil and gas applications.
- Baty Venture Plus high-end vision system, which offers a greater measuring range than the standard venture non-contact machine. It utilises the advanced Baty “Fusion” software and a new collimated light feature which provides improved measurement accuracy of three-dimensional items.

Contract Manufacturing Division

- Various new lithium-ion battery chargers for power tools and LED modules.

Consumer Electronics Division

- Motorola 2.8” and 3.5” digital video/audio baby monitors with FHSS technology for more reliable connectivity with two-way communication.

Geographic Expansion

In order to minimize the potential risks related to an economic slowdown in any particular region, our ongoing strategy is to have a more balanced regional revenue distribution by focusing more of our efforts in higher growth areas such as Asia Pacific as well as traditional markets. To this end, we are pleased to report that the revenue growth in greater China was 36% year-on-year, with Australia +22% and the UK +18%.

Operational Excellence

During the year we completed the relocation of our hacksaw blade manufacturing operations from Sheffield, England to Jiangmen in the Guangdong Province of China. The new plant is now fully operational. This important strategic initiative will allow us to be more cost competitive and efficient.

To improve our productivity and efficiency we will continue to review all our operations worldwide and implement programs to further rationalise and reduce our cost base, including investment in new machinery and equipment.

Cash Flow

As a result of the disposal of our loss-making Singapore subsidiary, Jade Precision Engineering Pte. Ltd., in February 2011, together with an increase in operating profit and a reduction in working capital, the Group was able to significantly improve its overall liquidity position. At 30 September 2010, the Group had net borrowings attributable to its continuing operations of HK$15.5 million. These borrowings had been converted into net cash of HK$35.5 million at 30 September 2011.

In closing, I would like to thank all our employees for their contribution to our success in 2011.

I look forward to delivering further improvements in results in the coming year.

HENRY W LIM
Chief Executive Officer

THE BOARD ROOM

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

Executive Directors

David H Clarke – *Chairman*

Mr. Clarke, aged 70, was appointed Chairman on 30 June 2010 and has been a Director since 2004. He had previously served as a Non-executive Director of the Company from July 1996 to July 1998 and as a member of the Compensation Committee for the period from 30 June 2010 to 30 September 2010. Mr. Clarke was formerly Chairman and Chief Executive Officer of Jacuzzi Brands, Inc. ("Jacuzzi"), a company listed on the New York Stock Exchange, from 1995 until his retirement in September 2006. Prior to joining Jacuzzi, Mr. Clarke was Vice Chairman and a director of Hanson plc, a major international diversified company listed on the London Stock Exchange. Mr. Clarke also serves on the board of Fiduciary Trust Company International, a money manager, which is a subsidiary of New York Stock Exchange-listed Franklin Resources, Inc. Mr. Clarke currently is Chief Executive Officer of GSB Holdings, Inc., a subsidiary of his family's private business engaged in real estate development and investments.

Simon N Hsu – *Executive Vice-chairman*

Mr. Hsu, aged 51, was appointed Executive Vice-chairman of the Company in 2003 and has been a Director since 1996. With effect from 1 October 2010 and 30 June 2010, Mr. Hsu became a member of the Compensation Committee and the Nominating and Corporate Governance Committee, respectively. He is the Chief Executive Officer of Sino Resources Mining Corporation Limited which engages in exploiting natural resources and mining activities in Laos PDR and Australia. Mr. Hsu is also the Executive Chairman of e-commerce Logistics Group, a Greater China-focused logistics and supply chain management company headquartered in Hong Kong. In addition, he is a Director of TransGlobe Life Insurance Inc. in Taiwan, and a Director of UBP Asset Management Asia Ltd. which engages in investment consultancy and asset management in Asia.

Henry W Lim – *Chief Executive Officer*

Mr. Lim, aged 60, was re-designated as an Executive Director and was appointed Chief Executive Officer of the Company on 30 June 2010. Mr. Lim had previously served as an Independent Non-executive Director of the Company from September 2004 to June 2010 and was the Chairman of the Audit Committee as well as a member of the Compensation Committee and the Nominating and Corporate Governance Committee during the same period. Mr. Lim was a director and the Chief Financial Officer of Morrison Express Corporation, based in Taiwan, from February 2000 to May 2009. He is a Certified Public Accountant and is a fellow of the Institute of Certified Public Accountants of Singapore, a fellow of CPA Australia as well as a fellow of the Association of Chartered Certified Accountants. He holds a Bachelor of Commerce (Honors) degree in Accounting (Silver Medal winner) from the Nanyang University of Singapore and has over 30 years' experience in professional audit, financial accounting and international management. He has held senior financial management positions with various companies, including 15 years with Fritz Companies, Inc., a former NASDAQ-listed company, where he rose through the ranks to become Director of Finance for International Operations.

Patrick J Dyson – *Chief Financial Officer*

Mr. Dyson, aged 55, was appointed Chief Financial Officer of the Company in February 2007 and was appointed a Director in April 2008. Prior to his appointment, Mr. Dyson had been Chief Financial Officer of Spear & Jackson, Inc. since October 2004. He qualified as a member of the Institute of Chartered Accountants in England and Wales in 1982 and worked in public practice until joining Spear & Jackson plc in 1991, where he occupied a number of senior corporate financial roles within the Group. From April 1995 to July 2001 Mr. Dyson was Group Chief Accountant and from August 2001, until his appointment as Chief Financial Officer in October 2004, he was Group Financial Controller. He holds a BA in English and an MA in Linguistics, both from the University of Leeds, England.

Non-Executive Directors

Chan Kin Sang

Mr. Chan, aged 60, was appointed as a Non-executive Director of the Company on 20 January 2011. Mr. Chan is currently the sole proprietor of Messrs. Peter K.S. Chan & Co., Solicitors and Notaries. Mr. Chan has been a practicing solicitor in Hong Kong since 1982. He graduated from the University of Hong Kong with a BA in Law in 1979 and was admitted as a Notary Public in 1997 and as a China-appointed attesting officer in 2000. Mr. Chan is a Fellow of the Hong Kong Institute of Directors and acts as an independent non-executive director in two Singapore listed companies, People's Food Holdings Limited and Luxking Group Holdings Limited and three Hong Kong listed companies, China Precious Metal Resources Holdings Co. Limited, International Taifeng Holdings Limited and Pacific Plywood Holdings Limited. Additionally, he is a non-executive director of Pan Hong Property Group Limited, listed in Singapore, and Mayer Holdings Limited and Combest Holdings Limited, both listed in Hong Kong. He was formerly an independent non-executive director of Sunray Holdings Limited, New Smart Energy Group Limited and Dynamic Energy Holdings Limited.

Liu Ka Lim

Mr. Liu Ka Lim, aged 56, was appointed as a Non-executive Director of the Company on 20 January 2011. Mr. Liu has over 24 years of professional experience in the field of finance and accounting. He is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Hong Kong Securities Institute. During the period from March 2004 to August 2006, Mr. Liu was the Chairman of Galileo Capital Group Limited, a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited. During the period from October 2003 to March 2006, Mr. Liu was the Chairman of Wonderful World Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is currently a director of United Simsen Securities Limited, a subsidiary of Simsen International Corporation Limited, which is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Independent Non-executive Directors

Ramon S Pascual

Mr. Pascual, aged 52, was appointed a Director of the Company in January 2003. He serves as Chairman of the Compensation Committee and is also a member of the Audit Committee (save for the period from 30 June 2010 to 30 September 2010). He is a senior executive of Eton Properties Limited, a real estate development and investment company known for premier residential, commercial, retail, and hotel developments in Hong Kong and China. Mr. Pascual also serves as an executive director of Dynamic Holdings Ltd; a company listed on the Hong Kong Stock Exchange, a position he has held since 2006, and as a director in real estate, manufacturing and logistics companies with businesses in Hong Kong, China, and the Philippines.

Dr. Wong Ho Ching, Chris

Dr. Wong, aged 64, has been an Independent Non-executive Director of the Company since March 1994. Dr. Wong serves as Chairman of the Nominating and Corporate Governance Committee, is also a member of the Audit Committee and, since 30 June 2010, a member of the Compensation Committee. He is now the council member of the Chinese Mechanical Engineering Society, China. He specialises in Industrial Engineering, Technology Transfer and Corporate Management. He has been a consultant for the United Nations Educational, Scientific and Cultural Organisation and received a Fellow Award from the US Institute of Industrial Engineers for his professional leadership and outstanding contributions to Industrial Engineering. Dr. Wong holds a PhD in management engineering from Xian Jiao Tung University. He has been a member of the First Hong Kong Special Administrative Region Election Committee and member of the first and second Hong Kong Special Administration Region Selection Committee.

Robert B Machinist

Mr. Machinist, aged 58, was appointed as an Independent Non-executive Director of the Company on 11 April 2008. Since 30 June 2010, he has served as Chairman of the Audit Committee and a member of the Nominating and Corporate Governance Committee. He is currently Managing Partner of Selway Capital, a middle market investment firm, Chairman, Board of Advisors of MESA, a leading merchant bank specializing in media and entertainment industry transactions as well as a member of the Board of Directors of CIFC Corp. (NYSE:DFR) and Chairman of both its Audit Committee and Special Committee. Mr. Machinist also runs a private family investment company whose activities range from the Collectors Car Garage to a number of real estate development businesses. From January 1986 to November 1998, he was president and one of the principal founders of Patricof & Co. Capital Corp. (and its successor companies), a multinational investment banking business, until its acquisition by the Bank of New York. From 1998 until December of 2001 Mr. Machinist served as Managing Director and head of investment banking for the Bank of New York and its Capital Markets division.

He is presently a member of the Board of Directors of Centre Pacific, Maimonides Medical Center, and the American Committee for the Weizman Institute of Science as well as serving on its International Board of Governors and its Endowment Committee. In addition to being on the Board of CIFC Corp. and Chairman of its Audit and Special Committees, he also serves on its Compensation and Nominating Committee & Corporate Governance Committee. Through December of 2008, Mr. Machinist was Non-executive Chairman of New Motion, Inc. (NASDAQ: NWMO), a member of its Board of Directors and its Audit and Compensation Committees. Previously, he has also been a trustee of Vassar College, a member of its Executive Committee and one of three trustees responsible for managing the college's endowment. He has also been a board member of Jamie Marketing Services, Inc., Doctor Leonard's Healthcare Direct and Ringier America, among many other Executive Boards.

KEY EXECUTIVES

Group Management Team

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

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

Som Wai Tong, Ivan
– *Group Treasurer and Company Secretary - UPI*

Spear & Jackson Group

Lee Wells
– *Managing Director, Neill Tools Limited, Eclipse Magnetics Limited and President of Eclipse Tools North America, Inc.*

Stephen White
– *Chief Executive Officer, Bowers Group*

Philip Proctor
– *Managing Director, Robert Sorby*

Alexander (Sandy) Boyd
– *Managing Director, Spear & Jackson (Australia) Pty. Ltd. and Spear & Jackson (New Zealand) Ltd.*

Gilles Champain
– *Managing Director, Spear & Jackson France S.A.*

Pantene Group

Ho Hon Ching, Lewis
– *Chief Executive Officer*

Alford Industries

Tsui Chin Cheong, Rix
– *Chief Executive Officer*

GROUP PROFILE

The Company and Principal Divisions

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

The Company and its subsidiaries (the "Group") have expanded through mergers and acquisitions and its five principal divisions are engaged in a broad range of business operations, as follows:

Contract Manufacturing Division ("Pantene Group")

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

Tools Division

Our Tools division comprises the principal operating subsidiaries, Spear & Jackson Garden Products Ltd. and Neill Tools Ltd., the independently managed business of Robert Sorby and subsidiaries in France, Australia and New Zealand that are market developers and brand name distributors.

With a heritage dating back to the 1760s, Spear & Jackson Garden Products Ltd. and Neill Tools Ltd. offer a broad range of premium quality, well known product brands and are involved in the manufacturing, procurement and distribution of high-quality lawn, garden and agricultural tools, wood saws and hacksaws, a full range of contractors' hand and power tools and a portfolio of electric-powered garden tools. The division has manufacturing and assembly facilities in Sheffield, England, Jiangmen, PRC, and St. Chamond, France, and distribution facilities in England, France, Australia, New Zealand, China and Canada. The division sells in over 100 countries world-wide under globally recognised brands such as Eclipse, Spear & Jackson, Neill Tools, WHS Tyzack and Elliott Lucas. Please visit our website at www.spear-and-jackson.com.

Complementing the business of the UK Hand and Garden operations, Spear & Jackson (Australia) Pty. Ltd. and Spear and Jackson (New Zealand) Ltd., are market-developers and distributors in Australia and New Zealand for the wide range of Spear & Jackson products. They have extended their sales reach by establishing their own lines of products, including air compressors and automotive equipment. Spear & Jackson France S.A. ("S&J France") was created by merging the French businesses of Laurenty and Forges de Lavieu. The former is a well-known name among home gardeners for lawn and garden tools and implements, and the latter is a long-standing and well-established name in French agricultural tools. S&J France has also been active in launching new products under the Spear & Jackson brand name. Through its Karamel & Jeremy range it has branched into the largely untapped market for children's gardening products and accessories and, at the same time is nurturing budding young gardeners and building brand-loyalty among a new generation. Please visit our website at www.neill-tools.co.uk/SJ/France.

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

Metrology Division ("Bowers Group")

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

The Metrology division is engaged in the design, manufacturing, procurement and distribution of precision measuring instruments for the automotive, aerospace, oil and gas markets. These products range from simple engineers' hand tools such as gauges for checking the threads, diameters and tapers of machined components to highly sophisticated and specialized measuring systems such as precision bore gauges and hardness testing equipment. Products are sold to industrial customers and are exported to more than 50 countries worldwide, including the United States, Germany and France.

The division's main manufacturing facility is in Bradford, UK. The core product manufactured here is the 3-point internal micrometer range, known as the "Bowers XT", a product sector in which Bowers is the market leader. The UK sales operation in Bordon offers a "one-stop-shop" to the UK industrial marketplace, selling predominantly to industrial end-users, with its technical sales team offering solutions to high precision measuring problems.

The Bowers business includes sales under the well-known brand of Moore & Wright and is further complemented by a manufacturing facility in Shanghai. The Moore & Wright brand enjoys an enviable reputation for the quality of its products and is a recognised leader in the field of micrometer design and manufacture. The Shanghai manufacturing facility, which commenced trading in 2006, manufactures several of the Group's testing instruments, while also acting as a design, out-sourcing and quality control centre for products sold internationally. In addition, Bowers Shanghai acts as a distribution centre offering in the rapidly expanding Chinese market the entire product range of the Bowers Group. Please visit our website at www.bowersmetrology.com.

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

Baty's products are for industrial, manufacturing and professional use on the shop-floor, in tool rooms, and in other areas where precision measurement is critical. The range includes: 3-dimensional, camera-based, non-contact Co-ordinate Measuring Systems; 2-dimensional, non-contact Optical Profile Projectors; the Harpenden Skinfold Caliper (to estimate body fat), recognised as the industry standard for many years; and dial gauges and other gauging products.

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

Magnetics Division ("Eclipse Magnetics")

Eclipse Magnetics has a rich history of leading edge innovation in magnetic tool technology while maintaining its foundation in a core product range that goes back to the early 20th century.

Its key products are permanent magnets (cast alloy), magnetic tools, magnetic chucks and turnkey magnetic systems. Products range from very simple low-cost items to technically complex high value added systems including separators, conveyors, filtration units, lifting equipment and custom-engineered material handling solutions.

Through a fellow Canadian subsidiary, Eclipse Tools North America ("ETNA"), the division sells, markets and distributes magnetic materials, assemblies and solutions in Canada and the USA. Please visit our website at www.eclipse-magnetics.co.uk.

Consumer Electronics Division ("Alford Industries")

In January 2009, the Company acquired the entire share capital of Alford Industries Limited ("Alford"), an OEM/ODM manufacturer incorporated in Hong Kong with manufacturing facilities in Guangdong, PRC. Alford is engaged in the design and manufacture of sophisticated consumer electronic and wireless products including infrared/radio frequency cordless headphones and speakers, noise cancellation headphones, hearing enhancers, audio and video baby monitors. These are sold not only as OEM/ODM products but, increasingly, under the company's own brand names. Please visit our website at www.alford.com.hk.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial and Operations Review

The trading upturn experienced in fiscal 2010 has continued into the year ended 30 September 2011 where further profit improvements have been delivered, particularly as a result of strong operating performances in the Contract Manufacturing, Magnetics and Metrology divisions, the latter boosted by a full year of profits from Baty International Limited which was acquired in March 2010.

Within the Tools division, the UK's hacksaw blade manufacturing operation closed in October 2010 and production was transferred to a newly formed subsidiary operating from purpose built premises in the PRC. The start of blade production was delayed by four months because of customs importation difficulties. This resulted in quarter four hacksaw blade sales, principally into export markets, being deferred into fiscal 2012. However, these sales shortfalls were compensated by good trading results from the French and Australian arms of the division.

The Group's Consumer Electronics division was adversely affected by declining sales of its analog baby monitor and by delays in the transition to a digital version. Sales revenues improved in quarter four of the year as deliveries of the digital replacement to a major new customer came on stream in June 2011.

On 28 February 2011, the Group completed the sale of its Singapore-based leadframes business, Jade Precision Engineering Pte. Ltd. ("Jade") for a consideration of approximately SG$8 million (HK$48.2 million). This sale allowed the Group to exit from a loss-making, cash-consuming business and will allow Group management to focus time and cash resources on developing key elements of the remaining businesses in the Group.

The results of Jade have been classified in a separate caption "Net result from discontinued operation" in the consolidated income statement for both the year ended 30 September 2011 and the prior year comparative. In addition, in the consolidated statement of financial position at 30 September 2010, the investment is presented as an asset held for sale.

Group Results

In the year ended 30 September 2011, the Group recorded a turnover of HK$1,277.0 million from continuing operations, an increase of 11% when compared to the turnover of HK$1,145.5 million for the year ended 30 September 2010.

Gross margins decreased marginally from 29.51% in the prior year to 29.04% in the current year, reflecting rising labour costs, raw material price increases that were only partially offset by improved procurement processes and the favourable impact of restructuring initiatives.

The Group's operating profit from continuing operations before restructuring costs, net finance costs, share of associate's profits, one-time pension credits, other non-operating items and taxation increased to HK$54.9 million in the year ended 30 September 2011, up by HK$2.1 million, or 4%, from the prior year.

Consistent with the increase in operating profit, the Group's EBITDA from continuing operations (i.e. earnings before restructuring costs, net finance costs, share of associate's profits, one-time pension credits, other non-operating items, taxation, depreciation and amortisation) for the year under review amounted to HK$76.3 million (2010 - HK$74.3 million), an increase of HK$2.0 million, or 3%, over the prior year.

The Group's net profit from continuing operations before tax was HK$51.2 million. This compares to a net profit in the prior year of HK$39.9 million. The 2011 net profit is stated after charging HK$11.1 million of restructuring charges, principally in relation to the relocation of the Group's hacksaw blade manufacturing plant from the United Kingdom to the PRC. 2010's result includes restructuring and other non-operating costs of HK$23.1 million, the major element of which was HK$17.8 million of the first tranche of hacksaw blade relocation costs. Additionally, the 2010 comparatives include HK$11.7 million of one-time pension credits and other non-operating income.

The tax charge for the year ended 30 September 2011 was HK$17.5 million (2010 - HK$12.9 million).

The profit attributable to continuing activities was HK$33.8 million (2010 - HK$27.0 million), an increase of 25% compared to the prior year.

2011 earnings per share from continuing operations were 3.405 HK cents compared to earnings per share of 2.75 HK cents in 2010.

As a consequence of its disposal in the year, the Jade leadframes division has been classified as a discontinued operation in both the 2011 consolidated income statement and the 2010 comparatives. The net result attributable to this discontinued operation in 2011 was a profit of HK$4.0 million (2010 - loss of HK$30.6 million). After adding the result of the discontinued operation, the total Group net profit for the year was HK$37.7 million (2010 - loss of HK$3.6 million).

The 2011 earnings per share from continuing and discontinued operations was 3.806 HK cents compared to a loss per share of 0.36 HK cents in 2010.

Divisional Results Overview

Contract Manufacturing Division (Pantene Group)

Consolidating the improved operational performance in fiscal 2010, Pantene delivered a strong trading performance in the year ended 30 September 2011 with sales of HK$333 million, an improvement of 27% over than the previous year.

In 2011, Pantene faced a number of key business issues. These included shortages of labour; repeated electricity supply limitations; long lead times on electronic components; increased cost of principal raw materials such as copper, oil, silver etc.; continuing US$ depreciation against the RMB and; other adverse exchange movements. All of which served to drive up costs in the year.

To compensate for these cost increases, management was successful in passing on price increases to customers via the renegotiation of selling prices, controlling expenditure, implementing productivity improvements and streamlining operational efficiency. As a result, Pantene's profit before tax increased 51% to HK$20.3 million.

Management focus on securing new customers and business has continued with a number of new products launched in the year and others in the pipeline for delivery in fiscal 2012.

Looking ahead, concerns persist about the world trading environment where several negative factors remain, such as a decelerating US economy, inflationary pressure in China, financial instability in Europe and unstable political situations in Greece and Italy.

Although the first quarter order book is healthy, sales demand may be affected in later periods. As in the past, we will continue to work hard to offset these negative factors by proactive sales and marketing activity and to further improve operational efficiency by increased production automation and other means.

Tools Division

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

Tough trading conditions were again evident across all sectors of UK industrial markets as a result of an increasingly cautious economic environment. Demand within the UK retail and building sectors was particularly soft although we were able to offset this demand weakness by securing new listings, by the introduction of new products and by gaining market share within the independent retail channel.

Overall, our home market showed sales 11% better than the previous year, an excellent performance taking into consideration the lack of consumer and industrial confidence and the poor economic outlook. The benefits of these improved sales were diluted, however, by a bad debt write off resulting from the business failure of one of our major retail customers.

The main challenge in our hand tool division during the year related to the management of the closure of our hacksaw blade manufacturing plant in Sheffield, UK. This facility was closed at the end of September 2010 and in the first quarter of fiscal 2011 the operation was transferred to a new, wholly owned subsidiary based in purpose built, leased premises in Jiangmen, PRC.

We originally forecast that PRC production would commence during April 2011 but this start date was delayed by approximately four months as a result of customs complications. Our sales for the year, particularly into export markets, were adversely affected as a result. However, it is pleasing to report that the delay has not caused long-term issues. Our customers have inventory in the market and they remain loyal to the product and to the brand. Since August, production output has been steadily increasing and we will be operating at full capacity during the first quarter of fiscal 2012.

Rising material and component costs have put pressure on our margins during the year but, wherever possible, these increases have been offset by sales price increases. The division has continued to benefit from the reorganization initiatives implemented in prior years and, in the coming year, will also see profitability improvements derived from the first full year of hacksaw blade cost savings.

The outlook for 2012 remains uncertain within the UK market with the effects of the recent public expenditure cuts made by the government now being felt. Overseas, the recent floods within Thailand will negatively impact first quarter sales. Nevertheless, despite the UK uncertainty and a nervous overseas outlook, we still expect to grow our market share during 2012 with new listings and new product development.

Robert Sorby

Robert Sorby had to deal with challenging market conditions in fiscal 2011. The US market continued to suffer from a depressed economic climate. Our North American sales experience was patchy, with some US customers well down on last year while others showed healthy increases on the prior period. Overall, however, we managed to ride the storm with sales in line with last year.

The situation in the UK is extremely poor with sales demand remaining soft. However, sales in mainland Europe continue to show positive signs and turnover has improved year on year.

The Southern Hemisphere is also starting to show signs of growth. We have now shipped our second order to a new dealer in New Zealand and, in Australia, our largest dealership is showing an increase on last year's performance. However, other dealers in Australia continue to struggle.

There has been good response to new products and promotional deals. In particular, addressing the needs and desires of end users with added value products has secured some significant orders - the introduction of leather tool rolls incorporating woodturning sets being an example. Similar offers are currently being presented to other major customers and positive results are anticipated.

The Sorby Managing Director, Peter Gill, retired midway through the year and was replaced by Phil Proctor, a man with over 30 years of production experience in the business. A head of sales and marketing has been recruited, allowing Phil to take overall control of the company while ensuring continuity of both manufacturing control and new product design and development.

The immediate outlook is far from clear. New products introduced will generate incremental business. However, thanks to government funding cuts, the UK faces a period of austerity, which is likely to put further pressure on sales levels. Our focus market suffers directly from the poor economic climate with our typical customer, a retiree, being hit hardest with reductions in pensions and poor interest returns on savings. However, prospects in Europe and US appear to be improving with outlook forecasts for the beginning of our financial year looking more positive.

More positively, fiscal 2012 will see new products, new customers and a new web site for our retail store that will run alongside numerous initiatives, marketing strategies and demonstrations.

Spear & Jackson France

As last year, the business has been subject to unpredictable demand levels in the period, driven by both economic and meteorological factors, but, overall, delivered sales 3% higher than last year.

During the first quarter, we benefited from strong sales of snow shovels as a result of very wintery conditions in November and December 2010. However, pre-season garden product sales in January and February 2011 were subdued as our principal customers had experienced poor autumn sales and were carrying high residual inventories into the new season.

The spring period was much better due to very good climatic conditions but the extended fine weather led to droughts in certain parts of France which severely reduced sales activity in those areas. These demand reductions were compensated by new listings with a major retailer which delivered incremental sales in August and September.

Margins have eroded slightly despite increased procurement from China. This has arisen as a result of the adverse exchange value of the US dollar combined with price pressure imposed by both customers and suppliers.

We have suffered from price increases from our Chinese suppliers and negotiations with our bigger customers to pass on these increases have proved problematic. As end user sales levels are depressed, customers have resisted price increases as far as possible and have put us into competition with rival suppliers, who are increasingly aggressive on pricing, or by demanding higher rebate levels.

The negative impact of these cost increases has been alleviated by the successful renegotiation of supply contracts with two major retail chains and we were also able to gain incremental business with another large French retailer where we listed in preference to the existing supplier.

A number of new products were launched in the year, together with a series of range extensions and modifications. New product development is an essential part of our operational strategy and, when allied to ongoing improvements in procurement processes, particularly via increased sourcing from the PRC, is seen as the main driver in maintaining sales and margins as we move into fiscal 2012.

Spear & Jackson Australia

Throughout fiscal 2011 our business continued to demonstrate resilience in both sales and profit in a very competitive and challenging market environment with sales revenues increasing by 4% and operating profit increasing by 30% on the prior year.

With regard to our improved sales performance, the ongoing introduction of new products and "industry best" promotional sales offers continued to gain increased sales and market share across most product categories in which we compete. The exception was the Metals Division which continued to suffer sales declines as a result of the slowdown in the Australian manufacturing / automotive sectors post the global financial crisis.

The strong operating profit result has been achieved under difficult trading conditions and was underpinned by improved margins from a solid sales result, a strong Australian dollar and reduced overhead costs.

However, the full benefit of the strong Australian dollar was partially offset in the second half of the year by rising product costs from overseas suppliers.

Looking forward, the business is well placed to pursue our sales and profit objectives in fiscal 2012. However, the level of sales growth will be more subdued due to the slowdown in the Australian economy and consumer sales which will be dependent on continued economic growth in China and the recovery of both the USA and European economies.

While we remain cautious about the ongoing strength of the Australian dollar, we hedge our foreign exchange exposures to underpin our trading margins and this, together with our commitment to new product development, overhead cost minimisation and improved working capital management, should assist management in delivering its fiscal 2012 sales and profit objectives.

Spear & Jackson New Zealand

The business traded poorly in fiscal 2011 in one of the most challenging economic times for the New Zealand economy. Given the pace and volatility of change and the impact of the Christchurch earthquakes, consumer spending and retail sales declined significantly when compared to the prior year. Furthermore, the loss of business with a major retail group in the second half of the prior year further impeded our sales efforts resulting in sales in fiscal 2011 declining 32% on the prior year and operating profit declining 106% mainly as a result of declining trading margins and rising overhead costs.

Looking forward to fiscal 2012, we aim to achieve our sales and profit objectives by implementing aggressive sales and sales promotional programs to gain incremental sales and market share in all product categories in which we compete.

While we acknowledge that the business will continue to be challenged by increased levels of competition and private label house brands, we are encouraged by the recent improvement in consumer sentiment and the stronger New Zealand dollar.

Furthermore, a number of sales initiatives undertaken in the year ended 30 September 2011 should deliver significant incremental sales gains in 2012. In addition to the above, management will continue to focus on new product innovation, cost minimisation and improved working capital control. The above strategies are those that we believe will deliver the desired sales and profit objectives in the forthcoming year.

Metrology Division (Bowers Group)

Fiscal 2011 saw trading and market conditions return to pre-recession levels across virtually all areas. The rebound was much faster than anticipated, aided by the relatively low value of Sterling making exports from the UK divisions far more competitive.

All divisions performed well with the Bowers export distributors going through a re-stocking cycle after reducing inventories during the recession. The UK also saw a high number of capital project sales for both Baty Vision Systems and Bowers' Horizontal Calibration Machines. This was a clear sign of confidence by many blue-chip companies investing in manufacturing in the UK.

The key challenge in fiscal 2011 was providing sufficient manufacturing capacity to match the significant upturn in order levels. This caused longer delivery times to customers and additional capital investment was therefore made in the latter part of the year to cope with increased demand. Supplies of factored products from China and India also saw significant delays as factories in those regions saw large upturns in demand from both domestic and export markets.

The Bowers MicroGauge was the key product launch in the year. The product received an excellent response when launched at our main tradeshow in Germany. Unfortunately, capacity restraints have caused delays with the first production batch of these products. Baty introduced several improvements to its "Fusion" software package and Venture Plus 3D Non-Contact Co-ordinate Measuring Machine.

The outlook for fiscal 2012 is more uncertain due to the turmoil in the Eurozone, but we have entered the year with a healthy order book. The key driver for the year will be customers' willingness to continue investment in improving quality processes against a backdrop of volatile economic conditions. With UK interest rates at an all time low, this is likely to keep Sterling at current levels, maintaining our competitiveness in export markets.

Magnetics Division (Eclipse Magnetics)

In our main UK-based operation, sales showed an excellent 16% growth on the previous year. A cautious UK market reported a modest 4% increase, with our export business achieving an impressive 39% improvement.

We experienced a decline in UK sales within our Engineered Products division as a direct result of the manufacturing uncertainties within this market. However, this was offset by our Industrial and Distribution based business where we increased our market share and launched new products.

The excellent growth within overseas markets was led by improvements within all product groups. The German market delivered growth through our key distributors and partners. At the same time, we established a new presence within Asia and Eastern Europe driving our new filtration range into these manufacturing led markets.

Operating profit was 31% better than the previous year and, after inclusion of our share of profit from our joint venture associate, we achieved a 20% return on sales.

The main challenges during the year related to the unprecedented price rise in rare earth magnet materials which saw an increase of over 1,000% during the second half of the year. We managed this closely with our customers and our margin was only slightly impacted during this period as a result of the protracted timing of the acceptance of the price increases by our customers.

The outlook for 2012 remains uncertain within UK and European markets as they continue to suffer in a depressed economic landscape. Our strategy is to continue to develop the German market and build on the platform created within Eastern Europe and Asia Pacific for our new magnetic filtration and separation ranges.

In our North American operation, Eclipse Tools North America ("ETNA"), 2011 sales to the larger industrial distributors were noticeably up over fiscal 2010 although sales to smaller distributors were relatively flat throughout the year.

Overall, however, sales were 45% ahead of last year with the sales growth mainly driven by the success of the program to further penetrate Magnetics' Engineered Products into the US market. This excellent result was bolstered by sales of hand tools and metrology products that were also ahead of last year.

In fiscal 2012, we do not anticipate the North American economy showing any improvement over the prior year but we are nevertheless targeting double digit growth in sales in the period. To grow sales and profitability in the coming year, ETNA intends to secure incremental business through the introduction of new products (Metal Detection), to enter new markets (e.g. South America), to continue the push toward increased sales of high margin filtration product and to further penetrate existing supply channels.

Consumer Electronics Division (Alford Industries)

The division had a difficult year in the face of falling sales and rising costs. In addition, delays in transitioning the company's principal product offering, baby monitors, from an analog to a digital version, also negatively impacted revenues.

Baby monitors form the core item in Alford's product portfolio, representing nearly 80% of total sales. The demand for analog baby monitors from the division's then biggest customer continued to decline in the first half of the year.

RMB appreciation, combined with increases in labour and raw material costs resulted in gross margin erosion. In addition, the significant fall in sales revenues in quarter 1 and quarter 2 seriously affected the overall profitability of the division as it was not possible to reduce overhead costs at the same rate, or in the same proportion, as the sales decline, even though a series of strict cost control measures was implemented.

As a result of the above factors, the first half of fiscal 2011 provided a very tough trading environment. However, following the launch, in June, of a two product digital baby monitor range to a new customer, Binatone / Motorola, an additional HK$24 million of sales were generated.

This successful product launch was significant as it now positions Alford as one of the key ODM suppliers of digital baby monitors with unrivalled product quality compared to its competitors. The quality of the new digital monitors enabled the Alford product to receive a 5 star rating on Amazon as it outperformed all similar products in the category and this helped in generating better than expected US sales volumes via Amazon e-sales.

With the success of the Motorola baby monitor, digital baby monitors will represent the key products to be developed in fiscal 2012, not only for Motorola but also for other prestige branded customers. In fiscal 2011 we generated approximately 60% of sales from analog models and 40% of sales from digital models, but, going forward, this proportion will shift significantly towards digital models which carry better margins.

Several new projects are currently in progress such as a combined 8" Photo Frame and Baby Monitor and the development of more sophisticated monitor sensor concepts which, for parents, would extend the monitor life span as it could be used not just for babies but also for older children.

North America is Alford's major export region, accounting for 85% of total sales with Europe responsible for another 13%. Market sentiment in North America and Europe was weak during the whole of fiscal 2011 and this was reflected in end customers becoming very price sensitive and adopting a cautious purchasing attitude.

This situation reached its low point in the second half of fiscal 2011 as a result of the European credit crisis which had an adverse impact on Europe sales and, as a result, the anticipated baby monitor expansion plan using the strong Binatone distribution channels in the UK and the rest of Europe could not be realized.

Product competition is intensifying as a number of new players have entered the market, putting further pressures on margins. Alford has, however, retained a solid market position despite the presence of these recent entrants by exercising strict cost control measures in all areas of the business in order to maintain competitive pricing.

Leadframes Division (Jade Precision)

The sale of the Group's Leadframes division was completed on 28 February 2011 for a gross sales consideration of SG$8 million (HK$48.9 million). The results of the Leadframes division have been classified in a separate caption "Net result from discontinued operation" in the consolidated income statement in both the year ended 30 September 2011 and the prior year comparative. In addition, in the consolidated statement of financial position at 30 September 2010, the investment is presented as an asset held for sale.

Brands

Significant emphasis within the Group's operations is focused on branding and brands strategy, principally through Spear & Jackson and its subsidiaries.

Spear & Jackson has held leading brand names in its core business since 1760. Neill Tools is one of the largest British based manufacturers of hand tools with leading brand names such as Neill Tools, Eclipse, Elliott Lucas and Spear & Jackson. Robert Sorby is a recognised specialist in marketing its wood turning tools. In France, our Laurenty and Forges de Lavieu brands of gardening and agricultural tools are backed by over 100 years of quality design and manufacturing excellence.

In the Metrology division, the Moore & Wright brand has been recognised for over 100 years for its traditional craftsmanship while the Bowers name has been at the forefront of international precision measuring equipment for over 50 years. The 2010 acquisition of Baty has added another long-standing, quality name to the existing portfolio of brands.

Eclipse Magnetics is a recognised brand name in the UK manufacturing industry because of its long history of supplying quality magnetic tools and magnetic applications.

Pantene manufactures a range of chargers coupled with factored rechargeable batteries which are sold worldwide under the Powerhaus brand name.

Liquidity and Cash Resources

The Group's net cash position at 30 September 2011, together with the prior year comparatives, is summarised as follows:

	2011 **HK$million**	2010 HK$million
Cash and cash equivalents and pledged bank deposits	**142.0**	119.0
Less: interest-bearing bank borrowings and obligations under finance leases	**(106.5)**	(134.5)
Net debt	**N/A**	(15.5)
Net cash	**35.5**	N/A
Total equity	**418.6**	351.6
Net debt to total equity	**N/A**	4.42%
Interest-bearing bank borrowings and obligations under finance leases to total equity	**25.46%**	38.27%

The working capital position of the Group remains healthy. At 30 September 2011, the liquidity ratio (ratio of current assets to current liabilities) was 201.0% (2010 - 178.0%). It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure.

Cash Flow from Operating Activities

Net cash generated from operating activities was HK$21.6 million (2010 - HK$16.8 million). Contributing to the 2011 inflow were higher levels of operating profit allied to working capital decreases of HK$0.9 million which were offset by restructuring costs of HK$33.2 million and annual contributions to the UK Retirement Benefit Plan of HK$10.2 million. In 2010, the gross cash flow was diluted, amongst other factors, by a working capital increase of HK$7.1 million, contributions of HK$16.5 million paid into the UK Retirement Benefit Plan and reorganisation costs of HK$8.7 million.

Cash Flow from Investing Activities

The 2011 net cash inflow from investing activities amounted to HK$47.0 million (2010 – HK$11.7 million outflow). Included in this inflow is HK$48.2 million of net sales proceeds, less attributable costs, arising on the disposal of Jade in February 2011. The 2010 outflow included HK$6.2 million relating to the acquisition of Baty and HK$4.9 million relating to dividend payments.

Cash Flow from Financing Activities

The net cash outflow from financing activities amounted to HK$43.7 million (2010 – HK$0.2 million), which included HK$30.9 million in relation to net decreases in bank borrowings. The 2010 comparative included a HK$11.5 million movement in relation to net increases in bank borrowings.

Capital Expenditure

Capital expenditure in the year, financed by internal resources and credit facilities, amounted to HK$27.4 million (2010 – HK$11.5 million).

Treasury Management

During the year, there was no material change in the Group's funding and treasury policy. The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business.

For exchange risk management, the Group adopted cautious financial measures to manage and minimize the exchange risk exposure, and, in this regard, the Group endeavoured to match the currencies of sales with those of purchases in order to neutralize the effect of currency exposure.

It is the Group's policy not to engage in speculative activities. The management continues to actively monitor foreign exchange exposure to minimize the impact of adverse currency movements.

Major Customers and Major Suppliers

For the year under review, sales to the largest customer and the five major customers accounted for 10.6% and 23.8%, respectively, of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 4.6% and 15.7%, respectively, of total purchases for the year.

As far as the Directors are aware, none of the Directors of the Company, their associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) has any interest in the customers or suppliers of the Company disclosed above other than portfolio interests.

Employees

At 30 September 2011, the Group employed approximately 599 executive and clerical staff and 1,669 factory workers. These numbers have decreased in the year as the Group has sought to effect production efficiencies and overhead savings.

The remuneration of such staff and workers is determined by overall guidelines within the relevant industries. The Group has also adopted certain bonus programs, share option schemes, pension provision, medical and personal accident insurance, and other employee welfare and benefit programs for its various categories of employees. Awards, under award programs, are determined annually based on certain criteria which relate to the performance of employees individually or to business divisions.

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

The Group benefited from a motivated workforce and is fully committed to investing in the growth and development of its people. The Group organises training sessions in many disciplines, including SAP, for the benefit of its staff on a worldwide basis to upgrade their skills.

Prospects and Strategies

The year ended 30 September 2011 saw the consolidation of the improved trading achieved in fiscal 2010 when the Group successfully emerged from the severe economic downturn that blighted 2009.

In 2011, we benefited from annual sales increases as a result of new product launches, new customers being secured and a general market upturn. Earnings correspondingly increased and, moving forward, a solid sustainable profit base, allied to a positive cash flow, will be key requirements for the Group's businesses.

Excellent trading performances were recorded in the Contract Manufacturing, Magnetics and Metrology divisions. However, these successes were diluted by losses sustained in the Group's Consumer Electronics division which was adversely affected by declining sales of its analog baby monitor and by delays in the transition to a digital version.

Following on from the good trading results achieved in 2010, the French and Australian operations within the Tools division built on these successes in 2011. Within the UK Tools Division, the major initiative in the year was the closure of its hacksaw blade manufacturing operation in October 2010 and the transfer of production to a newly formed subsidiary operating from purpose built premises in the PRC.

The start of blade production was delayed by four months because of customs importation difficulties. This resulted in hacksaw blade sales, principally into export markets, being deferred into fiscal 2012. Although revenues fell short of forecast as a result, management worked closely with customers to maintain goodwill during this time and no sales were lost.

Over recent years, the UK Tools division has implemented a number of significant restructuring initiatives to improve profitability, principally via the migration of its manufacturing operations. The hacksaw blade closure forms the last element of this initiative and will enable the division to reduce costs whilst retaining the manufacture of a premier branded product within the Group.

In recent years these reorganisation exercises have had a material impact on the Group's income statement and cash flow in terms of one-time charges and expenditure. Going forward, this cash and earnings volatility should now be removed as these restructuring charges come to an end.

The Contract Manufacturing division experienced increases in sales demand and the division's management looks forward, with cautious optimism, to the continuation of this trend in 2012. However, in common with many other businesses in the PRC, the business will have to deal with margin pressures as a result of labour rate increases and manpower shortages.

Robert Sorby was faced with severe challenges in its UK markets as a result of the adverse impact that falling interest rates and government cut backs had on the levels of disposal income of the company's principal customer sector. These difficult UK trading conditions were offset by an improving position in the US, the operation's chief overseas market, and also by sales gains in other export markets. The fragile UK demand levels are likely to persist into 2012 and it is therefore important that all overseas sales opportunities are maximised and the introduction of new products accelerated.

Spear & Jackson France enjoyed a successful 2011 in increasingly competitive market conditions. Sales in 2012 will be boosted by additional listings with major retailers and the company will continue its program to develop sales in new sectors of the French market through expansions in both its customer base and product range. Additionally, management remains focused on improving procurement processes, particularly via the increased sourcing of key products and components from the PRC. Such sales expansion and cost reduction are key to remaining profitable within a consolidating garden tools market in France where competition is increasingly aggressive.

In Australasia, management has been successful in maintaining margins through selected price increases, product cost reductions from suppliers and a successful promotions program. Despite the competitive trading conditions, these factors, together with favourable exchange movements, ongoing procurement and cost savings and the securing of incremental business with its principal customer, a major Australian multi-site retailer, will allow the operation to enter 2012 with some optimism. However, in the immediate term, a slowing Australian economy has dampened sales demand in the first quarter of fiscal 2012.

The Magnetics division produced excellent results in 2011 with the performance of the main UK-based division supported by strong trading from its Canadian subsidiary and by a significant contribution in terms of profit share and dividend income from its PRC joint venture associate company.

The results of the Group's Metrology division for fiscal 2011 showed significant growth over those of the prior year with strong sales demand from key overseas distributors combined with high capital item sales. Manufacturing efficiency and production capacity in the Division's UK plant were enhanced by capital expenditure on new CNC machinery and this will benefit the company moving into 2012 and beyond. The division enters 2012 with a strong order book but UK economic concerns may impact negatively on customers' capital expenditure budgets which may soften demand for the division's products.

In our Consumer Electronics division, falling demand in the final quarter of fiscal 2010 continued into the current year. This sales decline related to the fall in demand for analogue baby monitors prior to the introduction of a digital version.

The transition period from the older to the latest version of the monitor lasted longer than anticipated but sales to a major new customer began in June 2011 and revenues and operating performance have improved accordingly. Management is focused on growing these sales, widening the Division's product offering, increasing production efficiencies and reducing costs wherever possible.

Of all the Group's divisions, the Leadframes operation was the most severely affected by falling demand.

After a full strategic review of the business, the Board decided to sell the division and, on 28 February 2011, a sale of the company was completed for a net consideration of SG$8 million (HK$ 48.2 million).

The Company's Board was of the view that the sale was beneficial to the Group strategically, operationally and financially and that the disposal would allow the Group to focus management time and cash resources on developing key elements of the remaining businesses in the Group and also to explore investment and other opportunities as they arise.

The Group's operational strategy is to drive incremental sales through new product development and the penetration of new markets. Restructuring initiatives implemented in the current and prior years have delivered cost savings. We will continue to explore opportunities to further reduce and rationalize the cost of the Group's operating base in order to maintain margins and to retain its competitive edge.

In addition to maximizing organic growth in sales and profitability, the importance of expansion through mergers and acquisitions is recognized by the Company's Board of Directors as an important element of business strategy. The successful acquisition of Baty in March 2010 is an example of this. Our Executive Directors and the Group management team will continue to consider acquisition opportunities but only where it can be demonstrated that these are value accretive and will offer synergies to existing operations.

Entering 2012, the economic environment is far from certain with concerns about the financial status of certain members of the Eurozone and the fall out effect that this may have on economies and financial markets world-wide.

It is not possible to predict the size and timing of the impact that these changes within the economic landscape may have on our businesses. We believe, however, that the Group's portfolio of good companies with their strong asset base backed by sound cash flow, its product diversity and the geographical spread of its sales markets will help to shield the Group from the worst effects of any future downturn as and when this occurs.

Overall, the Group considers it is well placed for the future although, in the short term, a volatile economic backdrop and fragile consumer and industry confidence may adversely affect our operations. With our wide range of activities we are confident that we will be able to take advantage of opportunities as they arise to continue to develop the Group for the benefit of all its stakeholders.

CORPORATE GOVERNANCE REPORT

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

Code on Corporate Governance Practices

The Company has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30 September 2011, with the exception of the following deviation:

Under the code provision A.4.1, Non-executive Directors should be appointed for a specific term. Under the code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. Currently, Non-executive Directors are not appointed for a specific term. However, all Directors are subject to retirement by rotation at least once every three years at each annual general meeting under the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are on terms no less exacting than those in the CG Code.

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

Board of Directors

The Board of the Company (the "Board") comprises nine Directors, with four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. With effect from 1 October 2010, Mr. Brian C Beazer resigned as a Non-executive Director of the Company. On 1 January 2011, Mr. Teo Ek-Tor resigned as an Independent Non-executive Director. On 20 January 2011, Messrs. Chan Kin Sang and Liu Ka Lim were appointed as Non-executive Directors.

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined. The Chairman of the Board, Mr. David H Clarke, provides leadership and strategic direction for the Board and is also responsible for chairing meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer, Mr. Henry W Lim, is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

None of the members of the Board is related to one another.

The Board has a balance of skills and experience appropriate for the requirements of the businesses of the Group. All Directors have separate and independent access to the advice and services of the senior management, the Chief Financial Officer and the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

The Company confirms it has received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and it considers them to be independent.

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

- play a key role in the implementation and monitoring of internal controls, financial reporting and risk management;
- assume responsibility for corporate governance and compliance with applicable laws and regulations;
- approve the Group's strategies, directions and financial objectives.

The overall management of the Company's business is vested in the Board. The Board reserves for its decision all major matters of the Company and it has delegated the day-to-day management, administration and operations of the Company to the Chief Executive Officer and senior management executives. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board for all material transactions entered into by senior management and other executives.

For all of the Board meetings, proper and reasonable notices, adequate and appropriate information in the form of agenda, board papers and minutes of the previous meeting are prepared and circulated to all the Directors in reasonable time.

The attendance records of the Directors for Board and Committee meetings for the year ended 30 September 2011 are set out below:

	No. of meetings attended/No. of meetings held			
Directors	**Full Board**	**Audit Committee**	**NCGC Committee**	**Compensation Committee**
Executive Directors:				
Mr. David H Clarke *(Chairman)*	7/7	N/A	N/A	N/A
Mr. Simon N Hsu *(Executive Vice-Chairman)*	7/7	N/A	4/5	4/4
Mr. Henry W Lim *(Chief Executive Officer)*	7/7	N/A	N/A	N/A
Mr. Patrick J Dyson *(Chief Financial Officer)*	7/7	N/A	N/A	N/A
Non-executive Directors:				
Mr. Chan Kin Sang (appointed on 20 January 2011)	3/4	N/A	N/A	N/A
Mr. Liu Ka Lim (appointed on 20 January 2011)	4/4	N/A	N/A	N/A
Mr. Brian C Beazer (resigned on 1 October 2010)	0/0	N/A	N/A	N/A
Independent Non-executive Directors:				
Mr. Teo Ek Tor (resigned on 1 January 2011)	1/1	N/A	N/A	N/A
Dr. Wong Ho Ching, Chris	7/7	6/6	5/5	4/4
Mr. Ramon S Pascual	6/7	5/6	N/A	3/4
Mr. Robert B Machinist	7/7	6/6	5/5	N/A
Number of meetings held during the year from 1 October 2010 to 30 September 2011	**7**	**6**	**5**	**4**

Audit Committee

The Audit Committee was established pursuant to the Company's Bye-Laws and the Listing Rules. Its major duties are to assist the Board in fulfilling its oversight responsibilities as to the Company's financial statements, reporting, internal controls and audit findings, as well as the Company's process for monitoring compliance with certain laws and regulations.

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee comprises three Non-executive Directors, all of whom are Independent Non-executive Directors (within the meaning of the Listing Rules) ("INED"). The Chairman of the Audit Committee is an INED, Mr. Robert B Machinist, who has the appropriate experience in financial matters.

The composition of the Audit Committee is as follows: Mr. Robert B Machinist (Chairman of the Audit Committee), Dr. Wong Ho Ching, Chris, and Mr. Ramon S Pascual ("Mr. Pascual"). On 1 October 2010, Mr. Brian C Beazer resigned his position as member and was replaced by Mr. Pascual.

The Audit Committee holds regular meetings at least four times a year, in particular in connection with the release of the annual and interim results of the Group and at such other times as the Audit Committee may determine.

The Audit Committee meets and holds discussions with senior management on the Company's interim and annual financial reports, discusses the audit approach and significant audit and accounting issues with the external auditors, including the accounting principles and practices adopted by the Group, internal controls and financial reporting matters. The Committee meets regularly with the external auditors in executive sessions in the absence of management. The Committee also reviews the appointment of auditors for audit and non-audit related services, and their fees.

Compensation Committee

The Compensation Committee advises the Board on Group compensation theory and practice with a view that a meaningful portion of management's compensation should be contingent upon financial performance of the Group in order to foster the creation of long term shareholder value. The Compensation Committee meets at least twice per annum, and at other times as required.

The Committee comprises three Directors who, in the reasonable opinion of the Board, are able to exercise independent judgment in discharging their duties as a Compensation Committee member.

The Compensation Committee comprises: Mr. Ramon S Pascual (Chairman of the Compensation Committee) INED, Dr. Wong Ho Ching, Chris, INED and Mr. Simon N Hsu, Executive Director. On 1 October 2010, Mr. David H Clarke resigned as a member of the Committee and Mr. Hsu was appointed in his place.

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

Nominating and Corporate Governance Committee ("NCGC")

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

The NCGC Committee comprises: Dr. Wong Ho Ching, Chris (Chairman of the NCGC Committee) INED, Mr. Robert B Machinist, INED, and Mr. Simon N Hsu, Executive Director.

The NCGC Committee annually reviews and recommends the composition of Board Committees, nominates members of each committee and evaluates the performance of each director and Board committee (other than NCGC members and NCGC Committee), and the performance of the Board as a whole. The criteria for the Committee to select and recommend candidates for directorship include the candidate's skill, knowledge and experience in relevant areas, the number of directorships of listed companies held by the candidate, the time commitment required, and whether the candidate can demonstrate a level of competence and integrity required for the position of Director. The NCGC recommended the appointment of Mr. Chan Kin Sang and Mr. Liu Ka Lim as Non-executive Directors to the Board in January 2011.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct governing Directors' securities transactions. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year under review.

Employees who are likely to be in possession of unpublished price-sensitive information about the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code. No incident of non-compliance of the guidelines by the employees was noted by the Company in the year.

Internal Controls

The Audit Committee assists the Board in meeting its overall responsibility for ensuring that a sound and effective system of internal controls is maintained within the Group, particularly in respect of the controls on financial, operational, compliance and risk management. The adequacy of resources, qualifications and experience of staff performing the accounting and financial reporting functions, their training programmes and budget are also the subject of review. Such a review was conducted for the year ended 30 September 2011. The internal control system is designed to ensure proper maintenance of accounting records and reliability of financial reporting, ensure compliance with relevant legislation and regulations, and aims to manage, instead of eliminate, risks of failure in achieving the Group's objectives to safeguard shareholders' investments and the Group's assets, in recognition that risk-taking is an inherent aspect of business operations.

During the year, the Board, through the Audit Committee reviewed with the Chief Financial Officer the effectiveness of internal controls and key findings, and received confirmation from the Company Secretary on the Group's compliance with regulatory requirements. The Audit Committee communicates any material issues to the Board. These reviews and reports are taken into consideration by the Audit Committee in making its recommendation to the Board for approval of the audited consolidated financial statements of the Group for the year.

Auditor's Remuneration

BDO Limited was appointed as auditor to the Group on 14 December 2010 to fill the casual vacancy occasioned by the resignation of Grant Thornton Hong Kong ("GTHK"). The reason for the change in auditor was due to a merger of the practices of GTHK with BDO Limited, the member firm of the global BDO network. The remuneration paid and payable to BDO Limited in respect of audit services and non-audit services for the year ended 30 September 2011 amounted to approximately HK$3,158,000 and HK$765,000 respectively.

Responsibilities in respect of the Financial Statements

All Directors acknowledge their responsibility for preparing the accounts for the year ended 30 September 2011.

The auditor of the Company acknowledges its reporting responsibilities on the financial statements for the year ended 30 September 2011 as set out in the Independent Auditor's Report on pages 40 and 41.

Communication with Shareholders

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company. Information regularly provided to the shareholders, includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

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

DIRECTORS' REPORT

The Board of Directors (the "Directors") is pleased to present its report and the audited consolidated financial statements for the year ended 30 September 2011.

Principal Activities

United Pacific Industries Limited ("United Pacific Industries", "UPI", or the "Company") is a diversified investment holding company. The principal operations of the Company and its subsidiaries (the "Group") are set out on pages 11 to 13 of this Annual Report.

Results and Appropriations

The results of the Group for the year ended 30 September 2011 are set out in the consolidated income statement on page 42 and the accompanying notes to the consolidated financial statements.

Disposals

The Company sold its interest in the entire issued share capital of Jade Precision Engineering Pte. Ltd. on 28 February 2011.

Financial Summary

A financial summary of the Group is set out on pages 142 and 143.

Share Capital

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

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 47.

At 30 September 2011, the Company's reserves, for distribution purposes, showed a surplus of HK$62,233,000 comprising an accumulated loss of HK$8,678,000 and a contributed surplus of HK$70,911,000.

Under the Companies Act 1981 of Bermuda (as may be amended from time to time), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Directors and Service Contracts

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:
Mr. David H Clarke *(Chairman)*
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 *(appointed on 20 January 2011)*
Mr. Liu Ka Lim *(appointed on 20 January 2011)*
Mr. Brian C Beazer *(resigned on 1 October 2010)*

Independent Non-executive Directors:
Dr. Wong Ho Ching, Chris
Mr. Ramon S Pascual
Mr. Robert B Machinist
Mr. Teo Ek Tor *(resigned on 1 January 2011)*

In accordance with Bye-Law 111(A) and 111(B) of the Company's Bye-Laws and Code Provision A.4.2 of the Code on Corporate Governance Practices ("CG 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"), Mr. David H. Clarke, Mr. Henry W Lim, Mr. Patrick J Dyson and Dr. Wong Ho Ching, Chris ("Dr. Wong") will retire as Directors at the forthcoming annual general meeting ("AGM"). All of them, being eligible, will offer themselves for re-election. All other Directors will continue in office.

Dr. Wong, who was re-elected as an Independent Non-executive Director at the last annual general meeting for a one year term until the next annual general meeting, will also retire at the AGM, and being eligible, offers himself for re-election pursuant to Bye-Law 111(A) of the Bye-Laws. As Dr. Wong has been an Independent Non-executive Director since 1994, the re-election of Dr. Wong is subject to a separate resolution to be approved by the Shareholders in compliance with Provision A.4.3 of the Recommended Best Practices in the CG Code. Notwithstanding that Dr. Wong has served the Company continuously since 1994, the Board is satisfied that Dr. Wong is a person of integrity and stature, independent in character and judgment. He is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgment. Consequently, the Board recommends the re-election of Dr. Wong as an Independent Non-executive Director at the AGM.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

All Directors are subject to retirement by rotation as required by the Company's Bye-Laws.

Directors' Interests in Contracts and Connected Transactions

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 30 September 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 (the "SEHK") pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the SEHK were as follows:

Long Positions

(a) Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of ordinary shares	Percentage interest in the Company's issued share capital
Mr. David H Clarke	Interest in a controlled corporation (Note)	8,313,200	0.84%
Mr. Patrick J Dyson	Beneficial owner	2,290,212	0.23%

Note: 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

Other than as disclosed above, and except for nominee shares in certain subsidiaries held in trust for the Group at 30 September 2011, neither the Directors nor the Chief Executives, nor any of their associates, had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Shareholders with Notifiable Interests

As at 30 September 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders, other than Directors whose interests are disclosed above, had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Nature of interest	Number of ordinary shares held	Percentage interest in the Company's issued share capital
Mr. Chim Pui Chung	Beneficial owner and interest in a controlled corporation (Note 1)	271,000,000	27.32%
Mr. Brian C Beazer	Beneficial owner and interest in a controlled corporation (Note 2)	207,267,049	20.90%
SKP Capital Ltd	Registered owner (Note 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 capital of Golden Mount Limited.

(2) Mr. Brian C Beazer is beneficial owner of 576,000 shares. These are aggregated with the shares held by B C Beazer Asia Pte. Ltd, a company in which Mr. Beazer has a 50% equity interest.

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

Other than as disclosed above, no person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 33b of the SFO as at 30 September 2011.

Share Options and Directors' Rights to Acquire Shares or Debentures

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

The details of the exercise price and the number of options outstanding during the year which have been granted to the Directors of the Company and employees of the Group under the 1994 Scheme, adjusted for capital changes in 2009, are as follows:

			Number of Option Shares		
Name	**Date of Grant**	**Exercise Price**	**Outstanding at 1.10.2010**	**Exercised during the year**	**Outstanding at 30.9.2011**
Mr. Simon N Hsu	23.7.2003	0.286	3,773,165	—	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 as at 28 July 2006 are available for future grants under the 2004 Scheme. Following adjustments due to capital changes in 2009, the number of options available for grants is 35,031,217, which represented approximately 3.5% of the Company's shares in issue as at the date of this annual report.

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

The details of the exercise price and number of options outstanding during the year which have been granted to the Directors of the Company and employees of the Group under the 2004 Scheme, adjusted for capital changes in 2009, are as follows:

				Number of Option Shares		
Name	Date of Grant	Exercise Price	Outstanding at 1.10.2010	Exercised during the year	Lapsed during the year	Outstanding at 30.9.2011
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 granted have vested and can be exercised at anytime within ten years until 2014.

For details of the above share option schemes, please refer to note 35 to the consolidated financial statements.

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

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

Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding but unvested share options as set out above, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 30 September 2011 and there has been no exercise of convertible securities, options, warrants or similar rights during the year.

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

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

Pre-emptive Rights

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

Major Customers and Major Suppliers

For the year under review, sales to the largest customer and the five major customers accounted for 10.6% and 23.8%, respectively, of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 4.6% and 15.7%, respectively, of total purchases for the year.

As far as the Directors are aware, none of the Directors of the Company, their associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) has any interest in the customers or suppliers of the Company disclosed above other than portfolio interests.

Emolument Policy

The emolument policy of Group employees is set by the Compensation Committee on the basis of the employees' merit, qualifications and competence. The emoluments of the Directors of the Company are decided by the Compensation Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 35 to the consolidated financial statements.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company throughout the year under review up to the date of this Report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Corporate Governance

Principal corporate governance practice as adopted by the Company is set out in the Corporate Governance Report on pages 27 to 31.

Confirmation of Independence of Independent Non-executive Directors

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent.

Auditor

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

BDO Limited has expressed its willingness to continue in office and will seek re-election as auditor to the Company at the forthcoming annual general meeting.

On behalf of the Board

DAVID H CLARKE
CHAIRMAN
Hong Kong, 13 December 2011

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of United Pacific Industries Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 42 to 141, which comprise the consolidated and company statements of financial position as at 30 September 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number: P04434
Hong Kong, 13 December 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2011

	Note	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	5	**1,276,962**	1,145,529
Cost of sales		**(906,164)**	(807,472)
Gross profit		**370,798**	338,057
Other income	6	**19,496**	24,578
Selling and distribution costs		**(219,036)**	(191,733)
Administrative costs		**(104,081)**	(100,704)
Restructuring costs	7	**(11,135)**	(21,047)
Other non-operating costs		**–**	(2,015)
Finance costs	8	**(5,573)**	(6,915)
Share of results of an associate	20	**2,848**	1,959
Costs on acquisition of a subsidiary		**–**	(772)
Cash flow hedge recycled from other comprehensive income		**(2,076)**	(1,502)
Profit before tax	9	**51,241**	39,906
Income tax charge	11	**(17,471)**	(12,877)
Profit for the year from continuing operations		**33,770**	27,029
Discontinued operation			
Net result from discontinued operation	39	**3,979**	(30,608)
Profit/(loss) for the year		**37,749**	(3,579)
Attributable to:			
Owners of the Company:			
Continuing operations		**33,770**	27,029
Discontinued operation		**3,979**	(30,608)
		37,749	(3,579)
Earnings/(loss) per share from continuing and discontinued operations	14		
Basic		**3.806 cents**	(0.36 cents)
Diluted		**3.794 cents**	N/A
Earnings per share from continuing operations	14		
Basic		**3.405 cents**	2.75 cents
Diluted		**3.394 cents**	2.74 cents
Earnings/(loss) per share from discontinued operation	14		
Basic		**0.401 cents**	(3.11 cents)
Diluted		**0.400 cents**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2011

	2011 HK$'000	2010 HK$'000
Profit/(loss) for the year	**37,749**	(3,579)
Other comprehensive income/(loss)		
Exchange differences arising on the translation of foreign operations	**1,852**	7,806
Realised exchange differences on the sale of a disposal group recycled to the income statement	**(1,194)**	—
Cash flow hedge gain/(loss) recognised in equity	**1,361**	(2,076)
Cash flow hedge recycled to the income statement	**2,076**	1,502
Recognition of actuarial gains/(losses) on defined benefit pension plan (net of tax)	**25,088**	(13,221)
Other comprehensive income/(loss) for the year, net of tax	**29,183**	(5,989)
Total comprehensive income/(loss) for the year attributable to the owners of the Company	**66,932**	(9,568)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**186,012**	178,717
Prepaid land lease payments under operating leases	16	**529**	581
Goodwill	17	**2,345**	2,357
Other intangible assets	18	**559**	1,074
Interest in an associate	20	**5,504**	4,922
Available-for-sale financial assets	21	**705**	879
Deferred tax assets	33	**52,434**	75,241
		248,088	263,771
Current assets			
Inventories	22	**274,209**	255,894
Trade and other receivables	23	**250,975**	255,834
Tax recoverable		**1,239**	1,246
Derivative financial instruments	24	**1,932**	637
Pledged bank deposits	25	**5,000**	5,000
Cash and cash equivalents	26	**137,038**	114,029
		670,393	632,640
Assets classified as held for sale	37	**–**	84,476
		670,393	717,116
Current liabilities			
Trade and other payables	27	**242,492**	227,877
Interest-bearing bank borrowings			
- amounts due within one year	28	**79,885**	101,256
Obligations under finance leases			
- amounts due within one year	29	**6,392**	4,753
Provisions	30	**2,102**	22,056
Derivative financial instruments	24	**117**	3,359
Tax payable		**3,260**	5,908
		334,248	365,209
Liabilities classified as held for sale	37	**–**	38,023
		334,248	403,232
Net current assets		**336,145**	313,884
Total assets less current liabilities		**584,233**	577,655

At 30 September 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Interest-bearing bank borrowings			
- amounts due after one year	28	**11,671**	24,014
Obligations under finance leases			
- amounts due after one year	29	**8,623**	4,534
Provisions	30	**—**	1,698
Retirement benefit obligations	32	**132,220**	179,304
Deferred tax liabilities	33	**13,148**	16,466
		165,662	226,016
Net assets		**418,571**	351,639
Capital and reserves			
Share capital	34	**99,185**	99,185
Reserves	36(a)	**319,386**	252,454
Total equity attributable to owners of the Company		**418,571**	351,639

The consolidated financial statements on pages 42 to 141 were approved and authorised for issue by the Board of Directors on 13 December 2011 and are signed on its behalf by:

DAVID H CLARKE
DIRECTOR

PATRICK J DYSON
DIRECTOR

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**447**	16
Investment in subsidiaries	19	**124,802**	124,802
Available-for-sale financial assets	21	**—**	—
		125,249	124,818
Current assets			
Trade and other receivables	23	**488**	852
Amounts due from subsidiaries	19	**236,161**	207,860
Derivative financial instruments	24	**—**	637
Cash and cash equivalents	26	**37,987**	15,321
		274,636	224,670
Current liabilities			
Trade and other payables	27	**3,831**	5,944
Amounts due to subsidiaries	19	**197,864**	228,209
Derivative financial instruments	24	**117**	—
		201,812	234,153
Net current assets/(liabilities)		**72,824**	(9,483)
Total assets less current liabilities		**198,073**	115,335
Net assets		**198,073**	115,335
Capital and reserves			
Share capital	34	**99,185**	99,185
Reserves	36(b)	**98,888**	16,150
Total equity attributable to owners of the Company		**198,073**	115,335

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium* HK$'000	Treasury share reserve* HK$'000	Share option reserve* HK$'000	Capital redemption reserve* HK$'000	Capital reserve* HK$'000	Translation reserve* HK$'000	Hedging reserve* HK$'000	Accumulated profits* HK$'000	Total HK$'000
At 1 October 2009	98,400	38,808	—	794	1,442	19,870	(70,806)	(1,502)	282,729	369,735
Dividends paid (note 12)	—	—	—	—	—	—	—	—	(4,924)	(4,924)
Treasury shares (note 36)	—	—	(5,365)	—	—	—	—	—	—	(5,365)
Exercise of share options	785	1,242	—	(266)	—	—	—	—	—	1,761
Transactions with owners	785	1,242	(5,365)	(266)	—	—	—	—	(4,924)	(8,528)
Loss for the year	—	—	—	—	—	—	—	—	(3,579)	(3,579)
Other comprehensive income:										
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	7,806	—	—	7,806
Cash flow hedges - changes in fair value recognised in the year (note 24)	—	—	—	—	—	—	—	(2,076)	—	(2,076)
Cash flow hedges recycled to income statement (note 24)	—	—	—	—	—	—	—	1 ,502	—	1,502
Recognition of actuarial losses on defined benefit pension plan (net of tax)	—	—	—	—	—	—	—	—	(13,221)	(13,221)
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	7,806	(574)	(16,800)	(9,568)
At 30 September 2010	**99,185**	**40,050**	**(5,365)**	**528**	**1,442**	**19,870**	**(63,000)**	**(2,076)**	**261,005**	**351,639**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**37,749**	**37,749**
Other comprehensive income:										
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**1,852**	**–**	**–**	**1,852**
Realised exchange differences on the sale of a disposal group recycled to the income statement	**–**	**–**	**–**	**–**	**–**	**–**	**(1,194)**	**–**	**–**	**(1,194)**
Cash flow hedges - changes in fair value recognised in the year (note 24)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,361**	**–**	**1,361**
Cash flow hedges recycled to the income statement (note 24)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,076**	**–**	**2,076**
Recognition of actuarial gains on defined benefit pension plan (net of tax)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,088**	**25,088**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**658**	**3,437**	**62,837**	**66,932**
At 30 September 2011	**99,185**	**40,050**	**(5,365)**	**528**	**1,442**	**19,870**	**(62,342)**	**1,361**	**323,842**	**418,571**

* The total of reserves at 30 September 2011 is HK$319,386,000 (2010 - HK$252,454,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities:			
Profit before tax from continuing operations		**51,241**	39,906
Profit/(loss) before tax from discontinued operation		**3,979**	(30,608)
Adjustments for:			
Interest income		**(2,168)**	(405)
Interest on interest-bearing bank borrowings and overdrafts		**4,889**	6,245
Interest on obligations under finance leases		**684**	670
Interest credit on retirement benefit obligations		**(10,124)**	(5,213)
Retirement benefit plan expenses/(credits)		**3,600**	(3,772)
Share of results of an associate		**(2,848)**	(1,959)
Loss on disposal of property, plant and equipment		**62**	128
Amortisation of other intangible assets		**532**	515
Depreciation of property, plant and equipment		**20,790**	20,930
Amortisation of prepaid land lease payments under operating leases		**52**	17
Impairment loss/(reversal of impairment loss) on trade receivables		**5,475**	(1,452)
Impairment loss on inventories		**4,506**	2,702
Cash flow hedge recycled to income statement		**2,076**	1,502
Gain on disposal of a subsidiary	38	**(9,736)**	—
Cumulative exchange differences in respect of the net assets of a subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	38	**(1,194)**	—
Gain on disposal of available-for-sale financial assets		**(123)**	—
Costs on acquisition of a subsidiary		**—**	772
Compensation income		**—**	(5,365)
Loss on remeasurement to fair value of discontinued operation		**—**	26,348
Operating cash flows before movements in working capital		**71,693**	50,961
Increase in inventories		**(22,606)**	(31,117)
Decrease/(increase) in trade and other receivables		**1,761**	(28,773)
Increase in trade and other payables		**21,716**	52,741
Restructuring costs		**(33,174)**	(8,690)
Employer contributions to the defined pension plan		**(10,191)**	(16,495)
Net cash generated from operations		**29,199**	18,627
Income tax paid		**(7,574)**	(1,872)
Net cash generated from operating activities		**21,625**	16,755

For the year ended 30 September 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,921)	(2,190)
Disposal group classified as asset held for sale		4,005	(698)
Interest received		2,168	405
Proceeds from disposal of property, plant and equipment		35	959
Dividend received from an associate		2,310	933
Proceeds from disposal of available-for-sale financial assets		172	—
Net cash inflow on disposal of a subsidiary	38	54,801	—
Deferred contingent consideration paid for the acquisition of a subsidiary		(1,547)	—
Dividends paid	12	–	(4,924)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	40	–	(6,208)
Net cash generated from/(used in) investing activities		47,023	(11,723)
Cash flows from financing activities			
Proceeds from exercise of share options		–	1,761
Principal repayment of obligations under finance leases		(7,227)	(6,569)
Interest paid on interest-bearing bank borrowings and bank overdrafts		(4,889)	(6,245)
Interest paid on obligations under finance leases		(684)	(670)
Net cash (outflow)/inflow in trust receipts and export loans		(13,786)	3,409
Repayment of bank borrowings		(44,009)	(33,171)
New bank borrowings raised		21,637	31,255
Increase in invoice discounting facility		5,218	10,000
Net cash used in financing activities		(43,740)	(230)
Net increase in cash and cash equivalents		24,908	4,802
Effect of foreign exchange rates		3,827	1,160
Cash and cash equivalents at 1 October		93,894	87,932
Cash and cash equivalents at 30 September		122,629	93,894
Analysis of the balance of cash and cash equivalents:			
Cash and cash equivalents	26	137,038	114,029
Bank overdrafts	28	(14,409)	(16,444)
Cash and cash equivalents included in assets classified as held for sale	37	–	2,181
Bank overdrafts included in liabilities classified as held for sale	37	–	(5,872)
		122,629	93,894

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "HKEx"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in: the contract manufacturing, on OEM and EMS bases, of a wide range of power-related and electrical/electronic products and electronic consumer products; and the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools, magnetic tools and products including the provision of magnetic-based industrial solutions, and metrology and measurement tools. These five business segments are the basis upon which the Group reports its primary segment information. Details of the principal activities of the Company's subsidiaries are set out in note 19. During the year to 30 September 2010, the operations of Jade Precision Engineering Pte. Ltd. ("Jade"), the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry ("Leadframes"), were re-classified as discontinued and were subsequently sold in February 2011. Details of this discontinued operation are set out in note 39 to the financial statements.

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

The consolidated financial statements for the current period cover the twelve-months ended 30 September 2011.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 October 2010.

HKAS 17 (Amendment)	Leases
HKAS 32 (Amendments)	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 (Amendment) - 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 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.

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 ended 30 September 2011, have had no 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.

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

HKFRSs (Amendments)	Improvements to HKFRSs in 2010 in relation to amendments to HKAS 1, HKAS 34, HKFRS 1, HKFRS 7 and HK (IFRIC) - Int 13 (1)
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (2)
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets (2)
HKFRS 9	Financial Instruments (5)
HKFRS 10	Consolidated Financial Statements (5)
HKFRS 11	Joint Arrangements (5)
HKFRS 12	Disclosure of Interests in Other Entities (5)
HKFRS 13	Fair Value Measurement (5)
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income (4)
HKAS 12 (Amendments)	Deferred Tax-Recovery of Underlying Assets (3)
HKAS 19 (2011)	Employee Benefits (5)
HKAS 24 (Revised)	Related Party Disclosures (1)
HKAS 27 (2011)	Separate Financial Statements (5)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (5)
HK (IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement (1)
HK (IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine (5)

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 July 2012
5 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.

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 arising on non-trade equity investments, which the entity will have a choice to recognise 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.

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

HKFRS 10 - Consolidated Financial Statements

HKFRS 10 replaces all of the guidance on control and consolidation in HKAS 27, "Consolidated and Separate Financial Statements", and HK(SIC) - Int 12, "Consolidation - Special Purpose Entities". HKAS 27 is renamed as "Separate Financial Statements", and it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged. The revised definition of control under HKFRS 10 focuses on the need to have both power and variable returns before control is present. HKFRS 10 includes guidance on "de facto" control, participating rights and agent/principal relationships.

HKAS 1 (Amendments) - Presentation of Items of Other Comprehensive Income

The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to "Statement of profit or loss and other comprehensive income". However, HKAS 1 still permits entities to use other titles.

HKAS 19 (2011) - Employee Benefits

The revised standard makes significant changes to the recognition and measurement of defined benefit expense and termination benefits, and to the disclosures for all employee benefits. Some of the key changes are on the recognition of actuarial gains and losses, past-service costs, annual expense for a funded benefit plan, taxes related to benefit plans and future-service obligation.

HKAS 24 (Revised) - Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The Directors of the Company 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, except for the adoption of HKAS 19 (2011) - Employee Benefits, is unlikely to have a significant impact on the Group's results and financial position.

As noted above, HKAS 19 (2011) - Employee Benefits is likely to have a material impact on the recognition and measurement of defined benefit expense and termination benefits. However, these changes will not affect the financial statements until the year ending 30 September 2014, unless the Group's Directors elect to adopt the standard earlier.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all of the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as "the Group") made up to 30 September each year.

Subsidiaries

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

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period.

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

Business combinations

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

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

Goodwill

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

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

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

Interest in an associate

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The result and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is carried in the statement of financial position at cost, as adjusted for post-acquisition changes in the Group's share of the net assets of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, on the following bases:

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

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

(c) Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

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

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

Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

For owner-occupied leasehold land and buildings, where the allocation between the land and building elements cannot be made reliably, the leasehold interests in land are accounted for as property, plant and equipment and measured using the cost model, as appropriate.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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

Other intangible assets

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

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

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including trade receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse affect on the debtor.

If any such evidence exists, the impairment loss for receivables is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account. When any part of the financial asset is determined as un-collectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Financial instruments *(Continued)*

Available-for-sale financial assets

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

For available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recognised at fair value, and are subsequently measured at amortised costs, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowings costs.

Other financial liabilities

Other financial liabilities including trade payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the income statement.

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

Financial instruments *(Continued)*

Derivative financial instruments and hedging

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

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

Cash flow hedges

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

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

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

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

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

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

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

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

Borrowing costs

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

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are payable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand and at bank, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

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

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessment of time value of money and the risk specific to the asset. An impairment loss is recognised as an expense immediately.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

Taxation

Taxation represents the sum of the tax paid or currently payable and deferred tax. The tax currently paid and payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

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

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars) at the rate of exchange prevailing at that date, and their income and expenses are translated at the average monthly exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of other comprehensive income (the translation reserve). Such exchange differences are recognised in the income statement in the period in which the foreign operation is disposed of.

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

Leases

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Prepaid land lease payments under operating leases

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

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

Leases *(Continued)*

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Assets held under finance leases are recognised as assets of the Group at fair values at inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. Finance charges are charged directly to the income statement.

Retirement benefits costs

Payments to the defined contribution retirement plans are charged as expenses when employees have rendered service entitling them to contributions.

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

The Group's UK subsidiary company, Spear & Jackson plc, operates a defined benefit retirement benefit plan covering certain of the employees in its UK based subsidiaries. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in other comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

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

Equity-settled share-based payment transactions

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

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the income statement over the remaining vesting period, with a corresponding adjustment to share option reserve.

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

Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

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

Related parties

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

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

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

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

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

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

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

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

Segmental reporting

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

The business components in the internal reporting to the Executive Directors are determined following the Group's principal activities.

The 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 including the provision of magnetic-based industrial solutions ("Magnetics") and metrology or measurement tools ("Metrology"); and electronic consumer products ("Consumer Electronics"). These five business segments are the basis upon which the Group reports its primary segment information. During the year ended 30 September 2010, the operations of Jade Precision Engineering Pte. Ltd., which comprised the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry ("Leadframes"), were re-classified as discontinued and were subsequently sold in February 2011.

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

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

Segmental reporting *(Continued)*

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

Segment liabilities include all liabilities but exclude liabilities classified as held for sale, deferred tax liabilities and consolidation and Group liabilities unrelated to the business activities of any operating segment.

Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Assets classified as held for sale

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

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

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

Discontinued operation

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

Inventories

Inventories are measured at the lower of cost and net realisable value. The management of the Group reviews the carrying amount of the inventory at the end of each reporting period, and makes allowance for any inventory items identified to be carried at a recoverable value that is lower than cost through estimation of the expected selling prices under current market conditions.

Income taxes

The Group is required to recognise a provision for income taxes based upon the taxable income and temporary differences for each of the tax jurisdictions in which it operates and for all discrete reportable income streams within those jurisdictions. This process requires a calculation of taxes payable and an analysis of temporary differences between the book and tax bases of all assets and liabilities, including various accruals, allowances, depreciation and amortisation. The tax effect of these temporary differences and the estimated tax benefit arising from the Group's tax net operating losses are reported as deferred tax assets and liabilities in the consolidated statement of financial position.

The Group has approximately thirty income streams within its subsidiary companies for which individual income tax computations are required. Certain of these income streams have taxable losses brought forward from earlier periods that are available for set off against current period earnings arising within those streams. Aggregating these individual income tax calculations derives the income tax charge or credit that appears in the Group's consolidated financial statements.

Because of the streamed approach that is applied to the Group's earnings for the purpose of calculating its overall taxation liability, significant movements in the effective rate of income tax can arise despite consolidated pre tax earnings remaining constant between one reporting period and the next. Factors giving rise to such fluctuations include:

(a) Periodic variations in the geographical location of earnings. For example, losses incurred in any of the UK subsidiaries in a period may be set off against profits arising in other UK entities in the same period. Where individual UK profit streams are in excess of UK losses, all the losses can be absorbed. If the UK taxable losses exceed UK taxable profits the excess losses cannot, however, be surrendered to non-UK companies. A situation may therefore arise whereby a reduction in the level of profitability of the UK subsidiaries from one reporting period to the next could be matched by an increase in earnings in, say, the French affiliate. Although the overall total of consolidated pre tax earnings in the two periods remains unaltered, a higher effective tax charge may result as a consequence of excess UK tax losses arising in the second period, which cannot be offset against the French earnings. The French earnings thus remain unsheltered and attract taxation at the local statutory rate. The excess UK losses may not give rise to a taxation credit if a carry forward of the losses as a deferred tax asset cannot be justified through doubts concerning their ultimate utilisation against future profits and a higher period tax charge will follow.

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

Income taxes *(Continued)*

(b) Variations in the amount of expenses not allowed to be treated as a deduction for income tax purposes. The level of such permanently disallowable items can vary substantially period to period as a result, for example, of the incidence of substantial one-off legal and professional fees incurred on non-trading items.

(c) Higher or lower levels of profit arising in entities having the benefit of trading losses which have not been capitalised as a deferred tax asset because of doubts concerning their short term realisation against future profits.

The Company has recorded significant deferred tax assets in its current and prior year consolidated statements of financial position. A review of all available positive and negative evidence is undertaken by the Group at the end of each reporting period to determine the likelihood of realising the deferred tax benefits which potentially arise on its property, plant and equipment, the UK pension defined benefit plan, accruals and allowances, inventories and tax loss carry forwards.

Such reviews consider the available positive and negative evidence, and comprise all those factors believed to be relevant, including the Group's recent operating results and its expected future profitability, including the impact of its manufacturing restructuring strategies. Based on these reviews, the Group can then determine whether there is a reasonable expectation that it will generate sufficient future taxable income such that its gross deferred tax assets relating to property, plant and equipment, the UK pension benefit plan, accruals and allowances and inventories are likely to be realised.

The Group will continue to review the recoverability of its deferred tax assets and, based on such periodic reviews, the Group could recognise a change in the valuation allowance relating to its deferred tax assets in the future should, for example, estimates of forecast taxable income be reduced or other favourable or adverse events occur.

Provisions

The Group recognises provisions based on the best estimate of the expenditure required to settle the present obligation at the end of each reporting period which is the amount that the Company would pay to settle the obligation at the end of each reporting period or to transfer it to a third party at that time. The estimates of the outcome and the financial effect are determined by the judgement of the management of the Company, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the end of each reporting period. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various estimation methods.

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

Foreign currency translation

The functional currency of each of the Group's foreign operations is the local currency. The consolidated financial statements of the Group are denominated in Hong Kong Dollars.

Changes in exchange rates between UK Sterling, the Euro, the Chinese Yuan, the New Zealand Dollar, the Australian Dollar, the US Dollar, the Singapore Dollar and the Hong Kong Dollar will affect the translation of the UK, French, Chinese, New Zealand, Australian, American and Singaporean subsidiaries' financial results into Hong Kong Dollars for the purposes of reporting the consolidated financial results.

The process by which each foreign subsidiary's financial results are translated into Hong Kong Dollars is as follows: income statement accounts are translated at average monthly exchange rates for the period; statement of financial position asset and liability accounts are translated at the end of each reporting period exchange rates; and equity accounts are translated at historical exchange rates.

The Hong Kong Dollar statement of financial position and income statement financial data could therefore be subject to material fluctuations year on year as a result of significant movements in the cross rate between the HK Dollar and the various source functional rates used in the consolidation.

Translation adjustments arising from the use of differing exchange rates from period to period are included in the translation reserve in the other comprehensive income. Management has decided not to hedge against the impact of exposures giving rise to these translation adjustments as such hedges may impact upon the Company's cash flow compared to the translation adjustments which do not affect cash flow in the medium term.

Retirement benefit costs

The Group operates a contributory defined benefit plan covering certain of its employees in the UK based subsidiaries of Spear & Jackson plc.

Company pension contributions to the Plan are determined by the Trustees of the Plan after consultation with the Plan's actuary with the agreement of the principal employer and the UK Pension Regulator. Contribution levels are set with the intention of eliminating the past service deficit in accordance with relevant regulatory requirements. The Company's funding policy with respect to the Plan is to contribute annually the maximum affordable amount with the intention of clearing the deficit over the shortest period possible and in accordance with applicable UK law and pension regulations. In addition to cash contributions made into the Plan, a charge has been executed in favour of the Plan representing 50% of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, England (note 42).

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 ending 31 March 2012 and £1.079 million (approximately HK$13.6 million) for the year ending 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 4.25% 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 investments and liabilities and the financial strengths and cash flow requirements of the Plan's sponsoring employers.

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

Retirement benefit costs *(Continued)*

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

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

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

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

The use of different assumptions may have a significant impact on the measurement of the income statement pension expense and the statement of financial position pension liability that are to be recognised in the Group's financial statements.

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

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

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

Retirement benefit costs *(Continued)*

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

	Impact on 2012 Pre-Tax Pension Expense HK$	Impact on 30 September 2011 Pension Deficit HK$
Change in assumption		
25 basis point decrease in discount rate	**-$0.24 million**	+$48.60 million
25 basis point increase in discount rate	**+$0.24 million**	-$48.60 million
25 basis point decrease in expected return on assets	**+ $3.04 million**	—
25 basis point increase in expected return on assets	**+ $3.04 million**	—
25 basis point increase in inflation assumption	**+$0.85 million**	+$18.23 million
25 basis point decrease in inflation assumption	**-$0.85 million**	-$18.23 million
Increase mortality assumption by 1 year	**+$ 2.43 million**	+$42.53 million

Goodwill

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

5. REVENUE AND SEGMENT INFORMATION

The Group's 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 including the provision of magnetic-based industrial solutions ("Magnetics") and metrology or measurement tools ("Metrology"); and electronic consumer products ("Consumer Elecronics"). These five business segments are the basis upon which the Group reports its primary segment information. During the year ended 30 September 2010, the operations of Jade Precision Engineering Pte. Ltd., which comprised the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry ("Leadframes"), were re-classified as discontinued and were subsequently sold in February 2011.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Continuing operations						Discontinued operation	
	Contract Manufacturing HK$'000	Tools HK$'000	Metrology HK$'000	Magnetics HK$'000	Consumer Electronics HK$'000	Sub-total HK$'000	Lead-frames HK$'000	Total HK$'000
For the year ended 30 September 2011								
Revenue								
External customers	332,792	586,971	159,990	117,604	79,605	1,276,962	51,548	1,328,510
Inter-segment sales	–	2,064	4,587	1,137	–	7,788	–	7,788
	332,792	589,035	164,577	118,741	79,605	1,284,750	51,548	1,336,298
Profit/(loss) before tax								
Segment profit/(loss)	21,845	16,803	21,987	20,307	(19,186)	61,756	(6,491)	55,265
Restructuring (costs)/credits	(54)	(10,580)	(925)	135	–	(11,424)	–	(11,424)
Share of results of an associate	–	–	–	2,848	–	2,848	–	2,848
Net finance costs	(1,444)	1,940	(138)	(38)	(1)	319	(770)	(451)
	20,347	8,163	20,924	23,252	(19,187)	53,499	(7,261)	46,238
Assets								
Segment assets	160,670	416,068	154,555	114,734	76,097	922,124	–	922,124
Liabilities								
Segment liabilities	102,282	382,323	59,166	58,910	34,656	637,337	–	637,337
Other information								
Additions of property, plant and equipment	776	14,936	5,973	2,028	1,237	24,950	1,856	26,806
Depreciation of property, plant and equipment	4,871	3,398	1,783	54	2,035	12,141	1,524	13,665
Amortisation of other intangible assets	–	–	375	157	–	532	–	532
Amortisation of prepaid land lease payments under operating leases	52	–	–	–	–	52	–	52
Impairment loss/(reversal of impairment loss) on trade receivables	567	3,358	(150)	38	1,662	5,475	–	5,475
Impairment loss/(reversal of impairment loss) on inventories	1,141	(687)	(325)	(362)	4,739	4,506	–	4,506

Inter-segment sales are charged at prevailing market rates.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

5. REVENUE AND SEGMENT INFORMATION *(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:

	2011 HK$'000	2010 HK$'000
Reportable segment revenues	**1,336,298**	1,283,552
Discontinued operation	**(51,548)**	(130,461)
Elimination of inter-segment revenues	**(7,788)**	(7,562)
Total revenue	**1,276,962**	1,145,529

	2011 HK$'000	2010 HK$'000
Reportable segment profit	**46,238**	37,845
Segment loss from discontinued operation	**7,261**	5,203
Inter-company transactions with discontinued operation	**76**	(943)
Cash flow hedge recycled from other comprehensive income	**(2,076)**	(1,502)
Costs on acquisition of a subsidiary	**–**	(772)
Unallocated corporate restructuring credits/(costs)	**289**	(3,308)
Unallocated corporate net finance credits	**6,090**	761
Unallocated corporate (costs)/income	**(6,637)**	2,622
Profit from continuing operations before income tax	**51,241**	39,906

	2011 HK$'000	2010 HK$'000
Reportable segment assets	**922,124**	969,939
Segment assets of discontinued operation	**–**	(110,824)
Assets classified as held for sale	**–**	84,476
Deferred tax assets	**52,434**	75,241
Goodwill	**2,345**	2,357
Other intangible assets	**559**	1,074
Interest in an associate	**5,504**	4,922
Available-for-sale financial assets	**705**	879
Consolidation and Group assets	**(65,190)**	(47,177)
Total assets	**918,481**	980,887

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

	2011 HK$'000	2010 HK$'000
Reportable segment liabilities	**637,337**	654,723
Segment liabilities of discontinued operation	**–**	(59,402)
Liabilities classified as held for sale	**–**	38,023
Deferred tax liabilities	**13,148**	16,466
Consolidation and Group liabilities	**(150,575)**	(20,562)
Total liabilities	**499,910**	629,248

Geographical information

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

Revenue by geographical market

	Continuing operations		Discontinued operation		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
The People's Republic of China (the "PRC")						
Mainland China	**40,777**	25,320	**377**	—	**41,154**	25,320
Hong Kong (place of domicile)	**38,017**	32,284	**1,055**	—	**39,072**	32,284
	78,794	57,604	**1,432**	—	**80,226**	57,604
United States of America	**263,246**	260,112	**380**	—	**263,626**	260,112
UK	**300,173**	253,194	**–**	—	**300,173**	253,194
France	**108,027**	97,411	**–**	—	**108,027**	97,411
Australia	**230,246**	188,455	**–**	—	**230,246**	188,455
Others	**296,476**	288,753	**49,736**	130,461	**346,212**	419,214
	1,276,962	1,145,529	**51,548**	130,461	**1,328,510**	1,275,990

"Others", above, represents sales to various countries which individually represent less than 10% of the total revenue of the Group.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Carrying value of non-current assets:

	2011	2010
	HK$'000	HK$'000
UK	**129,559**	132,493
Mainland China	**41,890**	28,822
France	**17,644**	17,586
Hong Kong	**448**	6,691
Others	**5,408**	2,059
	194,949	187,651

6. OTHER INCOME

	Continuing operations		Discontinued operation		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other income comprises:						
Fair value gain on forward foreign exchange contracts	**–**	637	**–**	—	**–**	637
Realised gain on forward foreign exchange contracts	**–**	5,538	**–**	—	**–**	5,538
(Loss)/gain on disposal of property, plant and equipment	**–**	(128)	**–**	367	**–**	239
Property rental income	**1,945**	1,647	**–**	—	**1,945**	1,647
Gain on disposal of available-for-sale financial assets	**123**	—	**–**	—	**123**	—
Interest earned on bank deposits and balances	**2,168**	405	**–**	—	**2,168**	405
Compensation income	**–**	5,365	**–**	—	**–**	5,365
Interest credit on retirement benefit obligations (note 32)	**10,124**	5,213	**–**	—	**10,124**	5,213
Royalty income	**1,962**	3,039	**–**	—	**1,962**	3,039
Others	**3,174**	2,862	**–**	—	**3,174**	2,862
	19,496	24,578	**–**	367	**19,496**	24,945

7. RESTRUCTURING COSTS

	Continuing operations		Discontinued operation		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Manufacturing reorganisation (note 30)	**524**	17,751	**–**	—	**524**	17,751
Pre-trading and set-up costs	**8,786**	—	**–**	—	**8,786**	—
Onerous lease rentals (note 30)	**(621)**	1,151	**–**	—	**(621)**	1,151
Retrenchment and other costs	**2,446**	2,145	**–**	—	**2,446**	2,145
	11,135	21,047	**–**	—	**11,135**	21,047

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 is 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 year ended 30 September 2010 relating to employee severance payments, site closure costs and relocation costs. An additional provision has been made in the year 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 credits and costs relate to changes in estimates of the present value of the future lease payments that the Group is presently obligated to make under non-cancelable onerous operating lease contracts.

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

8. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Finance costs comprise:						
Interest on interest-bearing bank borrowings and overdrafts wholly repayable within five years	**4,889**	6,245	**379**	497	**5,268**	6,742
Interest on obligations under finance leases	**684**	670	**81**	255	**765**	925
	5,573	6,915	**460**	752	**6,033**	7,667

9. PROFIT BEFORE TAX

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

	Continuing operations		Discontinued operation		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Labour and related costs:						
Directors' remuneration (note 10)	**8,335**	7,001	**–**	—	**8,335**	7,001
Staff salaries, allowances and welfare	**146,304**	134,281	**6,060**	5,273	**152,364**	139,554
Share-based employee remuneration (note 10)	**–**	449	**–**	—	**–**	449
Other defined contribution plans (note 31)	**5,545**	4,545	**–**	—	**5,545**	4,545
Provident fund contributions (note 31)	**3,601**	4,313	**–**	—	**3,601**	4,313
Mandatory provident fund obligations (note 31)	**1,763**	726	**–**	—	**1,763**	726
Retirement benefit plan charge/(credit) (note 32)	**3,600**	(3,772)	**–**	—	**3,600**	(3,772)
Direct labour costs	**78,144**	81,159	**7,092**	23,512	**85,236**	104,671
	247,292	228,702	**13,152**	28,785	**260,444**	257,487

9. PROFIT BEFORE TAX *(Continued)*

	Continuing operations		Discontinued operation		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other items:						
Amortisation of lease payments under operating leases	**52**	17	**–**	—	**52**	17
Auditors' remuneration	**4,344**	5,675	**120**	170	**4,464**	5,845
Exchange losses	**2,686**	3,864	**456**	1,202	**3,142**	5,066
Depreciation of property, plant and equipment	**20,790**	20,930	**1,524**	2,778	**22,314**	23,708
Amortisation of other intangible assets	**532**	515	**–**	—	**532**	515
Impairment loss/(reversal of impairment loss) on trade receivables	**5,475**	(1,452)	**–**	(145)	**5,475**	(1,597)
Impairment loss/(reversal of impairment loss) on inventories	**4,506**	2,702	**–**	736	**4,506**	3,438
Minimum lease payments in respect of rented premises	**13,910**	11,792	**294**	552	**14,204**	12,344
Cost of inventories recognised as expenses	**906,164**	807,472	**53,948**	126,222	**960,112**	933,694
Loss/(gain) on disposal of property, plant and equipment	**62**	128	**–**	(367)	**62**	(239)
Cash flow hedge recycled from other comprehensive income	**2,076**	1,502	**–**	—	**2,076**	1,502
Restructuring costs	**11,135**	21,047	**–**	—	**11,135**	21,047
Assets of disposal group classified as held for sale - loss on remeasurement to fair value less costs to sell (note 39)	**–**	—	**–**	(26,348)	**–**	(26,348)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 10 (2010 - 9) directors were as follows:

For the year ended 30 September 2011

	Fees HK$'000	Basic salaries and allowances HK$'000	Bonuses HK$'000	Benefits in kind HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive Directors:						
Mr. David H Clarke	–	776	468	–	–	1,244
Mr. Henry W Lim	–	2,598	1,170	–	12	3,780
Mr. Simon N Hsu	–	480	281	–	12	773
Mr. Patrick J Dyson	–	1,249	182	145	207	1,783
Non-executive Directors:						
Dr. Wong Ho Ching, Chris*	180	–	–	–	–	180
Mr. Ramon S Pascual*	100	–	–	–	–	100
Mr. Teo Ek Tor *	45	–	–	–	–	45
Mr. Robert B Machinist *	180	–	–	–	–	180
Mr. Chan Kin Sang	125	–	–	–	–	125
Mr. Liu Ka Lim	125	–	–	–	–	125
	755	5,103	2,101	145	231	8,335

With effect from 1 January 2011, Mr. Teo Ek-Tor tendered his resignation as an Independent Non-executive Director.

With effect from 20 January 2011, Messrs. Chan Kin Sang and Liu Ka Lim were appointed as Non-executive Directors.

None of the Directors waived any emoluments during the year.

* *Independent Non-executive Directors*

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

Directors' emoluments *(Continued)*

For the year ended 30 September 2010

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

* *Independent Non-executive Directors*

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

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

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

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

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

Employees' emoluments

The five highest paid individuals of the Group included 2 Directors (2010 - 2), details of whose emoluments are set out above. The emoluments of the 3 (2010 - 3) highest paid employees for the year ended 30 September 2011, other than the Directors of the Company, were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**5,210**	4,995
Expenses of retirement benefit plan	**300**	361
	5,510	5,356

Emoluments of these employees were within the following bands:

	Number of employees	
	2011	2010
Nil - HK$1,000,000	**–**	—
HK$1,000,001 - HK$1,500,000	**–**	—
HK$1,500,001 - HK$2,000,000	**3**	2
HK$2,000,001 - HK$2,500,000	**–**	1
	3	3

Share-based employee remuneration

For the year ended 30 September 2011 there was no share-based employee remuneration.

For the year ended 30 September 2010 the Group operated an Economic Value Added bonus scheme for certain of its senior management, whereby bonus payments were made based upon the excess of net operating profit over a calculated cost of capital. A portion of this bonus was remunerated in cash, with the remaining element being used to purchase shares in the Company on behalf of the relevant employees. For the year ended 30 September 2010, the share-based employee remuneration charged to the consolidated income statement amounted to HK$449,000 (note 9).

11. INCOME TAX CHARGE

The income tax charge for the year comprises:

	Continuing operations		Discontinued operation		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current income tax - Hong Kong:						
Provision for the year	**–**	575	**–**	—	**–**	575
Over-provision in respect of prior years	**(680)**	—	**–**	—	**(680)**	—
	(680)	575	**–**	—	**(680)**	575
Current income tax - Overseas:						
Provision for the year:						
Australia	**3,645**	1,924	**–**	—	**3,645**	1,924
Mainland China	**490**	287	**–**	—	**490**	287
Canada	**1,323**	322	**–**	—	**1,323**	322
United States	**155**	—	**–**	—	**155**	—
France	**761**	811	**–**	—	**761**	811
New Zealand	**374**	328	**–**	—	**374**	328
	6,748	3,672	**–**	—	**6,748**	3,672
Deferred tax (note 33)	**11,403**	8,630	**–**	—	**11,403**	8,630
	17,471	12,877	**–**	—	**17,471**	12,877

(a) Hong Kong profits tax is calculated at 16.5% (2010 - 16.5%) on the estimated assessable profits for the year. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

11. INCOME TAX CHARGE *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Profit before tax:		
Continuing operations	**51,241**	39,906
Discontinued operation	**3,979**	(30,608)
	55,220	9,298
Tax at domestic rates applicable to profits or losses in the jurisdictions concerned	**(15,115)**	(6,544)
Tax effect of expenses not deductible for tax purposes	**(12,254)**	(6,277)
Tax effect of income not taxable for tax purposes	**1,638**	1,540
Tax effect of losses not recognised	**(4,755)**	(6,197)
Utilisation of tax losses previously not recognised	**14,988**	6,866
Effect of prior year adjustments	**1,449**	(940)
Decrease in recoverable amount of UK deferred tax asset (note c)	**(2,983)**	(2,875)
Others	**(439)**	1,550
Tax charge for the year	**(17,471)**	(12,877)

(c) The majority of the Group's deferred tax assets relate to temporary differences originating in its UK subsidiaries. Such deferred tax balances have been provided at 25% (2010 - 27%). Legislation formally enacted during the year has had the effect of reducing the effective tax rate from 27% to 25% from April 2012. Included in the HK$11,403,000 deferred charge for the year is a charge of HK$2,983,000 to reflect this change in tax rates (2010 - HK$2,875,000).

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

12. DIVIDENDS

Dividend declared and paid during the year:

	2011 **HK$'000**	2010 HK$'000
Final dividend relating to the year to 30 September 2009 declared and paid of 0.5 HK cent per ordinary share	–	4,924

At a Board Meeting held on 6 January 2010, the Directors recommended the payment of a final dividend of HK$4,923,600 (0.5 HK cent per ordinary share) for the year ended 30 September 2009, subject to shareholders' approval, which was granted at the Annual General Meeting held on 12 March 2010. This final dividend was distributed on 17 March 2010 to shareholders whose names appeared on the register of members of the Company as at the close of business on 12 March 2010.

The Board does not recommend the payment of a final dividend for the year ended 30 September 2011 (2010 - HK$nil).

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

Of the consolidated profit of HK$37,749,000 (2010 - HK$3,579,000 loss) attributable to the owners of the Company, a profit of HK$82,738,000 (2010 - HK$23,652,000 loss) has been dealt with in the financial statements of the Company.

14. EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company of HK$37,749,000 (2010 - HK$3,579,000 loss) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 991,852,107 (2010 - 984,915,993). For diluted earnings per share, a weighted average number of shares of 995,103,471 has been used.

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

The calculations are as follows:

(i) Weighted average number of ordinary shares

	2011	2010
Issued ordinary shares at 1 October	**991,852,107**	984,000,000
Effect of share options exercised (note a)	**–**	915,993
Weighted average number of ordinary shares at 30 September	**991,852,107**	984,915,993
Basic earnings/(loss) per share (HK$)	**3.806 cents**	(0.36 cents)

Note:

(a) Relates to the share options exercised under the Company's share option scheme during the year ended 30 September 2010.

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

	2011	2010
Issued ordinary shares at 1 October	**991,852,107**	—
Effect of deemed issue of shares under the Company's share option scheme	**3,251,364**	—
Weighted average number of ordinary shares at 30 September	**995,103,471**	—
Diluted earnings per share (HK$)	**3.794 cents**	N/A

14. EARNINGS PER SHARE *(Continued)*

(b) From continuing operations

The calculation of the basic and diluted earnings per share is based on the profit for the year from continuing operations of HK$33,770,000 (2010 - HK$27,029,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 991,852,107 (2010 - 984,915,993). For diluted earnings per share, the weighted average number of shares of 995,103,471 (2010 - 991,245,347) has been used.

	2011	2010
Basic earnings per share (HK$)	**3.405 cents**	2.75 cents
Weighted average number of ordinary shares (diluted)		
Issued ordinary shares at 1 October	**991,852,107**	984,000,000
Effect of share options exercised (note a)	**–**	915,993
Effect of deemed issue of shares under the Company's share option scheme	**3,251,364**	6,329,354
Weighted average number of ordinary shares at 30 September	**995,103,471**	991,245,347
Diluted earnings per share (HK$)	**3.394 cents**	2.74 cents

Note:

(a) Relates to the share options exercised under the Company's share option scheme during the year ended 30 September 2010.

(c) From discontinued operation

The calculation of the basic and diluted earnings per share is based on the profit for the year from discontinued operations of HK$3,979,000 (2010 - HK$30,608,000 loss) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 991,852,107 (2010 - 984,915,993). For diluted earnings per share, the weighted average number of shares of 995,103,471 has been used.

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

	2011	2010
Basic earnings/(loss) per share (HK$)	**0.401 cents**	(3.11 cents)
Diluted earnings per share (HK$)	**0.400 cents**	N/A

15. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost					
At 1 October 2009	206,897	65,447	23,109	102,491	397,944
Additions	382	3,956	5,170	1,984	11,492
Acquired on acquisition of a subsidiary	—	—	—	338	338
Disposals	—	(942)	(3,281)	(504)	(4,727)
Transfer to assets classified as held for sale	(42,425)	—	—	(15,007)	(57,432)
Currency realignment and others	(989)	938	(1,233)	2,316	1,032
At 30 September 2010	163,865	69,399	23,765	91,618	348,647
Additions	4,722	5,096	11,289	6,303	27,410
Disposals	—	(874)	(11,893)	(173)	(12,940)
Currency realignment and others	1,767	1,230	169	4,084	7,250
At 30 September 2011	**170,354**	**74,851**	**23,330**	**101,832**	**370,367**
Accumulated depreciation, amortisation and impairment					
At 1 October 2009	19,045	47,302	15,015	73,538	154,900
Provided for the year	5,519	6,033	5,268	6,888	23,708
Disposals	—	(780)	(3,281)	(121)	(4,182)
Transfer to assets classified as held for sale	(2,821)	—	—	(2,957)	(5,778)
Currency realignment and others	(964)	590	299	1,357	1,282
At 30 September 2010	20,779	53,145	17,301	78,705	169,930
Provided for the year	4,492	7,232	5,608	3,458	20,790
Disposals	—	(864)	(11,893)	(86)	(12,843)
Currency realignment and others	1,260	1,028	367	3,823	6,478
At 30 September 2011	**26,531**	**60,541**	**11,383**	**85,900**	**184,355**
Carrying values					
At 30 September 2011	**143,823**	**14,310**	**11,947**	**15,932**	**186,012**
At 30 September 2010	143,086	16,254	6,464	12,913	178,717

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

COMPANY	Furniture, fixtures and equipment HK$'000
Cost	
At 1 October 2010	16
Additions	450
At 30 September 2011	466
Accumulated depreciation	
At 1 October 2010	—
Provided for the year	19
At 30 September 2011	19
Carrying values	
At 30 September 2011	447
At 30 September 2010	16

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Nil
Land and buildings	Over the remaining unexpired term of the lease or fifty years whichever is the shorter
Furniture, fixtures and equipment	10% - 25%
Motor vehicles	20% - 25%
Plant and machinery	10% - $33\frac{1}{3}$%

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

The carrying value of the properties shown above comprises:

	2011 HK$'000	2010 HK$'000
Properties held outside Hong Kong that are:		
Freehold	**126,096**	130,251
Held under medium-term leases	**17,427**	12,835
	143,523	143,086

Additions in the year include HK$12,489,000 (2010 - HK$7,783,000) (note 41) in relation to assets acquired under finance leases for which there is no cash outflow included in the consolidated statement of cash flows.

The net book value of furniture, fixtures and equipment and motor vehicles of HK$14,310,000 (2010 - HK$16,254,000) and HK$11,947,000 (2010 - HK$6,464,000) includes amounts of HK$4,326,000 (2010 - HK$3,783,000) and HK$11,489,000 (2010 - HK$6,399,000), respectively, in respect of assets held under finance leases (note 29).

Additionally, land and buildings with a carrying value of HK$45,000,000 (2010 - HK$46,000,000) have been pledged in favour of the James Neill Pension Plan (note 42).

16. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

GROUP

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

	2011 HK$'000	2010 HK$'000
At 1 October	**581**	598
Amortisation	**(52)**	(17)
At 30 September	**529**	581

17. GOODWILL

GROUP

	2011	2010
	HK$'000	HK$'000
At 1 October	**2,357**	—
Additions	**—**	2,252
Currency realignment	**(12)**	105
At 30 September	**2,345**	2,357

On 10 March 2010, the Company, through its UK-based subsidiary, Bowers Group plc, acquired the entire share capital of Baty International Limited ("Baty") (formerly known as Quality Measurement Limited), a company incorporated in the United Kingdom and engaged in the design, manufacturing and procurement of precision measuring instruments. The consideration for the acquisition, excluding costs, amounted to HK$10,854,000, comprising HK$6,886,000 in cash and deferred contingent consideration capped at HK$3,968,000, payable over a maximum of four years. The fair value of assets at the acquisition date were HK$8,602,000 resulting in goodwill on the acquisition of a subsidiary of HK$2,252,000. See note 40 for further details.

In the current year, deferred contingent consideration of HK$1,547,000 has been 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 used were as follows: discount rate of 5%; growth rate of 5%; and cash flows, gross margins and net profits determined by the management of Baty based on past performance and expectations for market development.

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

18. OTHER INTANGIBLE ASSETS

GROUP

	Intellectual property rights HK$'000	**Purchased goodwill HK$'000**	**Total HK$'000**
At 1 October 2009	1,214	409	1,623
Amortisation	(359)	(156)	(515)
Currency alignment	(25)	(9)	(34)
Carrying amount at 30 September 2010	830	244	1,074
Amortisation	(375)	(157)	(532)
Currency alignment	7	10	17
Carrying amount at 30 September 2011	**462**	**97**	**559**

19. INTERESTS IN SUBSIDIARIES

COMPANY

	2011 HK$'000	2010 HK$'000
Unlisted investments, at cost	**124,802**	124,802
Amounts due from subsidiaries (note a)	**236,161**	207,860
Amounts due to subsidiaries (note b)	**197,864**	228,209

Notes:

(a) Loans to subsidiary undertakings are unsecured, interest-free and repayable on demand. At 30 September 2010 amounts due from subsidiaries included loans of HK$13,957,000 which were unsecured, interest-bearing at 6.25% per annum and repayable on demand.

(b) Except for loans from subsidiary undertakings of approximately HK$10,000,000 (2010 - HK$10,000,000), HK$3,784,000 (2010 - HK$3,326,000) and HK$nil (2010 - HK$1,480,000), which are interest-bearing at rates of 5%, 5% and 4.5% per annum, respectively, and repayable on demand, the amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of the principal subsidiaries are as follows:

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Alford Industries Limited	Hong Kong	Ordinary HK$2,000,000	—	100%	Design and distribution of consumer electronic products
Foshan Shunde Alford Electronics Co. Ltd.	PRC*	Registered capital HK$ 22,074,000	—	100%	Manufacture and design of consumer electronic products
Bowers Equipment Shanghai Co. Limited	PRC*	Registered capital RMB 4,026,000	—	100%	Manufacture, quality control and distribution of metrology products
Baty International Ltd. (formerly Quality Measurement Systems Ltd.)	UK	Ordinary £1,819,915	—	100%	Assembly and distribution of precision measuring equipment
Bowers Group plc	UK	Ordinary £50,000 Ordinary "A" £10,000	—	100%	Investment holding

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Proportion of ownership interest held by the Company Indirectly	Principal activities
Bowers Metrology Limited	UK	Ordinary £100	—	100%	Manufacture and distribution of precision measuring equipment
Bowers Metrology (UK) Limited	UK	Ordinary £100	—	100%	Distribution of precision measuring equipment
Coventry Gauge Limited	UK	Ordinary £2	—	100%	Manufacture of precision gauges and associated metrology products
CV Instruments Limited	UK	Ordinary £100	—	100%	Assembly and distribution of precision measuring equipment
Eclipse Magnetics Limited	UK	Ordinary £80,000	—	100%	Procurement and manufacture of permanent magnets, magnetic work holding systems and other associated products, marketing and sales of micrometers and other precision measuring tools
Eclipse Tools Manufacturing Company Limited	PRC	Registered capital US$3,000,000	—	100%	Procurement and manufacture of hacksaws, hacksaw blades and other industrial hand tools
Eclipse Tools North America, Inc.	Canada	Ordinary Can$100	—	100%	Distributor of magnets and magnetic products, hand and garden tools and metrology products
James Neill Holdings Limited	UK	Ordinary £44,773,788 4.2% preference £300,000	—	100%	Investment holding

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Proportion of ownership interest held by the Company Indirectly	Principal activities
Magnacut Limited	UK	Ordinary £9,000	—	100%	Procurement and manufacture of permanent magnets and assemblies
Neill France SA	France	Ordinary Euro 198,184	—	100%	Investment holding
Neill Tools Limited	UK	Ordinary £25,597,000	—	100%	Procurement, sales and distribution of hacksaw blades, engineers' cutting tools, and other industrial hand tools
Pan Electrium Industrial Company Limited	Hong Kong	Ordinary HK$5,000,000	—	100%	Manufacture and trading of electric/electrical parts and products
Pantene Global Acquisition Corp.	USA	Ordinary US$10	—	100%	Investment holding
Pantene Global Holdings Limited	Hong Kong	Ordinary HK$5,000,000	100%	—	Investment holding in Hong Kong
Pantene Industrial Co. Limited	Hong Kong	Ordinary HK$10,000	—	100%	Sale and distribution of rechargeable battery products
Rise Up International Limited	British Virgin Islands	Ordinary US$1	100%	—	Investment holding in Hong Kong
Spear & Jackson (Australia) Pty Limited	Australia	Ordinary AU$4,640,000	—	100%	Procurement, marketing and sale of group tools and externally sourced related products
Spear & Jackson France SA	France	Ordinary Euro 1,300,000	—	100%	Marketing and sale of lawn and garden tools and other related products
Spear & Jackson Garden Products Limited	UK	Ordinary £16,977,000	—	100%	Procurement and sale of garden, agricultural and contractors' hand tools, woodsaws and builders' tools

19. INTERESTS IN SUBSIDIARIES *(Continued)*

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

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

Unless otherwise specified under "Principal activities", the above subsidiaries operate principally in their respective places of incorporation or registration.

On 28 February 2011, the Company sold its 100% equity interest in Jade Precision Engineering Pte. Ltd.

The above list includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at 30 September 2011 or at any time during the year (2010 - nil).

20. INTEREST IN AN ASSOCIATE

GROUP

	2011 HK$'000	2010 HK$'000
At 1 October	**4,922**	3,556
Currency realignment	**44**	340
Share of profit before tax for the year	**3,633**	2,651
Share of tax for the year	**(785)**	(692)
Dividends received	**(2,310)**	(933)
At 30 September	**5,504**	4,922

The Group had an interest in the following associate:

Name of entity	Form of business structure	Place of registration	Principal place of operation	Nominal value of registered capital	Proportion of nominal value of registered capital held by the Group	Proportion of voting power held
Ningbo Hi-tech Assemblies Co. Ltd.	Sino-foreign joint venture	PRC	PRC	US$800,000	25%	25%

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

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

	2011 HK$'000	2010 HK$'000
Total assets	**40,377**	38,455
Total liabilities	**(18,361)**	(18,767)
Net assets	**22,016**	19,688
Share of an associate's net assets	**5,504**	4,922
Sales	**123,332**	102,840
Profit for the year after tax	**11,392**	7,836
Share of result of an associate (net of tax)	**2,848**	1,959

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP

	2011 HK$'000	2010 HK$'000
Unlisted equity investments at purchase cost	705	879
Impairment loss	—	—
Unlisted equity investments at fair value (note a)	705	879
Listed equity investments at purchase cost	3,813	3,813
Impairment loss	(3,813)	(3,813)
Listed equity investments at fair value (note b)	—	—
Equity securities listed in Hong Kong at fair value (note c)	—	—
Total	705	879

	2011 HK$'000	2010 HK$'000
COMPANY		
Listed equity investments at purchase cost	3,813	3,813
Impairment loss	(3,813)	(3,813)
Listed equity investments at fair value (note b)	—	—
Equity securities listed in Hong Kong at fair value (note c)	—	—
Total	—	—

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

Notes:

(a) The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the United States of America, France and India respectively. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so wide that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity securities above, are Baty France SARL ("BFL") and Bipico Industries (Tools) Private Limited ("BITPL").

A 11% stake in BFL, a company incorporated and operating in France was acquired on the acquisition of Baty International Limited in March 2010. It has a carrying amount of HK$85,000 (2010 - HK$256,000). In October 2010, the Group's shareholding was reduced from 33% to 11%.

BITPL is a company incorporated and operating in India, with a carrying amount of HK$620,000 (2010 - HK$623,000). The investment represents a 30% holding of the issued ordinary share capital of BITPL. BITPL is not regarded as an associate of the Group because the Group has less than one-fifth of the voting power of BITPL under arrangements with other investors, the Group has no right to appoint directors of BITPL and the Group does not possess the ability to exercise significant influence over the company.

During the year to 30 September 2010, the Group's investment in Bowers Metrologie SARL ("BML") was liquidated as the company was dissolved under French corporate legislation.

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

(c) This represents the Group's investment in the shares of Climax International Company Limited ("CICL"), a company incorporated in Bermuda with its shares listed on the HKEx, representing a holding of approximately 0.25% (2010 - 0.25%) of the issued share capital of CICL as at 30 September 2011.

In the opinion of the Directors, because of the low volume of transactions in the market for CICL's shares, it is difficult to dispose of the entire shares in the market. Hence, the fair value of CICL's shares held by the Group is estimated to be HK$nil (2010 - HK$nil).

22. INVENTORIES

GROUP

	2011 **HK$'000**	2010 HK$'000
Raw materials	**64,314**	42,755
Work in progress	**21,279**	23,695
Finished goods	**188,616**	189,444
	274,209	255,894

The carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK$274,209,000 (2010 - HK$255,894,000). Impairment losses of HK$4,506,000 were recognised in the financial statements for the year ended 30 September 2011 (2010 - HK$3,438,000).

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**244,004**	254,451	**–**	—
Less: impairment provisions	**(14,310)**	(10,294)	**–**	—
Trade receivables - net	**229,694**	244,157	**–**	—
Prepayments and other receivables	**21,281**	11,677	**488**	852
	250,975	255,834	**488**	852

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

GROUP	**2011** **HK$'000**	2010 HK$'000
0 - 60 days	**206,642**	226,976
61 - 90 days	**17,519**	7,272
91 - 120 days	**4,666**	3,979
Greater than 120 days	**15,177**	16,224
	244,004	254,451

The Group allows credit periods ranging from 30 to 120 days (2010 - 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.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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

GROUP	**2011** **HK$'000**	2010 HK$'000
At 1 October	**10,294**	12,356
Impairment losses recognised	**5,475**	3,641
Impairment losses reversed	**—**	(5,238)
Re-allocated from gross debtors	**498**	—
Currency realignment	**(112)**	229
Uncollectible amounts written off	**(1,845)**	—
Transfer to assets classified as held for sale	**—**	(876)
Acquisition of a subsidiary	**—**	182
At 30 September	**14,310**	10,294

The Group has provided in full against those receivables where evidence suggests that the amounts outstanding are not recoverable.

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:

GROUP	**2011** **HK$'000**	2010 HK$'000
91 - 120 days	**4,643**	3,979
Greater than 120 days	**2,582**	5,930
	7,225	9,909

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

24. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP

	2011 HK$'000	2010 HK$'000
Derivative financial assets:		
Forward foreign exchange contracts - held-for-trading (note a)	–	637
Forward foreign exchange contracts - cash flow hedges (note b)	1,932	—
	1,932	637
Derivative financial liabilities:		
Forward foreign exchange contracts - cash flow hedges (note b)	–	2,858
Forward foreign exchange contracts - held-for-trading (note a)	117	501
	117	3,359

COMPANY

	2011 HK$'000	2010 HK$'000
Derivative financial assets:		
Forward foreign exchange contracts - held-for-trading (note a)	–	637
Derivative financial liabilities:		
Forward foreign exchange contracts - held-for-trading (note a)	117	—

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

Notes:

(a) The Group enters into significant medium term currency exposures that are not expected to be off-set by other currency transactions. They are considered to be part of the economic hedge arrangement but have not been formerly designated. The forward foreign exchange contracts relate primarily to forward purchases of US dollars and Euros and the cash flows are expected to occur before March 2012.

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

The cash flows are expected to occur between 1 and 6 months from 30 September 2011. The amount recognised in other comprehensive income and in equity during the year was a HK$1,361,000 credit (2010 - HK$2,076,000 charge) and this will be transferred to the income statement in the same year that the associated inventory impacts profit and loss (i.e when it is sold or impaired). The amount transferred to the income statement during the year was HK$2,076,000 (2010 - HK$1,502,000).

25. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$5,000,000 (2010 - HK$5,000,000) have been pledged to secure trust receipt and export invoices financing facilities (notes 28 and 42) and are therefore classified as current assets.

The deposits carry interest at prevailing market rate. The Directors consider that the carrying value of the amount at the reporting date approximates to its fair value.

Pledged time deposits earn 0.025% (2010 - 0.025%) interest per annum and have a maturity of 1 month.

26. CASH AND CASH EQUIVALENTS

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

Included in bank and cash balances of the Group are bank balances denominated in Renminbi ("RMB") of HK$12,125,000 (2010 - HK$7,550,000) placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**155,464**	145,812	**—**	—
Accruals and other payables	**87,028**	82,065	**3,831**	5,944
	242,492	227,877	**3,831**	5,944

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

	2011	2010
GROUP	**HK$'000**	HK$'000
0 - 60 days	**125,847**	130,098
61 - 90 days	**15,065**	5,446
Greater than 90 days	**14,552**	10,268
	155,464	145,812

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

28. INTEREST-BEARING BANK BORROWINGS

GROUP

	2011 HK$'000	2010 HK$'000
Bank borrowings (all secured) comprise:		
Bank overdrafts	**14,409**	16,444
Export invoices/loan financing	**20,276**	23,793
Invoice discounting	**31,618**	26,806
Other bank loans	**3,225**	22,492
HKSAR Government-backed bank loans	**22,028**	35,735
Total overdrafts and bank borrowings	**91,556**	125,270
Bank borrowings are repayable as follows:		
Within one year or on demand	**79,885**	101,256
More than one year, but not exceeding two years	**8,976**	10,962
More than two years, but not exceeding five years	**2,695**	13,052
	91,556	125,270
Less: Amounts due within one year shown under current liabilities	**(79,885)**	(101,256)
Amounts due after one year shown under non-current liabilities	**11,671**	24,014

The HKSAR Government-backed loans, which are denominated in Hong Kong Dollars, carry fixed interest rates ranging from 4.5% to 7% (2010 - 4.5% to 7%) per annum and are repayable in monthly instalments over a five-year period.

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

The effective interest rates on the Group's floating rate borrowings range from 2.5% to 7.0% (2010 - 2.5% to 7.0%) per annum.

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

Refer to note 42 for details of pledged assets.

29. OBLIGATIONS UNDER FINANCE LEASES

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

GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases:				
Within one year	**7,015**	5,550	**6,392**	4,753
In the second to fifth years inclusive	**9,048**	4,795	**8,623**	4,534
	16,063	10,345	**15,015**	9,287
Less: Future finance charges	**(1,048)**	(1,058)	**—**	—
Present value of lease obligations	**15,015**	9,287	**15,015**	9,287
Less: Amount due for settlement within one year shown under current liabilities			**(6,392)**	(4,753)
Amount due for settlement after one year shown under non-current liabilities			**8,623**	4,534

During the year, the Group has acquired certain motor vehicles and computer equipment under finance leases with lease terms ranging from 2 to 4 years (2010 - 2 to 4 years). Interest rates underlying all obligations under finance lease are fixed at their respective contract rates ranging from 3.3% to 7.0% (2010 - 3.3% to 7.0%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair values of the Group's finance lease obligations, determined by the present value of the estimated future cash flows discounted using the prevailing market rate at the reporting date, approximate to their carrying values.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (note 15).

30. PROVISIONS

GROUP

	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1 October 2009	12,823	445	13,268
Utilisation of provision	(3,572)	(5,118)	(8,690)
Provision for the year	1,151	17,751	18,902
Currency realignment	(217)	491	274
At 30 September 2010	10,185	13,569	23,754
Utilisation of provision	(7,906)	(14,027)	(21,933)
(Reversal)/provision for the year	(621)	524	(97)
Currency realignment	201	177	378
At 30 September 2011	**1,859**	**243**	**2,102**

	2011 HK$'000	2010 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**2,102**	22,056
Non-current liabilities	**–**	1,698
	2,102	23,754

The onerous contract provisions represent the estimated present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on those leases, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases is less than one year (2010 - two years).

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"), was established which is 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 year ended 30 September 2010 relating to employee severance payments, site closure costs and relocation costs. An additional provision has been made in the current year for further relocation costs.

31. DEFINED CONTRIBUTION PLANS

Hong Kong

With effect from 1 December 2000, the Group joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. For the year ended 30 September 2011, the retirement benefit scheme contributions charged to the consolidated income statement amounted to HK$1,763,000 (2010 - HK$726,000) (note 9), representing contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

Mainland China

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contribution made for the year ended 30 September 2011 was HK$3,601,000 (2010 - HK$4,313,000) (note 9). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

Rest of the World

Defined pension contribution schemes are in place in the United Kingdom, France and Australasia, the assets of which are held separately from those of the Group and are held under the control of independent trustees. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. The total contributions made for the year ended 30 September 2011 was HK$5,545,000 (2010 - HK $4,545,000) (note 9).

32. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a contributory defined benefit pension plan covering certain of its employees in the UK based subsidiaries of Spear & Jackson 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 latest formal actuarial valuation of the Plan was carried out at 5 April 2010 by Xafinity, the actuarial advisors to the Plan at that time. This valuation has been updated to 30 September 2011, by PricewaterhouseCoopers LLP, the Company's actuarial advisors, for the purposes of this Annual Report.

The Group's annual contributions for the year ended 30 September 2011 amounted to £0.8 million Sterling (approximately HK$10.2 million) (2010 - £1.3 million (approximately HK$16.5 million)). In addition to cash contributions made into the Plan, a charge has been executed in favour of the Plan representing 50% of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, England (note 42).

32. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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 ending 31 March 2012 and £1.079 million (approximately HK$13.6 million) for the year ending 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 4.25% 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 investments and liabilities and the financial strengths and cash flow requirements of the Plan's sponsoring employers.

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 in the updated actuarial valuations at 30 September 2011 and 30 September 2010 for the purpose of the accounting disclosures in this annual report were as follows:

	2011	2010
Long term rate of increase in pensionable salaries (note a)	**0.00%**	0.00%
Rate of increase of benefits in payment (note b)	**2.80%**	2.85%
Rate of increase of benefits in payment (note c)	**1.90%**	2.40%
Discount rate	**5.30%**	5.10%
Inflation assumption		
(Retail Prices Index ("RPI"))	**2.90%**	3.00%
Inflation assumption		
(Consumer Prices Index ("CPI")) (note d)	**2.20%**	N/A
Expected return on equities	**7.70%**	8.00%
Expected return on bonds	**5.30%**	5.10%
Expected return on cash	**0.50%**	0.50%
Expected return on property	**5.30%**	5.10%

32. 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 the changes in applicable legislation, inflationary increases applied to the value of deferred members' pension liabilities have been calculated using CPI rather than RPI.

The expected return on assets assumption has been derived by considering the appropriate return for each of the main asset classes. The yields assumed on bond type investments are based on published redemption yields at the reporting date. The assumed return on equities reflects an assumed allowance for the out-performance of these asset classes over UK Government bonds in the long-term. The rates of return are shown net of investment manager expenses. The expected return on property is based upon funds being invested in properties with high quality tenants for which the income stream is bond-like, and the return is expected to be similar to a portfolio of high quality corporate bonds.

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

Pensioner currently aged 65:	Male 18.3 years	Female 20.6 years
Future pensioner when aged 65:	Male 19.9 years	Female 21.9 years

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

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of Plan assets:					
Equities	**720,195**	720,782	598,215	602,009	818,840
Bonds	**324,117**	378,404	505,992	606,637	715,815
Property	**136,425**	130,906	—	—	—
Cash	**1,920**	1,685	60,458	7,650	10,146
Insurance policies	**10,268**	12,066	14,099	16,732	23,046
	1,192,925	1,243,843	1,178,764	1,233,028	1,567,847
Present value of funded obligations	**(1,325,145)**	(1,423,147)	(1,368,316)	(1,473,599)	(1,845,046)
Net liabilities recognised	**(132,220)**	(179,304)	(189,552)	(240,571)	(277,199)

32. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2011	2010
	HK$'000	HK$'000
Current service cost	**3,600**	2,599
Expected return on assets	**(82,504)**	(79,592)
Interest cost	**72,380**	74,379
Curtailment gain	**–**	(6,371)
Net pension credit	**(6,524)**	(8,985)

The current service cost charge for the year (2010 - current service cost charge and curtailment gain) is included in the employee benefits expense caption in the consolidated income statement. The net interest receivable is included in the other income caption in the consolidated income statement.

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

	2011	2010
	HK$'000	HK$'000
At 1 October	**1,423,147**	1,368,316
Currency realignment	**(3,752)**	(17,800)
Current service cost	**3,600**	2,599
Curtailment gain	**–**	(6,371)
Interest cost	**72,380**	74,379
Member contributions	**2,200**	2,604
Benefit payments	**(71,275)**	(71,188)
Actuarial (gains)/losses	**(101,155)**	70,608
At 30 September	**1,325,145**	1,423,147

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

	2011	2010
	HK$'000	HK$'000
At 1 October	**1,243,843**	1,178,764
Currency realignment	**(7,744)**	(14,672)
Employer contributions	**10,191**	16,495
Member contributions	**2,200**	2,604
Expected return on assets	**82,504**	79,592
Benefit payments	**(71,275)**	(71,188)
Actuarial (losses)/gains	**(66,794)**	52,248
At 30 September	**1,192,925**	1,243,843

The actual return on the Plan's assets was a gain of approximately HK$15,710,000 (2010 - HK$131,840,000).

32. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2011	2010
	HK$'000	HK$'000
Actuarial gain/(loss)	**34,361**	(18,360)

The total cumulative amount of actuarial gains recognised in the consolidated statement of comprehensive income, before tax, is HK113,742,000 (2010 - HK$79,381,000).

The history of experience adjustments is as follows:

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Present value of defined benefit obligation	**(1,325,145)**	(1,423,147)	(1,368,316)	(1,473,599)	(1,845,046)
Fair value of Plan assets	**1,192,925**	1,243,843	1,178,764	1,233,028	1,567,847
Deficit	**(132,220)**	(179,304)	(189,552)	(240,571)	(277,199)
Experience gain adjustment on Plan liabilities	**31,910**	—	—	—	219,726
Experience gain/(loss) adjustment on Plan assets	**(66,794)**	52,248	93,111	(84,141)	(92,330)

The actuarial valuation showed that the market value of the Plan assets at 30 September 2011 was HK$1,192,925,000 (2010 - HK$1,243,843,000) and that the actuarial value of these assets represented 90% (2010 - 87%) of the benefits that had accrued to members. The shortfall of HK$132,220,000 (2010 - HK$179,304,000) is subject to variation as, going forward, assumptions and investment conditions may 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.

33. DEFERRED TAX

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

	Accelerated accounting depreciation HK$'000	Revaluation of properties HK$'000	Retirement benefit obligations HK$'000	Others HK$'000	Tax losses HK$'000	Total HK$'000
At 1 October 2009	12,019	(16,082)	53,075	8,398	5,801	63,211
(Charged)/ credited to consolidated income statement (note 11)	683	960	(8,760)	631	(2,144)	(8,630)
Recognition of actuarial loss on retirement benefit obligation in other comprehensive income	—	—	5,139	—	—	5,139
Currency realignment	(180)	430	(1,068)	(47)	(80)	(945)
At 30 September 2010	12,522	(14,692)	48,386	8,982	3,577	58,775
(Charged)/ credited to consolidated income statement (note 11)	(919)	1,521	(7,253)	(2,360)	(2,392)	(11,403)
Recognition of actuarial gain on retirement benefit obligation in other comprehensive income	—	—	(9,273)	—	—	(9,273)
Currency realignment	14	23	1,192	(84)	42	1,187
At 30 September 2011	11,617	(13,148)	33,052	6,538	1,227	39,286

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.

	2011 HK$'000	2010 HK$'000
Deferred tax liabilities	**(13,148)**	(16,466)
Deferred tax assets	**52,434**	75,241
	39,286	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 25% (2010 - 27%). Legislation formally enacted during the year has had the effect of reducing the effective tax rate from 27% to 25% from April 2012. Included in the HK$11,403,000 charge for the year is a charge of HK$2,983,000 to reflect this change in tax rates.

33. DEFERRED TAX *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Unused tax losses	**338,538**	440,429
Capital losses	**116,679**	124,384
Other temporary differences	**35,178**	36,601
Other tax credits	**402,190**	360,904
	892,585	962,318

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits will be utilised in the foreseeable future. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant proportion of its tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits principally arise in Hong Kong, UK, 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 investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and 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.

As at 30 September 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. As at 30 September 2010, no deferred tax had been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries and associate established in Mainland China. In the opinion of Directors, it is not probable that these subsidiaries will distribute their earnings accrued after 1 January 2008 in the foreseeable future. The aggregate amount of temporary differences associated with investment in subsidiaries in Mainland China, for which deferred tax liabilities have not been recognised, totalled approximately HK$632,000 and HK$253,000 at 30 September 2011 and 30 September 2010, respectively.

34. SHARE CAPITAL

Ordinary shares of HK$0.10 each

	2011		2010	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Authorised:				
At 1 October and 30 September	**1,500,000,000**	**150,000,000**	1,500,000,000	150,000,000
Issued and fully paid:				
At 1 October	**991,852,107**	**99,185,210**	984,000,000	98,400,000
Share options exercised (note a)	**–**	**–**	7,852,107	785,210
At 30 September	**991,852,107**	**99,185,210**	991,852,107	99,185,210

Note:

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

35. SHARE OPTIONS

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

The total number of shares in respect of which options may be granted under the 1994 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual is not permitted to exceed 25% of the maximum number of shares that may be issued pursuant to the 1994 Scheme without prior approval from the Company's shareholders.

The offer of a grant of share options under the 1994 Scheme may be accepted within 21 days from the date of the offer together with the payment of nominal consideration of HK$1 in total by the grantee. The exercise period shall be determined by the Board of Directors but not exceeding 10 years from the date of grant.

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

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

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

	Outstanding at 1 October 2010	Exercised during the year	**Outstanding at 30 September 2011**
Mr. Simon N Hsu	3,773,165	—	**3,773,165**

35. SHARE OPTIONS *(Continued)*

(b) At a special general meeting of the Company held on 30 August 2004, a new share option scheme was adopted (the "2004 Scheme") for the purpose of providing incentives to the Executive Directors and eligible employees of the Company and its subsidiaries. The Board is authorised to grant options to eligible Executive Directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company. The number of underlying shares available under the 2004 Scheme shall not, in aggregate, exceed 5% of the issued shares as at 30 August 2004. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 months is not permitted to exceed 1% of the issued shares at such time. Options to be offered to any participants who is also an executive director, chief executive officer, substantial shareholder of the Company or any of their respective associates ("Connected Persons") shall require prior approval from the Independent Non-executive Directors of the Company. No option can be granted to Connected Persons in any 12 months that exceeds in aggregate over 0.1% of the issued shares and an aggregate value exceeding HK$5 million based on the closing price of the shares at the date of each grant without prior approval from the Company's shareholders.

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

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

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

	Date of grant	Exercise price HK$	Outstanding at 1 October 2010	Exercised during the year	Lapsed during the year	**Outstanding at 30 September 2011**
Directors	28.9.2004	0.193	5,151,651	—	—	**5,151,651**
	20.12.2004	0.198	4,378,901	—	—	**4,378,901**
			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**

The options granted on 28 September 2004 and 20 December 2004 are vested for a period of three years immediately after the date of grant by one-third on each anniversary and are fully vested on 27 September 2007 and 19 December 2007, respectively. Options granted on those dates are exercisable after one year but not exceeding ten years from the date of grant subject to the vesting conditions stated above.

36. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for both the current and prior years are presented in the consolidated statement of changes in equity on page 47 of the financial statements.

Share premium account

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

The movement on the share premium account is as follows:

	2011 **HK$'000**	2010 HK$'000
At 1 October	**40,050**	38,808
Exercise of share options (note a)	**–**	976
Transfer from share option reserve on exercise of options	**–**	266
At 30 September	**40,050**	40,050

Note:

(a) The following share options were exercised during the year ended 30 September 2010:

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

36. RESERVES *(Continued)*

(a) GROUP *(Continued)*

Treasury Share Reserve

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

Share Option Reserve

At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement over the remaining vesting period, with a corresponding adjustment to share options reserve.

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

Capital Reserve

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

Translation Reserve

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

Hedging Reserve

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

36. RESERVES *(Continued)*

(b) COMPANY

	Share premium HK$'000	Treasury share reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contribution surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2009	38,808	—	794	1,442	70,911	(62,840)	49,115
Loss for the year	—	—	—	—	—	(23,652)	(23,652)
Dividends paid	—	—	—	—	—	(4,924)	(4,924)
Treasury shares	—	(5,365)	—	—	—	—	(5,365)
Exercise of share options	1,242	—	(266)	—	—	—	976
	1,242	(5,365)	(266)	—	—	(28,576)	(32,965)
At 30 September 2010	40,050	(5,365)	528	1,442	70,911	(91,416)	16,150
Profit for the year	—	—	—	—	—	82,738	82,738
At 30 September 2011	40,050	(5,365)	528	1,442	70,911	(8,678)	98,888

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

In addition to accumulated profits, under company law in Bermuda, the contributed surplus account of a company is also available for distribution. However, the Company cannot pay or declare a dividend, or make a distribution out of contributed surplus if: it is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

37. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 31 December 2010, the Company entered into an agreement for the sale of its 100% equity interest in Jade Precision Engineering Pte. Ltd. ("Jade") to Rokko Holdings Limited for a total consideration of SG$8 million (equivalent to approximately HK$48.2 million, after applicable costs on disposal), payable in cash. The sale of Jade was completed on 28 February 2011.

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

The assets and liabilities attributable to Jade, which had been classified as a disposal group held for sale at 30 September 2010 are presented separately in the consolidated statement of financial position at 30 September 2010 as follows:

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

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

	2011 HK$'000	2010 HK$'000
Exchange differences arising on translation of foreign operation	–	242

38. DISPOSAL OF A SUBSIDIARY

As disclosed in note 37, above, the sale of Jade was concluded on 28 February 2011 (the "Disposal Date") for a total consideration of SG$8 million (equivalent to approximately HK$48.2 million, after applicable costs on disposal), payable in cash.

The net assets 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	(23,101)
Bank overdrafts	(7,027)
Other interest bearing bank borrowings	(9,033)
Obligations under finance leases	(1,928)
	37,290
Gain on disposal (note 39)	9,736
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 39)	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 39).

39. DISCONTINUED OPERATION

As disclosed in notes 37 and 38, 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 Limited for a total consideration of SG$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.

The revenues, results and cash flows of Jade are as follows:

	Note	**2011** **HK$'000**	2010 HK$'000
Revenue	5	**51,548**	130,461
Cost of sales		**(53,948)**	(126,222)
Gross (loss)/profit		**(2,400)**	4,239
Other income	6	**—**	367
Selling and distribution costs		**(1,092)**	(1,634)
Administrative costs		**(2,999)**	(6,480)
Finance costs	8	**(460)**	(752)
		(6,951)	(4,260)
Gain on disposal	38	**9,736**	—
Loss on remeasurement to fair value less costs to sell	9	**—**	(26,348)
Cumulative exchange differences in respect of the net assets of a subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	38	**1,194**	—
Profit/(loss) before tax from discontinued operation		**3,979**	(30,608)
Income tax charge		**—**	—
Net result from discontinued operation		**3,979**	(30,608)

The cash flows from the discontinued operation are as follows:

	2011 **HK$'000**	2010 HK$'000
Net cash (used in)/generated from operating activities	**(1,882)**	548
Net cash (used in)/generated from investing activities	**(1,857)**	917
Net cash generated from/(used in) financing activities	**1,026**	(275)
Effect of foreign exchange rates	**(177)**	—
Net (decrease)/increase in cash and cash equivalents	**(2,890)**	1,190

40. ACQUISITION OF A SUBSIDIARY

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

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

Acquisition related costs of HK$772,000 were included in the consolidated income statement for the year ended 30 September 2010.

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

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

The acquired business contributed revenues of approximately HK$17,613,000 and a net profit of HK$2,317,000 in the period from acquisition to 30 September 2010. If the acquisition had taken place on 1 October 2009, the Group's revenue from continuing operations would have been approximately HK$1,156,111,000 and the net profit for the year from continuing activities would have been approximately HK$27,751,000. This pro-forma information is for illustrative purposes only and is not necessarily indicative of the revenue and results of the Group that would have been achieved had the acquisition been completed on 1 October 2009, nor is it intended to be a projection of future results.

40. ACQUISITION OF A SUBSIDIARY *(Continued)*

	Carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net assets acquired:			
Property, plant and equipment	455	(117)	338
Available-for-sale financial assets	245	—	245
Inventories	4,855	(525)	4,330
Trade and other receivables	6,571	(58)	6,513
Cash and cash equivalents	1,450	—	1,450
Trade and other payables	(4,216)	(58)	(4,274)
	9,360	(758)	8,602
Goodwill on acquisition (note 17)			2,252
Less: deferred contingent consideration			(3,968)
Total consideration satisfied by cash			6,886
Net cash outflow arising on acquisition:			
Cash consideration paid			(6,886)
Legal and professional fees			(772)
Cash and cash equivalents acquired			1,450
			(6,208)

41. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of approximately HK$12,489,000 (2010 - HK$7,783,000) (note 15).

42. PLEDGE OF ASSETS

At the reporting date, the Group has pledged bank deposits of HK$5,000,000 (2010 - HK$5,000,000) (note 25) to certain banks to secure credit facilities granted by those banks to the extent of approximately HK$10,000,000 (2010 - HK$13,900,000).

The banking facilities of the UK subsidiaries of Spear & Jackson comprise a £5,250,000 Sterling (approximately HK$64,000,000) composite facility comprising confidential invoice discounting, an overdraft and a short-term loan. This facility is secured by certain trade receivables in the UK trading operations of Spear & Jackson, by fixed and floating charges on the assets and undertakings of Spear & Jackson and its trading subsidiaries and by a first fixed charge on the Group's freehold properties in the United Kingdom. The amount drawn down under the confidential invoice facility at 30 September 2011 was HK$31,618,000 (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 30 September 2011 was HK$8,008,000 (2010 - HK$269,000). The amount drawn down under the short-term loan at 30 September 2011 was HK$3,038,000 (2010 - HK$12,212,000). The net book value of the Group's UK freehold properties at 30 September 2011 is approximately HK$109,000,000 (2010 - HK$111,750,000) over which there is a first fixed charge of approximately HK$64,200,000 (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% (approximately HK$45,000,000) (2010 - HK$46,000,000) of the value of the Group's UK freehold land and buildings at Atlas Way, Sheffield (notes 15 and 32).

43. RECONCILIATION OF INCREASE IN CASH AND CASH EQUIVALENTS TO MOVEMENT IN NET BORROWINGS

	Note	2011 HK$'000	2010 HK$'000
Net increase in cash and cash equivalents for the year		**24,908**	4,802
Effect of foreign exchange rates		**3,827**	1,160
Net movement in cash and cash equivalents		**28,735**	5,962
Repayment of bank borrowings		**44,009**	33,171
New bank loans raised		**(21,637)**	(31,255)
Increase in invoice discounting facility		**(5,218)**	(10,000)
Net cash outflow/(inflow) from export loans		**13,786**	(5,263)
Others		**5,866**	301
Net borrowings at the beginning of the period		**(30,074)**	(22,990)
Net cash/(borrowings) at the end of the period		**35,467**	(30,074)
Represented by:			
Pledged bank deposits	25	**5,000**	5,000
Cash and cash equivalents	26	**137,038**	114,029
Interest-bearing bank borrowings - amounts due within one year	28	**(79,885)**	(101,256)
Obligations under finance leases - amounts due within one year	29	**(6,392)**	(4,753)
Interest-bearing bank borrowings - amounts due after one year	28	**(11,671)**	(24,014)
Obligations under finance leases - amounts due after one year	29	**(8,623)**	(4,534)
Amounts included in assets and liabilities classified as held for sale:	37		
Cash and cash equivalents		**–**	2,181
Bank overdrafts		**–**	(5,872)
Other interest-bearing bank borrowings		**–**	(8,460)
Obligations under finance leases		**–**	(2,395)
		35,467	(30,074)

44. 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 or covered by insurance, will not have a material adverse effect on the consolidated financial position or results of operations of the Group.

45. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$48,704,000 (2010 - HK$99,966,000) with respect to general banking facilities granted to certain subsidiaries of the Company. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loan and facilities. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was not probable that the repayments of any loans or facilities would be in default.

46. CAPITAL COMMITMENTS

GROUP

	2011 **HK$'000**	2010 HK$'000
Committed but not contracted for:		
Property, plant and equipment	**2,248**	12,395
Contracted but not provided for:		
Capital contribution payable to a PRC wholly-owned subsidiary	**–**	19,865
	2,248	32,260

COMPANY

As at 30 September 2011 and 2010, the Company did not have any significant capital commitments.

47. OPERATING LEASE COMMITMENTS

The Group as Lessee

At the reporting date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	2011	2010
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**12,629**	7,853
In the second to fifth years inclusive	**18,772**	30,120
Over five years	**16,903**	29,880
	48,304	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 85 years (2010 - 1 to 86 years), with options to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and the respective landlords. None of the leases contain contingent rentals.

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

	2011	2010
	HK$'000	HK$'000
Onerous lease contracts (note 30)		
Within one year	**1,859**	8,487
In the second to fifth years inclusive	**–**	1,698
	1,859	10,185

47. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as Lessor

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

	2011	2010
	HK$'000	HK$'000
Within one year	**74**	—
In the second to fifth years inclusive	**299**	830
Over five years	**5,160**	5,654
	5,533	6,484

Operating lease income represents the rentals receivable by the Group for its leased properties under sub-lease agreements. The leases run for an initial period of 1 to 85 years (2010 - 1 to 86 years), with options to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants.

The Company as Lessee

At the reporting date, the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	2011	2010
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**1,118**	—
In the second to fifth years inclusive	**1,956**	—
	3,074	—

Operating lease payments represent rentals payable by the Company for its office premises. The lease runs for an initial period of 3 years (2010 - nil). The lease does not contain any contingent rentals.

48. RELATED PARTY TRANSACTIONS

Eclipse Magnetics Limited, a subsidiary undertaking of United Pacific Industries Limited, purchases manufactured products directly from Ningbo Hi-tech Assemblies Co. Ltd. ("Ningbo Hi-tech"), a company in which it has a 25% interest (note 20). In the year ended 30 September 2011, goods to the value of approximately HK$20,000,000 (2010 - HK$21,000,000) were purchased from Ningbo Hi-tech.

The Group operates a contributory defined benefit pension plan covering certain of its employees in the UK based subsidiaries of Spear & Jackson ("the Plan"). The Group pays contributions to the Plan each year according to a schedule of contributions agreed between the Plan trustees and the Group. Full details of the contributions paid by the Group to the Plan during the year are disclosed in note 32.

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

49. FINANCIAL RISK MANAGEMENT AND POLICIES

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

Foreign currency risk

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

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

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

Foreign currency risk *(Continued)*

The Group's foreign currency risk is mainly concentrated on the fluctuation of the US Dollar against the Pound Sterling, Australian Dollar and Chinese RMB and the fluctuation of the Euro against Pound Sterling.

	2011 Group		**2011 Company**	
	Euro	**US$**	**Euro**	**US$**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Trade receivables	**8,542**	**8,250**	**–**	**–**
Cash and cash equivalents	**2,136**	**14,972**	**–**	**–**
Trade payables	**(1,273)**	**(34,770)**	**–**	**–**
Borrowings	**–**	**(2,049)**	**–**	**–**
Gross exposure arising from recognised financial assets and liabilities	**9,405**	**(13,597)**	**–**	**–**
Notional amounts of forward foreign exchange contracts	**–**	**(574)**	**–**	**–**

	2010 Group		2010 Company	
	Euro	US$	Euro	US$
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	5,264	47,927	—	—
Cash and cash equivalents	5,141	12,377	—	—
Trade payables	(3,908)	(41,707)	—	—
Borrowings	(183)	(18,168)	—	—
Gross exposure arising from recognised financial assets and liabilities	6,314	429	—	—
Notional amounts of forward foreign exchange contracts	(213)	(45,538)	—	—

Interest rate risk

The Group's exposure to interest rate risk relates principally to its interest-bearing bank borrowings. The interest-bearing bank borrowings have floating and fixed interest rates and in the main are denominated in Hong Kong Dollars, Pound Sterling and US Dollars. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 28. At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate profile and will consider appropriate hedging measures in the future which may be necessary.

The net interest credits experienced by the Group are HK$6.7 million (2010 - HK$2.0 million net interest cost). If there were a 1% increase/(decrease), the net interest credits/costs would increase/(decrease) by approximately HK$1.4 million (2010 - HK$0.9 million).

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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments as disclosed in note 21. Certain of those investments are publicly quoted equities and are subject to variations in value. However, they represent a small percentage of the Group's net assets and the risk is minimal.

Fair value risk

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

Credit risk

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current assets:				
Derivative financial instruments	**1,932**	637	**–**	637
Cash and cash equivalents	**137,038**	114,029	**37,987**	15,321
Pledged bank deposits	**5,000**	5,000	**–**	—
Trade receivables	**229,694**	244,157	**–**	—
Amounts due from subsidiaries	**–**	—	**236,161**	207,860
	373,664	363,823	**274,148**	223,818
Issued financial guarantee contracts:				
Maximum amount guaranteed (note 45)	**–**	—	**48,704**	99,966

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

The Group is exposed to concentration risk as a significant portion of its business is derived from its largest customers. As at 30 September 2011, trade receivables of HK$71,850,000 (2010 - HK$78,950,000) were contributed by the top five customers. In order to minimise any credit risk, the management of the Group has delegated a team to be responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. Additionally, in certain markets, specific export guarantee insurance is taken out to minimise any credit rate risk. In this regard, the Directors of the Company consider that the Company's credit risk is significantly reduced. Management does not expect any significant losses of trade receivables that have not been provided for by way of an allowance.

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

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

Liquidity risk

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

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

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

At 30 September 2011

GROUP

	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	Total undiscounted amount or on demand HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities:				
Trade payables	155,464	–	155,464	155,464
Accruals and other payables	87,028	–	87,028	87,028
Interest-bearing bank borrowings	80,909	12,437	93,346	91,556
Obligations under finance leases	7,015	9,048	16,063	15,015
	330,416	21,485	351,901	349,063
Derivative financial liabilities:				
Gross settled forward foreign exchange contracts:				
– cash inflow	28,710	–	28,710	
– cash outflow	(26,780)	–	(26,780)	
	1,930	–	1,930	

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

Liquidity risk *(Continued)*

At 30 September 2011

COMPANY

	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	Total undiscounted amount or on demand HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities:				
Accruals and other payables	**3,831**	**–**	**3,831**	**3,831**
Amounts due to subsidiaries	**197,864**	**–**	**197,864**	**197,864**
	201,695	**–**	**201,695**	**201,695**
Issued financial guarantee contracts:				
Maximum amount guaranteed (note 45)	**48,704**	**–**	**48,704**	**–**

At 30 September 2010

GROUP

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

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

Liquidity risk *(Continued)*

At 30 September 2010

COMPANY

	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	Total undiscounted amount or on demand HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities:				
Accruals and other payables	5,944	—	5,944	5,944
Amounts due to subsidiaries	228,209	—	228,209	228,209
	234,153	—	234,153	234,153
Issued financial guarantee contracts:				
Maximum amount guaranteed (note 45)	99,966	—	99,966	—

Categories of financial assets and liabilities by category

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

Financial assets:

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Loans and receivables:				
Cash and cash equivalents	**137,038**	114,029	**37,987**	15,321
Pledged bank deposits	**5,000**	5,000	**–**	—
Trade and other receivables	**250,975**	255,834	**488**	852
Amounts due from subsidiaries	**–**	—	**236,161**	207,860
Available-for-sale financial assets:				
Unlisted equity investments	**705**	879	**–**	—
Financial assets at fair value through profit or loss:				
Derivative financial instruments	**1,932**	637	**–**	637
	395,650	376,379	**274,636**	224,670

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

Categories of financial assets and liabilities by category *(Continued)*

Financial liabilities:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities measured at amortised cost:				
Trade and other payables	**242,492**	227,877	**3,831**	5,944
Interest-bearing bank borrowings	**91,556**	125,270	**—**	—
Obligations under finance leases	**15,015**	9,287	**—**	—
Provision for onerous contracts	**1,859**	10,185	**—**	—
Amounts due to subsidiaries	**—**	—	**197,864**	228,209
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	**117**	3,359	**117**	—
	351,039	375,978	**201,812**	234,153

Fair value measurements recognised in the statement of financial position

The fair value of forward foreign exchange contracts are determined using quoted market exchange rates at the end of the reporting period.

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

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

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

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

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

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

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

	2011 Group				2010 Group			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets:								
Forward foreign exchange contracts	**–**	**1,932**	**–**	**1,932**	–	637	–	637
Liabilities:								
Forward foreign exchange contracts	**–**	**117**	**–**	**117**	–	3,359	–	3,359
Net fair value	**–**	**1,815**	**–**	**1,815**	–	(2,722)	–	(2,722)
	2011 Company				2010 Company			
Assets:								
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	–	637	–	637
Liabilities:								
Forward foreign exchange contracts	**–**	**117**	**–**	**117**	–	–	–	–
Net fair value	**–**	**(117)**	**–**	**(117)**	–	637	–	637

50. CAPITAL MANAGEMENT POLICIES AND RISK

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

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

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

	2011 **HK$'000**	2010 HK$'000
Total net debt	**N/A**	30,074
Total capital	**418,571**	351,639
Gearing ratio	**N/A**	8.55%

FINANCIAL SUMMARY

RESULTS

	Years ended 30 September				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	1,402,305	1,411,718	962,622	1,145,529	**1,276,962**
Cost of sales	(1,060,451)	(1,036,923)	(711,786)	(807,472)	**(906,164)**
Gross profit	341,854	374,795	250,836	338,057	**370,798**
Other income	15,225	21,844	9,817	24,578	**19,496**
Selling and distribution costs	(219,314)	(235,091)	(167,666)	(191,733)	**(219,036)**
Administrative costs	(93,099)	(107,338)	(63,409)	(100,704)	**(104,081)**
Restructuring costs	—	(13,604)	(6,779)	(21,047)	**(11,135)**
Other non-operating costs	—	—	—	(2,015)	**–**
Gain on disposal of a subsidiary	—	23	—	—	**–**
Gain on disposal of land and buildings	1,447	—	—	—	**–**
Finance costs	(8,773)	(12,265)	(16,454)	(6,915)	**(5,573)**
Share of results of an associate	1,528	1,525	664	1,959	**2,848**
Costs on acquisition of a subsidiary	—	—	—	(772)	**–**
Cash flow hedge recycled from other comprehensive income	—	—	—	(1,502)	**(2,076)**
Discount on acquisition of a subsidiary	60,095	46,674	10,616	—	**–**
Impairment loss on available-for-sale financial assets	—	—	(3,813)	—	**–**
Profit before tax from continuing operations	98,963	76,563	13,812	39,906	**51,241**
Income tax charge	(7,581)	(5,176)	(6,587)	(12,877)	**(17,471)**
Profit for the year from continuing operations	91,382	71,387	7,225	27,029	**33,770**
Net result from discontinued operation	—	(4,713)	(6,441)	(30,608)	**3,979**
Profit/(loss) for the year	91,382	66,674	784	(3,579)	**37,749**

RESULTS *(Continued)*

	Years ended 30 September				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Attributable to:					
Owners of the Company	76,370	66,674	784	(3,579)	**37,749**
Minority interests	15,012	—	—	—	**–**
	91,382	66,674	784	(3,579)	**37,749**
Dividends paid	—	3,000	7,700	4,924	**–**
Earnings per share from continuing and discontinued operations					
Basic	11.28 cents	10.03 cents	0.09 cents	(0.36 cents)	**3.806 cents**
Diluted	11.19 cents	9.94 cents	N/A	N/A	**3.794 cents**
Earnings per share from continuing operations					
Basic	11.28 cents	10.03 cents	0.86 cents	2.75 cents	**3.405 cents**
Diluted	11.19 cents	9.94 cents	N/A	2.74 cents	**3.394 cents**

ASSETS AND LIABILITIES

	At 30 September				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,062,943	1,088,795	929,614	980,887	**918,481**
Total liabilities	(725,748)	(720,518)	(559,879)	(629,248)	**(499,910)**
	337,195	368,277	369,735	351,639	**418,571**
Equity attributable to:					
Owners of the Company	337,195	368,277	369,735	351,639	**418,571**

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 Kim

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

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

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

Nominating and Corporate Governance Committee
Dr. Wong Ho Ching, Chris *(Chairman)*
Mr. Simon N Hsu
Mr. Robert B Machinist

Chief Financial Officer
Mr. Patrick J Dyson

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Hang Seng Bank Limited

Bermuda Principal Share Registrar and Transfer Office
HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton HM11, Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Tricor Secretaries Limited
26/F Tesbury Centre, 28 Queen's Road East, Hong Kong

Auditor
BDO Limited

Chief Accounting Officer and Chief Taxation Officer
Ms. Alaina Shone

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

Company Secretary
Mr. Som Wai Tong, Ivan

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