United Pacific Industries

聯太工業

Stock Code: 176

Interim Report 2012

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

United Pacific Industries ("UPI") is a diversified holding company which has been listed on the Stock Exchange of Hong Kong since 1994. Its principal operations are in hand and garden tools, magnetic products and applications, precision measurement and OEM/consumer electronics.

Our long established brands are recognised internationally for their heritage and superior quality. UPI is committed to innovation and the delivery of a pipeline of new products which satisfy both customer demand and provide a substantial platform for continuing organic growth.

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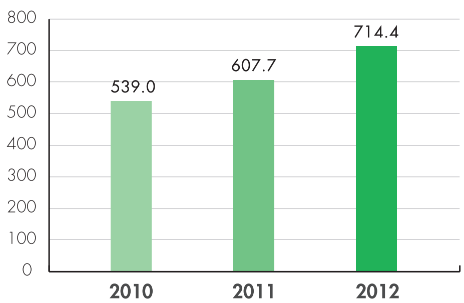
FINANCIAL HIGHLIGHTS

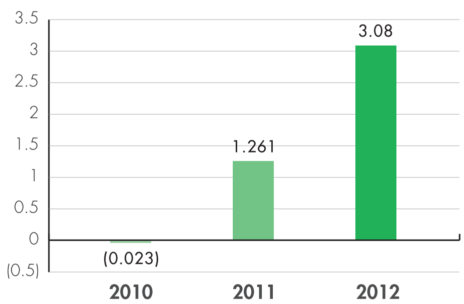
- **Strong half year revenue performance with 18% growth over the prior period**
- **Excellent 82% increase in half year profit compared to the prior period**
- **Continuing gross margin improvement**
- **Earnings per share of 3.08 HK cents**
- **Interim dividend declared of 0.5 HK cents per share**
- **Zero net gearing**

	2012 HK$m	2011 HK$m	% Change
Revenue	**714.4**	607.7	+18%
EBIT (from continuing operations, before restructuring and other non-operating, one-time costs and credits)	**42.9**	25.2	+70%
EBITDA	**53.5**	35.3	+52%
Profit before tax from continuing operations	**44.7**	20.9	+114%
Profit after tax from continuing operations	**30.6**	12.5	+145%
Profit attributable to Owners of the Company	**30.6**	16.8	+82%
Earnings per share (Hong Kong cents)	**3.08**	1.699	+81%
Earnings per share (Hong Kong cents) from continuing operations	**3.08**	1.261	+144%

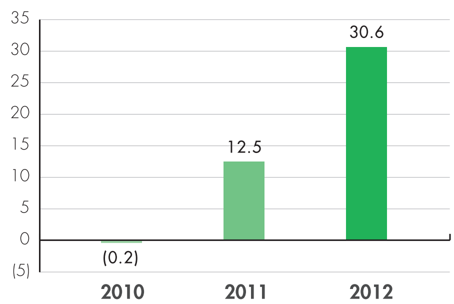
Revenue
HK$m



Earnings per Share from Continuing Operations
HKcents



Profit After Tax from Continuing Operations
HK$m



CHAIRMAN'S STATEMENT

To Our Shareholders,

The important decisions of our Directors coupled with the diligent work carried out by our employees over the course of the past two years are reflected in United Pacific Industries Limited's excellent Interim Results for the six months to 31 March 2012. Our Company achieved significant growth in the important metrics of top line revenues, operating income and earnings per share.

Top line revenues were HK$714.4 million, an increase of 18% compared to the same period last year. Operating profit before interest, tax and restructuring charges increased 70% to HK$42.9 million. Post tax profit increased 82% to HK$30.6 million. And, I am most delighted to report to you that earnings per share increased 81% to 3.08 HK cents this year. Equally important, earnings per share from continuing operations showed an even better increase of 144%.

We could not be more pleased that all UPI divisions contributed to our profitability for the six month period. After a difficult period in which Alford lost money due to decreased orders from an important customer, Alford has now returned to profitability with new products and new customers. Pantene, our contract manufacturer, has had an extremely good period with new products and increased business. The three divisions of the Spear & Jackson Group, Tools, Magnetics and Precision Measurement, have all been profitable and have grown during the period.

Following the retirement of William Fletcher as CEO of the Spear & Jackson Group, headquartered in Sheffield, England, we have spent a long time looking for a highly qualified replacement to lead the company. In January, we appointed Mark Franckel to this important position. Mark comes to us with an excellent and diverse track record including a successful career at Black & Decker in the United States and subsequent responsibilities in Europe. I am confident that Mark's expertise and experience will be a great help in increasing the growth and prospects of this very important part of our Company.

I would draw to your attention the large, HK$58.1 million, increase in working capital during the six months to 31 March 2012. The majority of this movement is due to increased trading activity and seasonal fluctuations. The level of working capital has also been adversely affected by start-up problems at our new hacksaw blade plant in Jiangmen, China. Delayed delivery of equipment and break down problems caused raw material inventories to accumulate in the system and significantly increase working capital. Fortunately, this has been a temporary situation and the plant is now running smoothly. Inventories are decreasing and will be at normal levels prior to the end of the financial year.

As UPI enters the second half of our 2011/2012 fiscal year, we are witnessing a continuing trend of the favorable results achieved in the first half. But, we should not relax and must take into account, as we run our business, that much of the world continues in an economic downturn. Despite this difficult situation, we feel confident that UPI will continue to achieve excellent results in the second half and for the full year.

I am very pleased to advise you that as a result of our improved position your Board of Directors has decided to initiate a dividend policy with an interim dividend of 0.5 HK cents per ordinary share to be paid to shareholders on or about 20 June 2012.

David H Clarke
Chairman
Hong Kong, 24 May 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The six months ended 31 March 2012 has seen the Company deliver excellent interim revenues and profitability. Buoyant demand for new and existing products together with efficiencies and savings generated from prior year restructuring initiatives have contributed to this increase in earnings.

Financial Review

Revenue for the period under review amounted to HK$714.4 million, 18% higher than the HK$607.7 million reported for the same period last year.

EBIT, representing operating profits from continuing operations before restructuring, net finance credits and other non-operating one-time costs and credits, of HK$42.9 million is 70% higher than the HK$25.2 million reported for the same period last year.

EBITDA of HK$53.5 million is 52% higher than the prior period comparative of HK$35.3 million.

Profit attributable to the Owners of the Company totalled HK$30.6 million, an increase of 82% when compared to last year.

Earnings per share from continuing operations improved to 3.08 HK cents (2011 – 1.261 HK cents), an increase of 144% over the same period last year.

Divisional Business Review

Tools Division

Neill Tools Ltd/Spear & Jackson Garden Products Ltd

The UK Hand and Garden business continues to experience difficult trading conditions, especially within the UK construction and retail sectors. Overseas, sales into the Asia region remain strong but, as in the UK, the Middle East market remains soft due to reduced levels of construction activity.

Despite the sluggish economic landscape, the business has increased its revenues by 7% for the first half of the year when compared to the prior year. This was led by successful promotional activity within the UK retail sector, improved availability of hacksaw blades for sale into overseas markets and new business gained within the UK.

Margins continue to be under pressure following increases in the cost of goods for resale caused by higher fuel, labour and commodity prices in the markets from which our key supplies are sourced.

The relocation of the division's hacksaw blade manufacturing operation was concluded in the period. The first 4 months of this fiscal year saw the business operating below full capacity as the start-up phase unwound. This was completed by the end of January and production output is now in line with expectations both with regard to volume and consistency of quality. Management is focused on expanding and improving the facility's performance by leveraging opportunities to step into new product lines. In this regard, now that the basic manufacturing process is operating satisfactorily, the business will target increased sales penetration into the Asia region.

The outlook within the UK industrial and construction sector remains fragile, evidenced by the mergers and consolidation of struggling companies that are taking place within the UK builders' merchants group. Additionally, demand in the consumer led garden tools business is heavily influenced by the weather in the key months of the garden season. However, the division has secured new range listings with major principals in the retail sector which should leave the business well positioned for the second half of the fiscal year.

Robert Sorby

Revenues in the period were 8% less than the prior year. The first quarter proved difficult with revenues below last year's levels but this was followed by three consecutive months of improved trading.

Trading conditions continue to be challenging with the operation's typical end users (retirees on fixed incomes) adversely affected by reductions in disposable income. Further, new corporate entrants into the high end wood turning/carving sector are diluting market share in an already competitive niche market.

To build on the revitalised sales activity in the second quarter, the business has made improvements to its communication channels with stockists and end users. In addition, recent overseas visits and trade shows have also borne fruit in stimulating sales activity with existing and new customers.

A number of new products have been designed, prototyped and launched in the period which have been well received by customers. More will follow in the remainder of the year which will further enhance the business' product portfolio and serve to positively distinguish it from its competitors.

Spear & Jackson France/Australia

In Australia, trading conditions in the first half of the year were soft compared to the prior year as consumers favoured paying down debt in preference to discretional spend. Fears around the economic uncertainty surrounding the European debt crisis, coupled with higher domestic interest rates and rising food, utility and fuel costs restricted consumer spending and depressed retail sales levels.

As a result, year to date revenues were 3% lower than the prior year in a slowing retail market typified by a decline in promotional sales volumes.

Profits were down on the prior year due to these lower sales volumes, changes to the product and customer mix of the business, increased supplier product costs ex Asia and increased logistic costs relating to freight and outside storage costs.

The Australian retail outlook remains uncertain with no significant change expected in consumer sentiment due to the continued financial difficulties in the USA and European economies. Australian consumers are concerned that the ongoing weakness in both these economies may reduce demand for Chinese goods which will result in a decline in demand for Australian commodities.

However, despite these concerns, management anticipates an improved second half performance both in terms of sales volumes and profitability due to the likelihood of a reduction in domestic interest rates which should encourage increased consumer spending. This will be supplemented by a strong promotional sales program that is to be initiated in the second half of the year.

In New Zealand, revenues were up 15% compared with March 2011 due to new incremental ranging of garden and air tools with a major retail group. This helped to offset the reduction in turnover in hand tools caused by a slow-down in the industrial sector. Favourable changes in mix improved the trading performance in the first half of fiscal 2012 compared to the prior year period.

The French garden tool operation experienced strong trading activity in the first half of the fiscal year, benefiting from new listings of branded and private label products secured with three major retailers.

These incremental sales were important as the underlying base business showed only small revenue growth compared to the prior year as sales were adversely affected by reduced snow shovel turnover in quarter 1 and by poor early spring weather in quarter 2 which negatively impacted on garden product sales.

The troubled European economy continues to prove problematic with people focusing on saving rather than spending. The situation has been exacerbated by increasingly strong competition from rival suppliers, some of whom are engaged in extensive advertising campaigns to promote brand awareness.

To counteract this competition, the business continues to source more products from a widening portfolio of Chinese suppliers. Throughout this process, management remains focused on maintaining high quality standards and closely managing working capital.

In addition, the company remains committed to growing its sales by securing business with new customers (three major quotations are currently being negotiated) and by a pipeline of new products.

Magnetics Division

The Magnetics division continued to grow organically during the period. Revenues were 13% higher than last year with both the UK business and North American operation (Eclipse Tools North America) achieving this level of increase.

Growth was secured in all existing markets as a result of new product introductions and increased market demand.

UK industrial markets have struggled through the first half of the year and it is expected that this reduced activity will continue into the second half. In Europe, sales have been led by improvements within the German market but neighbouring countries still experience low industrial output.

The business faced further challenges caused by the massive increase in the price of neodymium, one of the division's principal raw materials. This forced the company to increase prices to customers in order to maintain margins. These cost increases were successfully managed and prices have now fallen back to pre-escalation levels.

Machine tool sales have seen significant growth within Asia, the USA and Eastern and Central Europe. This buoyancy in demand will provide a good platform for pushing the division's range of magnetic filtration products into these markets through both the UK and North American operations.

The business is finalising the launch of a new product range for the domestic and industrial heating, ventilation and air conditioning industry. This launch will be carried out in partnership with the UK Tools Division which has established networks within the key channels through which sales of this product will be directed.

Precision Measurement Division

Revenues at the half year stage saw a 17% increase compared to the same period last year. This was driven by strong sales in Germany and Asia, together with several large capital projects in the UK, particularly in the aerospace and energy sectors.

The general trading environment was mixed depending on the region but, with the sale of metrology equipment closely linked with machine tool sales, the sector has outperformed most other areas of the economy. The continuing low level of Sterling in relation to other key currencies is helping the division's competitiveness on UK manufactured product, thus enabling new markets to be developed.

The Baty operation continues to see significant growth in its non-contact vision systems.

One of the main challenges in the period was the introduction of a new SAP ERP system across the business. Bowers UK was the first division to migrate to SAP as part of a roll-out that will see all the UK divisions transferred from their current ERP system to the SAP platform by October 2012. This inevitably caused a certain amount of disruption for the first few months, but we expect to benefit from long-term efficiencies now that the system is running well.

Long lead times continue on product sourced from China and India. However, we have seen a small improvement in recent months.

We were forced to delay the introduction of the new Bowers MicroGauge due to severe capacity restraints at our Bradford, UK, manufacturing facility, but have since made further capital expenditure specifically for this new product and sales will commence in the second half of fiscal 2012. We have also refreshed the design on many of our Moore & Wright Hand Tools and these started to be rolled out during Q2.

The outlook for the remainder of fiscal 2012 is positive, particularly as we are entering the period with such a strong order book. We do not expect growth rates for the second half of the year to be quite as strong as the first but, providing there are no external surprises, sales for the year should finish well above our previous peak achieved in fiscal 2008.

Contract Manufacturing Division (The Pantene Group)

In the Pantene division, the six month's revenue figure of HK$176.6 million was approximately 21% higher than the same period last year. Production efficiencies and a drop in copper prices helped to offset increases in PRC direct labor rates.

The trading environment in which the division operates is somewhat uncertain and potential instabilities within the European arena have affected sales order intake. Overall, orders received from existing customers are showing signs of reducing but orders from new customers are partially compensating these shortfalls.

To mitigate these order shortfalls, the Pantene group is focused on taking all measures, including proactive sales and marketing activity, cost reductions, productivity improvement and the continuous streamlining of operational efficiency, in order to meet ongoing company profitability targets.

Pantene successfully gained additional business in the period and launched a number of new products. Difficulties remain, however, in recruiting good experienced engineers and technical staff because of the location of the plant and other factors.

In addition, the quality standards and delivery requirements demanded by certain of our customers are becoming increasingly stringent which is forcing us to increase internal resources and incur additional cost to satisfy these customer needs.

Looking ahead to the second half of the fiscal year, there is some softening of sales demand from May onwards, reflecting the continuing European economic instability. Management will continue to focus on revenue growth by securing new business and customers. Additionally, production costs will be closely controlled, manufacturing operations will be streamlined and further investment made in production automation to improve efficiency and drive direct cost savings.

Consumer Electronics Division (Alford Industries)

For the period ended 31 March 2012, total revenues amounted to HK$76.4 million, an increase of 173% compared to the same period last year. This increase reflected a sustained recovery in demand from our major customers. As a result of these higher sales volumes, together with cost reductions arising from production efficiencies, the division returned to profitability, aided in particular by significantly improved sales of the Company's range of digital baby monitors.

The improvement in market sentiment in North America is in contrast to the position in Europe which is far less benign. Although the European credit crisis did not worsen, customers have remained extremely price sensitive and have adopted a cautious purchasing attitude.

These factors resulted in the operation's North American sales revenues improving far more quickly than those in Europe. North America (USA & Canada) was the company's major export region which now accounts for nearly 90% of total sales. Europe remained the second biggest market, albeit contributing less than 10% of total revenues.

Labour cost increases due to minimum wage adjustments and a shortage of workers continue to create margin pressures. However, these cost issues were managed successfully.

The outlook for the remainder of fiscal 2012 is optimistic with strong sales anticipated from our major customers. Consequently, average monthly sales turnover of HK$20 million is being targeted. A second production line is in the course of construction to enable these higher sales volumes to be achieved on an efficient basis.

Sales revenues are expected to be further boosted by the launch of a key chain speaker in the second half of the year which, if successful, could result in 2,000 sets being shipped in the period.

Outlook

Although the economic conditions in the international markets in which we operate remain challenging, we enter the second half of fiscal 2012 with continuing strong momentum across our principal business sectors.

The first six months of the year saw excellent levels of revenue and profitability. These increases in top line growth and earnings were delivered by demand for new and existing products, cost reductions levered from prior year restructuring programmes and the strength of our brands.

These favourable trends appear to be continuing in the second half of the year and the Company is well positioned to build steadily on the positive first half results.

This ongoing progress will not be easily achieved given the volatile global economic landscape but the experienced management teams in all of our divisions remain focused on delivering organic growth and increased profitability.

Liquidity and Financial Resources

As at the reporting date, the Group had cash and cash equivalents of HK$108.7 million (30 September 2011 – HK$122.6 million), comprising bank and cash balances of HK$124.2 million (30 September 2011 – HK$137.0 million) less bank overdrafts of HK$15.5 million (30 September 2011 – HK$14.4 million). Total net cash (i.e. bank and cash balances less all bank and other debt) amounted to HK$18.3 million (30 September 2011 – HK$35.5 million).

The Group's net asset value was HK$441.7 million (30 September 2011 – HK$418.6 million), with a liquidity ratio (ratio of current assets to current liabilities) of 209.0% (30 September 2011 – 200.6%).

At the reporting date, the Group had zero net gearing (30 September 2011 – zero net gearing).

During the period, there was no material change in the Group's funding and treasury policy. As at 31 March 2012, the Group had sufficient levels of banking facilities from its main bankers to finance ongoing working capital requirements.

The Group remains confident that the net cash position will improve further given continuing profitability and management's continued focus on close working capital control.

For exchange risk management, the Group adopted cautious financial measures to manage and minimize exchange risk exposure, and, in this regard, the Group endeavoured to match the currencies in which its sales are denominated with those of its 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.

Capital Expenditure

Capital expenditure in the period, financed by internal resources and credit facilities, amounted to HK$5.0 million (31 March 2011 – HK$13.0 million).

Capital Commitments and Contingent Liabilities

At 31 March 2012, total capital commitments amounted to HK$4.2 million (30 September 2011 – HK$2.2 million) and there were no material contingent liabilities (30 September 2011 – nil).

Employees

At 31 March 2012, the Group employed approximately 2,387 employees worldwide.

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.

Interim Dividend

The Board has declared an interim dividend of 0.5 HK cents per share for the six month period ended 31 March 2012 (six month period ended 31 March 2011 – nil). Shareholders whose names are recorded in the Register of Members on 12 June 2012 will be entitled to an interim dividend which will be payable on or about 20 June 2012.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday 8 June 2012 to Tuesday 12 June 2012 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 pm on Thursday 7 June 2012.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 50, which comprises the consolidated statement of financial position of United Pacific Industries Limited as of 31 March 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate no.: P04434
Hong Kong, 24 May 2012

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2012

	Notes	Six months ended 31 March 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Continuing operations			
Revenue	3	**714,413**	607,692
Cost of sales		**(497,218)**	(428,718)
Gross profit		**217,195**	178,974
Other income		**1,722**	3,396
Interest income		**4,917**	5,832
Selling and distribution costs		**(113,195)**	(106,935)
Administrative costs		**(65,732)**	(49,285)
Finance costs	4	**(1,821)**	(3,109)
Restructuring costs	5	**(1,350)**	(7,025)
Share of results of an associate		**1,597**	1,095
Cash flow hedge recycled from other comprehensive income		**1,361**	(2,076)
Profit before tax	6	**44,694**	20,867
Income tax charge	7	**(14,142)**	(8,361)
Profit for the period from continuing operations		**30,552**	12,506
Discontinued operation			
Net result from discontinued operation	8	**–**	4,343
Profit for the period		**30,552**	16,849
Attributable to:			
Owners of the Company:			
Continuing operations		**30,552**	12,506
Discontinued operation		**–**	4,343
		30,552	16,849
Earnings per share from continuing and discontinued operations	10		
Basic		**3.08 cents**	1.699 cents
Diluted		**3.08 cents**	1.691 cents
Earnings per share from continuing operations	10		
Basic		**3.08 cents**	1.261 cents
Diluted		**3.08 cents**	1.255 cents
Earnings per share from discontinued operation	10		
Basic		**N/A**	0.438 cents
Diluted		**N/A**	0.436 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2012

	Six months ended 31 March 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Profit for the period	**30,552**	16,849
Other comprehensive income		
Exchange differences arising on the translation of foreign operations	**8,018**	12,614
Cash flow hedge loss recognised in equity	**(383)**	(1,608)
Cash flow hedge recycled to the income statement	**(1,361)**	2,076
Recognition of actuarial (losses)/gains on defined benefit pension plan (net of tax)	**(13,847)**	126,444
Change in fair value of available-for-sale financial assets	**189**	–
Realised exchange differences on the sale of a disposal group recycled to the income statement	**–**	(1,194)
Other comprehensive income for the period, net of tax	**(7,384)**	138,332
Total comprehensive income for the period attributable to the owners of the Company	**23,168**	155,181

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	**31 March 2012 HK$'000 (unaudited)**	30 September 2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**182,998**	186,012
Prepaid land lease payments under operating leases		**511**	529
Goodwill	12	**2,382**	2,345
Other intangible assets		**383**	559
Interest in an associate		**7,158**	5,504
Available-for-sale financial assets		**2,872**	705
Deferred tax assets	19	**48,576**	52,434
		244,880	248,088
Current assets			
Inventories		**279,976**	274,209
Trade and other receivables	13	**297,255**	250,975
Tax recoverable		**62**	1,239
Derivative financial instruments		**–**	1,932
Pledged bank deposits		**5,000**	5,000
Cash and cash equivalents		**124,192**	137,038
		706,485	670,393
Current liabilities			
Trade and other payables	14	**236,402**	242,492
Interest-bearing bank borrowings - amounts due within one year	15	**88,528**	79,885
Obligations under finance leases - amounts due within one year	16	**6,964**	6,392
Provisions	17	**2,950**	2,102
Derivative financial instruments		**469**	117
Tax payable		**2,713**	3,260
		338,026	334,248
Net current assets		**368,459**	336,145
Total assets less current liabilities		**613,339**	584,233

At 31 March 2012

	Notes	**31 March 2012 HK$'000 (unaudited)**	30 September 2011 HK$'000 (audited)
Non-current liabilities			
Interest-bearing bank borrowings - amounts due after one year	15	**7,320**	11,671
Obligations under finance leases - amounts due after one year	16	**8,073**	8,623
Retirement benefit obligations	18	**143,174**	132,220
Deferred tax liabilities	19	**13,033**	13,148
		171,600	165,662
Net assets		**441,739**	418,571
Capital and reserves			
Share capital	20	**99,185**	99,185
Reserves		**342,554**	319,386
Total equity attributable to owners of the Company		**441,739**	418,571

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2012

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

For the six months ended 31 March 2012

	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$'000	Investment valuation reserve* HK$'000	Hedging reserve* HK$'000	Accumulated profits* HK$'000	Total HK$'000
At 31 March 2011 (unaudited)	99,185	40,050	(5,365)	528	1,442	19,870	(51,580)	–	(1,608)	404,298	506,820
Profit for the period	–	–	–	–	–	–	–	–	–	20,900	20,900
Other comprehensive income:											
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	(10,762)	–	–	–	(10,762)
Cash flow hedges - changes in fair value recognised in the period	–	–	–	–	–	–	–	–	2,969	–	2,969
Recognition of actuarial losses on defined benefit plan (net of tax)	–	–	–	–	–	–	–	–	–	(101,356)	(101,356)
Total comprehensive loss for the period	–	–	–	–	–	–	(10,762)	–	2,969	(80,456)	(88,249)
At 30 September 2011 (audited)	99,185	40,050	(5,365)	528	1,442	19,870	(62,342)	–	1,361	323,842	418,571
Profit for the period	–	–	–	–	–	–	–	–	–	30,552	30,552
Other comprehensive income:											
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	189	–	–	189
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	8,018	–	–	–	8,018
Cash flow hedges - changes in fair value recognised in the period	–	–	–	–	–	–	–	–	(383)	–	(383)
Cash flow hedge recycled to the income statement	–	–	–	–	–	–	–	–	(1,361)	–	(1,361)
Recognition of actuarial losses on defined benefit plan (net of tax)	–	–	–	–	–	–	–	–	–	(13,847)	(13,847)
Total comprehensive income for the period	–	–	–	–	–	–	8,018	189	(1,744)	16,705	23,168
At 31 March 2012 (unaudited)	99,185	40,050	(5,365)	528	1,442	19,870	(54,324)	189	(383)	340,547	441,739

* The total of reserves at 31 March 2012 is HK$342,554,000 (30 September 2011 – HK$319,386,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2012

	Six months ended 31 March	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Profit before tax from continuing operations	**44,694**	20,867
Profit before tax from discontinued operation	**–**	4,343
Adjustments for:		
Interest income	**(406)**	(1,480)
Interest on interest-bearing bank borrowings and bank overdrafts	**1,427**	2,693
Interest on obligations under finance leases	**394**	416
Cash flow hedge recycled to the income statement	**(1,361)**	2,076
Interest credit on retirement benefit obligations	**(4,511)**	(4,352)
Retirement benefit plan expenses	**1,647**	1,433
Share of results of an associate	**(1,597)**	(1,095)
Gain on disposal of property, plant and equipment	**(25)**	–
Amortisation of other intangible assets	**196**	198
Depreciation of property, plant and equipment	**10,312**	9,910
Amortisation of prepaid land lease payments under operating leases	**18**	17
Gain on disposal of available-for-sale financial assets	**–**	(123)
Impairment loss on trade receivables	**127**	1,873
Impairment loss on inventories	**366**	3,608
Gain on disposal of a subsidiary (note 8)	**–**	(9,866)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary (note 8)	**–**	(1,194)
Operating cash flows before movements in working capital	**51,281**	29,324
(Increase)/decrease in inventories	**(1,571)**	5,026
(Increase)/decrease in trade and other receivables	**(41,588)**	15,652
Decrease in trade and other payables	**(5,352)**	(26,562)
Restructuring costs	**(547)**	(15,044)
Employer contributions to the defined benefit pension plan	**(6,011)**	(4,933)
Net cash (used in)/generated from operations	**(3,788)**	3,463
Income tax paid	**(4,547)**	(5,819)
Net cash used in operating activities	**(8,335)**	(2,356)

For the six months ended 31 March 2012

	Six months ended 31 March	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(1,588)**	(8,421)
Purchase of available for-sale-financial assets	**(1,967)**	–
Proceeds from the disposal of property, plant and equipment	**25**	–
Deferred contingent consideration paid for the acquisition of a subsidiary	**(1,503)**	(1,547)
Interest received	**406**	1,480
Proceeds from the disposal of available-for-sale financial assets	**–**	172
Net cash inflow on disposal of a subsidiary (note 8)	**–**	54,801
Dividend received from an associate	**–**	431
Disposal group classified as an asset held for sale	**–**	4,005
Net cash (used in)/generated from investing activities	**(4,627)**	50,921
Cash flows from financing activities:		
Net cash inflow/(outflow) in trust receipts and export loans	**1,011**	(14,668)
Repayments of bank borrowings	**(29,725)**	(10,008)
New bank borrowings raised	**31,244**	5,072
Interest paid on interest-bearing bank borrowings and bank overdrafts	**(1,427)**	(2,408)
Principal repayment of obligations under finance leases	**(3,558)**	(3,728)
Interest paid on obligations under finance leases	**(394)**	(416)
Net cash used in financing activities	**(2,849)**	(26,156)
Net (decrease)/increase in cash and cash equivalents (note 23)	**(15,811)**	22,409
Effect of foreign exchange rates	**1,848**	4,603
Cash and cash equivalents at the beginning of the period	**122,629**	93,894
Cash and cash equivalents at the end of the period	**108,666**	120,906
Analysis of the balance of cash and cash equivalents		
Cash and cash equivalents	**124,192**	147,222
Bank overdrafts	**(15,526)**	(26,316)
	108,666	120,906

NOTES TO THE INTERIM FINANCIAL REPORT

For the six months ended 31 March 2012

1. BASIS OF PREPARATION

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 September 2011, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 2 to this interim financial report.

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

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

The interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2011.

2. ADOPTION OF NEW OR REVISED HKFRSs

In the current period, the Group has applied for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 October 2011.

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
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures

The Group has concluded that the adoption of the new and revised HKFRSs, to the extent that they are relevant to the Group and which are expected to be reflected in the annual financial statements for the year ending 30 September 2012, would not have a significant impact on the Group's results of operations and financial position.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

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

HKFRS 1 (Amendments)	First-time adoption of Hong Kong Financial Reporting Standards – Government Loans [3]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities [3]
HKFRS 9	Financial Instruments [5]
HKFRS 10	Consolidated Financial Statements [3]
HKFRS 11	Joint Arrangements [3]
HKFRS 12	Disclosure of Interests in Other Entities [3]
HKFRS 13	Fair Value Measurement [3]
HKAS 1 (Amendments)	Presentation of Items in Other Comprehensive Income [2]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets [1]
HKAS 19 (2011)	Employee Benefits [3]
HKAS 27 (2011)	Separate Financial Statements [3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [3]
HKAS 32 (Amendments)	Financial Instruments:Presentation – Offsetting Financial Assets and Financial Liabilities [4]
HK (IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine [3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2012
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2015

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.

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. However, these changes will not affect the financial statements until the year ending 30 September 2014, unless the Company's Directors elect to adopt the standard earlier.

3. REVENUE AND SEGMENT INFORMATION

The Group's segmental information is based on regular internal financial information reported to the Company's Executive Directors for their decisions about resources allocation to the Group's business components and 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 precision measurement and metrology tools ("Precision Measurement") and electronic consumer products ("Consumer Electronics").These five business segments are the basis on which the Group reports its operating segment information. During the year ended 30 September 2010, the operations of Jade Precision Engineering Pte. Ltd., 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.

Operating segments

	Contract Manufacturing HK$'000 (unaudited)	Tools HK$'000 (unaudited)	Precision Measurement HK$'000 (unaudited)	Magnetics HK$'000 (unaudited)	Consumer Electronics HK$'000 (unaudited)	Total HK$'000 (unaudited)
For the six months ended 31 March 2012						
Revenue						
External customers	176,590	307,154	89,237	65,029	76,403	714,413
Inter-segment sales	–	1,421	2,745	573	–	4,739
	176,590	308,575	91,982	65,602	76,403	719,152
Profit before tax						
Segment profit	17,144	5,878	14,307	12,417	563	50,309
Restructuring (costs)/credit	–	–	(1,595)	245	–	(1,350)
Share of results of an associate	–	–	–	1,597	–	1,597
Net finance costs	(140)	987	(74)	–	(4)	769
Reportable segment profit	17,004	6,865	12,638	14,259	559	51,325

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

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

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

	Six months ended 31 March	
	2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Reportable segment revenues	**719,152**	663,082
Discontinued operation	**–**	(51,548)
Elimination of inter-segment revenues	**(4,739)**	(3,842)
Total revenue	**714,413**	607,692

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

	Six months ended 31 March 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Reportable segment profit	**51,325**	14,854
Segment loss from discontinued operation	**–**	7,027
Inter-company transactions with discontinued operation	**–**	310
Cash flow hedge recycled from other comprehensive income	**1,361**	(2,076)
Unallocated corporate restructuring credits	**–**	289
Unallocated corporate net finance credits	**2,327**	2,610
Unallocated corporate costs	**(10,319)**	(2,147)
Profit from continuing operations before income tax	**44,694**	20,867

During the six month period ended 31 March 2012, there have been no changes from the last annual financial statements in the measurement methods used to determine operating segments and reported segment profit or loss.

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

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

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

	Continuing operations Six months ended 31 March		**Discontinued operation Six months ended 31 March**		**Total Six months ended 31 March**	
	2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)	**2012 HK$'000 (unaudited)**	2011 HK$'000 (unaudited)	**2012 HK$'000 (unaudited)**	2011 HK$'000 (unaudited)
The People's Republic of China (the "PRC")						
Mainland China	**17,663**	15,762	**–**	377	**17,663**	16,139
Hong Kong (place of domicile)	**16,007**	12,560	**–**	1,055	**16,007**	13,615
United States of America	**188,600**	107,032	**–**	380	**188,600**	107,412
The UK	**158,860**	138,689	**–**	–	**158,860**	138,689
France	**59,908**	62,194	**–**	–	**59,908**	62,194
Australia	**110,197**	106,817	**–**	–	**110,197**	106,817
Others	**163,178**	164,638	**–**	49,736	**163,178**	214,374
	714,413	607,692	**–**	51,548	**714,413**	659,240

4. FINANCE COSTS

	Continuing operations Six months ended 31 March		**Discontinued operation Six months ended 31 March**		**Total Six months ended 31 March**	
	2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)	**2012 HK$'000 (unaudited)**	2011 HK$'000 (unaudited)	**2012 HK$'000 (unaudited)**	2011 HK$'000 (unaudited)
Finance costs comprise:						
Interest on interest-bearing bank borrowings and overdrafts wholly repayable within five years	**(1,427)**	(2,693)	**–**	(379)	**(1,427)**	(3,072)
Interest on obligations under finance leases	**(394)**	(416)	**–**	(81)	**(394)**	(497)
	(1,821)	(3,109)	**–**	(460)	**(1,821)**	(3,569)

5. RESTRUCTURING COSTS

The restructuring costs of HK$1,350,000 in the six month period ended 31 March 2012 comprise a HK$1,595,000 charge in relation to manufacturing reorganisation costs offset by a HK$245,000 credit regarding an over-provision of dilapidation costs made under non-cancellable onerous operating lease commitments.

The restructuring costs of HK$7,025,000 in the six month period ended 31 March 2011 comprised continuing reorganisation costs of HK$1,415,000 in relation to the relocation of the hacksaw blade manufacturing plant of Neill Tools Limited, a UK based subsidiary of the Company, to the PRC. A new company, Eclipse Tools Manufacturing Company Limited ("ETM"), was established which is now responsible for the Group's continuing manufacture of hacksaw blades. Pre-trading and set up costs of HK$4,011,000 incurred in the establishment of ETM were also included as well as HK$1,599,000 in relation to changes in estimates to the present value of future lease payments, including estimated dilapidation costs, that the Group was obligated to make under non-cancellable onerous operating lease contracts.

6. PROFIT BEFORE TAX

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

	Continuing operations Six months ended 31 March		**Discontinued operation Six months ended 31 March**		**Total Six months ended 31 March**	
	2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)	**2012 HK$'000 (unaudited)**	2011 HK$'000 (unaudited)	**2012 HK$'000 (unaudited)**	2011 HK$'000 (unaudited)
Depreciation of property, plant and equipment	**10,312**	9,910	**–**	1,524	**10,312**	11,434
Amortisation of other intangible assets	**196**	198	**–**	–	**196**	198
Amortisation of prepaid lease payments under operating leases	**18**	17	**–**	–	**18**	17
Impairment loss on trade receivables	**127**	1,873	**–**	–	**127**	1,873
Impairment loss on inventories	**366**	3,608	**–**	–	**366**	3,608
Interest income	**(406)**	(1,480)	**–**	–	**(406)**	(1,480)
Cost of inventories recognised as expense	**497,218**	428,718	**–**	53,714	**497,218**	482,432
Gain on disposal of property, plant and equipment	**(25)**	–	**–**	–	**(25)**	–
Retirement benefit plan charge/(credit):						
Current service cost	**1,647**	1,433	**–**	–	**1,647**	1,433
Net interest receivable	**(4,511)**	(4,352)	**–**	–	**(4,511)**	(4,352)
Cash flow hedge recycled from other comprehensive income	**(1,361)**	2,076	**–**	–	**(1,361)**	2,076
Restructuring costs	**1,350**	7,025	**–**	–	**1,350**	7,025

7. INCOME TAX CHARGE

The income tax charge for the period comprises:

	Continuing operations Six months ended 31 March		Discontinued operation Six months ended 31 March		Total Six months ended 31 March	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Current income tax:						
Hong Kong	**–**	(889)	**–**	–	**–**	(889)
Overseas	**5,148**	2,923	**–**	–	**5,148**	2,923
	5,148	2,034	**–**	–	**5,148**	2,034
Deferred tax (note 19)	**8,994**	6,327	**–**	–	**8,994**	6,327
	14,142	8,361	**–**	–	**14,142**	8,361

Hong Kong Profits Tax is calculated at 16.5% (31 March 2011 - 16.5%) on the estimated assessable profit for the period. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

8. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY

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

The sale of Jade was completed on 28 February 2011 (the "Disposal Date").

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

8. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY *(Continued)*

The revenues, results and cash flows of Jade in the six month period ended 31 March 2011 were as follows:

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

The cash flows from Jade in the six month period ended 31 March 2011 were as follows:

	HK$'000 (unaudited)
Net cash used in operating activities	(1,882)
Net cash used in investing activities	(1,857)
Net cash generated from financing activities	1,026
Effect of foreign exchange rates	(177)
Net decrease in cash and cash equivalents	(2,890)

8. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY *(Continued)*

The net assets at the Disposal Date were as follows:

	HK$'000 (unaudited)
Property, plant and equipment	23,721
Inventories	19,028
Trade and other receivables	35,184
Cash and cash equivalents	446
Trade and other payables	(23,231)
Bank overdrafts	(7,027)
Other interest bearing bank borrowings	(9,033)
Obligations under finance leases	(1,928)
	37,160
Gain on disposal	9,866
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	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 the discontinued operation in the consolidated income statement for the six month period ended 31 March 2011.

9. DIVIDENDS

At a Board Meeting held on 24 May 2012, the Directors approved the payment of an interim dividend of 0.5 HK cents per ordinary share for the six month period ended 31 March 2012. This interim dividend will be distributed on or about 20 June 2012 to shareholders whose names are recorded in the Register of Members of the Company as at the close of business on 12 June 2012.

The interim dividend has not been recognised as a liability at the reporting date.

10. EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted earnings per share from continuing and discontinued operations is based on the profit attributable to the owners of the Company of HK$30,552,000 (31 March 2011 - HK$16,849,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 991,852,107 shares (31 March 2011 – 991,852,107 shares).

For diluted earnings per share, a weighted average number of shares of 991,975,549 (31 March 2011 – 996,312,188) has been used.

The calculations are as follows:

(i) Weighted average number of ordinary shares

	31 March 2012 (unaudited)	31 March 2011 (unaudited)
Weighted average number of ordinary shares at 31 March	**991,852,107**	991,852,107
Basic earnings per share (HK$)	**3.08 cents**	1.699 cents

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

	31 March 2012 (unaudited)	31 March 2011 (unaudited)
Number of issued ordinary shares at 1 October	**991,852,107**	991,852,107
Effect of deemed issue of shares under the Company's share option scheme	**123,442**	4,460,081
Weighted average number of ordinary shares at 31 March	**991,975,549**	996,312,188
Diluted earnings per share (HK$)	**3.08 cents**	1.691 cents

10. EARNINGS PER SHARE *(Continued)*

(b) From continuing operations

The basic earnings per share from continuing operations for the six month period ended 31 March 2012 amounted to 3.08 HK cents (31 March 2011 – 1.261 HK cents). Diluted earnings per share from continuing operations for the six month period ended 31 March 2012 amounted to 3.08 HK cents (31 March 2011 – 1.255 HK cents).

The calculation of the basic and diluted earnings per share from continuing operations is based on the profit attributable to the owners of the Company of HK$30,552,000 (31 March 2011 - HK$12,506,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 991,852,107 shares (31 March 2011 – 991,852,107 shares).

For diluted earnings per share, a weighted average number of shares of 991,975,549 (31 March 2011 – 996,312,188) has been used.

(c) From the discontinued operation

The basic earnings per share from the discontinued operation for the six month period ended 31 March 2011 amounted to 0.438 HK cents.

The calculation of the basic earnings per share is based on the profit for the period from the discontinued operation of HK$4,343,000 and the weighted average number of ordinary shares, for basic earnings per share purposes, of 991,852,107 shares.

For the period ended 31 March 2011 diluted earnings per share of 0.436 HK cents have been calculated based on the profit attributable to the discontinued operation of HK$4,343,000 and a weighted average number of shares of 996,312,188.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment additions in the period amounted to HK$4,963,000 (31 March 2011 - HK$13,028,000). The additions in the period include HK$3,375,000 (31 March 2011 - HK$4,607,000) in relation to assets acquired under finance leases for which there is no cash flow included in the consolidated statement of cash flows.

12. GOODWILL

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
At 1 October 2011/1 October 2010	**2,345**	2,357
Currency realignment	**37**	(12)
At 31 March 2012/30 September 2011	**2,382**	2,345

Goodwill is attributable to the acquisition of Baty International Limited ("Baty"), a company incorporated in the United Kingdom and engaged in the design, manufacturing and procurement of precision measuring instruments, which was acquired on 10 March 2010, through the Company's UK-based subsidiary, Bowers Group plc.

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

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

13. TRADE AND OTHER RECEIVABLES

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
Trade receivables	**283,108**	244,004
Less: impairment provisions	**(10,032)**	(14,310)
Trade receivables - net	**273,076**	229,694
Prepayments and other receivables	**24,179**	21,281
	297,255	250,975

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

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
0 - 60 days	**245,294**	206,642
61 - 90 days	**14,265**	17,519
91 - 120 days	**12,755**	4,666
Greater than 120 days	**10,794**	15,177
	283,108	244,004

The Group allows credit periods ranging from 30 to 120 days (30 September 2011 – 30 to 120 days) to its trade customers depending on their credit status and geographical location. The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
At 1 October 2011/1 October 2010	**14,310**	10,294
Impairment losses recognised	**371**	5,475
Impairment losses reversed	**(244)**	–
Re-allocated from gross trade receivables	**–**	498
Currency realignment	**111**	(112)
Uncollectible amounts written off	**(4,516)**	(1,845)
At 31 March 2012/30 September 2011	**10,032**	14,310

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:

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
91-120 days	**13,157**	4,643
Greater than 120 days	**2,880**	2,582
	16,037	7,225

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

14. TRADE AND OTHER PAYABLES

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
Trade payables	**140,017**	155,464
Accruals and other payables	**96,385**	87,028
	236,402	242,492

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

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
0 - 60 days	**113,876**	125,847
61 - 90 days	**12,313**	15,065
Greater than 90 days	**13,828**	14,552
	140,017	155,464

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

15. INTEREST-BEARING BANK BORROWINGS

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
Bank borrowings (all secured) comprise:		
Bank overdrafts	**15,526**	14,409
Export invoices/loan financing	**21,287**	20,276
Invoice discounting	**45,170**	31,618
HKSAR Government-backed loans	**13,865**	22,028
Other bank loans	**–**	3,225
Total overdrafts and bank borrowings	**95,848**	91,556
Bank borrowings are repayable as follows:		
Within one year or on demand	**88,528**	79,885
More than one year, but not exceeding two years	**4,701**	8,976
More than two years, but not exceeding five years	**2,619**	2,695
	95,848	91,556
Less: Amounts due within one year shown under current liabilities	**(88,528)**	(79,885)
Amounts due after one year shown under non-current liabilities	**7,320**	11,671

The HKSAR Government-backed loans, which are all denominated in Hong Kong Dollars, carry fixed interest rates ranging from 4.2% to 7.0% per annum (30 September 2011 – 4.5% to 7.0% per annum) and are repayable in monthly instalments over various periods not exceeding five years.

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

The effective interest rates on the Group's floating rate borrowings range from 2.75% to 7.0% per annum (30 September 2011 – 2.75% to 7.0% per annum).

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

Refer to note 22 for details of pledged assets.

16. OBLIGATIONS UNDER FINANCE LEASES

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

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)	**31 March 2012 HK$'000 (unaudited)**	30 September 2011 HK$'000 (audited)
Amounts payable under finance leases:				
Within one year	**7,547**	7,015	**6,964**	6,392
In the second to fifth years inclusive	**8,428**	9,048	**8,073**	8,623
	15,975	16,063	**15,037**	15,015
Less: Future finance charges	**(938)**	(1,048)	**–**	–
Present value of lease obligations	**15,037**	15,015	**15,037**	15,015
Less: Amount due for settlement within one year shown under current liabilities			**(6,964)**	(6,392)
Amount due for settlement after one year shown under non-current liabilities			**8,073**	8,623

During the period, the Group has acquired certain motor vehicles and computer equipment under finance leases with lease terms ranging from 2 to 4 years (30 September 2011 – 2 to 4 years). Interest rates underlying all obligations under finance leases are fixed at their respective contract rates ranging from 3.3% to 7.0% (30 September 2011 – 3.3% to 7.0%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair values of the Group's finance lease obligations, determined by the present value of estimated future cash flows discounted using the prevailing market rate at the reporting date, approximate to their carrying values.

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

17. PROVISIONS

	Onerous contracts	**Manufacturing reorganisation**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 October 2010 (audited)	10,185	13,569	23,754
Utilisation of provision	(1,484)	(9,549)	(11,033)
Provision for the period	1,599	1,415	3,014
Currency realignment	337	(98)	239
At 31 March 2011 (unaudited)	10,637	5,337	15,974
Utilisation of provision	(6,422)	(4,478)	(10,900)
Reversal of the provision for the period	(2,220)	(891)	(3,111)
Currency realignment	(136)	275	139
At 30 September 2011 (audited)	**1,859**	**243**	**2,102**
Utilisation of provision	**(304)**	**(243)**	**(547)**
(Reversal of provision)/provision for the period	**(245)**	**1,595**	**1,350**
Currency realignment	**45**	**–**	**45**
At 31 March 2012 (unaudited)	**1,355**	**1,595**	**2,950**

	31 March 2012	30 September 2011
	HK$'000	HK$'000
	(unaudited)	(audited)
Analsyed for reporting purposes as:		
Current liabilities	**2,950**	2,102

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

The manufacturing reorganisation provision relates to estimated dilapidation costs that the Group is presently obligated to make under non-cancellable operating lease contracts.

18. RETIREMENT BENEFIT OBLIGATIONS

The Group operates defined contribution retirement benefits schemes and a defined benefit plan. The details of the defined contribution retirement benefit schemes are consistent with those disclosed in the financial statements of the Group for the year ended 30 September 2011. Details of the defined benefit plan are described as below.

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

The last formal valuation of the Pension Plan, for accounting valuation purposes, was carried out by the Group's actuary, PricewaterhouseCoopers LLP at 30 September 2011. This valuation has been updated to 31 March 2012 for the purposes of this Interim Report.

The Group's annual contributions to the Plan in the two years ended 31 March 2010 were £1.9 million (approximately HK$23 million). For the year ended 31 March 2011 they were £0.75 million (approximately HK$9.4 million) and for the year ended 31 March 2012 they were £0.954 million (approximately HK$11.3 million). Thereafter, contributions will be £1.079 million (approximately HK$13.3 million) for the year to 31 March 2013. From 1 April 2013 the annual rate of contribution will be £2.1 million (approximately HK$25.9 million) and this will increase each year at a rate of 4.2% for the remainder of the recovery period, currently estimated to be 17 years.

This contribution schedule is currently subject to UK Pension Regulatory 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 Plan investments and liabilities and the financial strengths and cash flow requirements of the Plan's sponsoring employers.

In addition to cash contributions made into the Plan, a second legal 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 22).

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

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

18. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The principal financial assumptions used for the purpose of the actuarial valuations of the Pension Plan at 31 March 2012 and 30 September 2011 are detailed below:

	31 March 2012 (unaudited)	30 September 2011 (audited)
Long term rate of increase in pensionable salaries (note a)	**0.00%**	0.00%
Rate of increase of benefits in payment (note b)	**2.90%**	2.80%
Rate of increase of benefits in payment (note c)	**1.75%**	1.90%
Discount rate	**4.85%**	5.30%
Inflation assumption (Retail Prices Index ("RPI"))	**3.00%**	2.90%
Inflation assumption (Consumer Prices Index ("CPI")) (note d)	**2.00%**	2.20%
Expected return on equities	**7.70%**	7.70%
Expected return on bonds	**5.30%**	5.30%
Expected return on cash	**0.50%**	0.50%
Expected return on property	**5.30%**	5.30%

Notes:

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

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

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

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

The methodology and criteria underlying the calculation and setting of the assumptions at 31 March 2012 are consistent with those used to determine the comparable assumptions disclosed in the financial statements of the Group for the year ended 30 September 2011.

18. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
Fair value of Plan assets:		
Equities	**805,580**	720,195
Bonds	**325,569**	324,117
Property	**139,940**	136,425
Cash	**2,764**	1,920
Insurance policies	**10,058**	10,268
	1,283,911	1,192,925
Present value of funded obligations	**(1,427,085)**	(1,325,145)
Net liabilities recognised	**(143,174)**	(132,220)

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

	Six months ended 31 March	
	2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Current service cost	**1,647**	1,433
Expected return on assets	**(38,739)**	(40,411)
Interest cost	**34,228**	36,059
	(2,864)	(2,919)

The current service cost charge is included in administrative costs in the consolidated income statement. The expected return on assets and the interest cost are included in the interest income caption in the consolidated income statement.

18. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	Six months ended		
	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (unaudited)	31 March 2011 HK$'000 (unaudited)
At the beginning of the period	**1,325,145**	1,320,616	1,423,147
Currency realignment	**20,738**	(33,806)	30,054
Current service cost	**1,647**	2,167	1,433
Utilisation of expense reserve	**(589)**	—	—
Interest cost	**34,228**	36,321	36,059
Member contributions	**988**	1,054	1,146
Benefit payments	**(34,453)**	(38,865)	(32,410)
Actuarial losses/(gains)	**79,381**	37,658	(138,813)
At the end of the period	**1,427,085**	1,325,145	1,320,616

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

	Six months ended		
	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (unaudited)	31 March 2011 HK$'000 (unaudited)
At the beginning of the period	**1,192,925**	1,318,758	1,243,843
Currency realignment	**18,783**	(34,175)	26,431
Employer contributions	**6,011**	5,258	4,933
Member contributions	**988**	1,054	1,146
Expected return on assets	**38,739**	42,093	40,411
Benefit payments	**(34,453)**	(38,865)	(32,410)
Actuarial gains/(losses)	**60,918**	(101,198)	34,404
At the end of the period	**1,283,911**	1,192,925	1,318,758

18. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	Six months ended		
	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (unaudited)	31 March 2011 HK$'000 (unaudited)
Actuarial (loss)/gain	**(18,463)**	(138,856)	173,217

The cumulative amount of actuarial gains recognised in the consolidated statement of comprehensive income, before tax, is HK$95,279,000 (30 September 2011 – HK$113,742,000).

The history of experience adjustments is as follows:

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
Present value of defined benefit obligation	**(1,427,085)**	(1,325,145)
Fair value of Plan assets	**1,283,911**	1,192,925
Deficit	**(143,174)**	(132,220)
Experience gain adjustment on Plan liabilities	**–**	31,910
Experience gain/(loss) adjustment on Plan assets	**60,918**	(66,794)

The actuarial valuation showed that the market value of the Plan's assets at 31 March 2012 was HK$1,283,911,000 (30 September 2011 – HK$1,192,925,000) and that the actuarial value of these assets represented 90% (30 September 2011 – 90%) of the benefits that had accrued to members. The shortfall of HK$143,174,000 (30 September 2011 – HK$132,220,000) 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 pension's legislation and after consultation with, and agreement by, the Trustees of the Plan.

19. DEFERRED TAX

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

	Accelerated accounting depreciation HK$'000	Revaluation of properties HK$'000	Retirement benefit obligations HK$'000	Others HK$'000	Tax losses HK$'000	Total HK$'000
At 1 October 2010 (audited)	12,522	(14,692)	48,386	8,982	3,577	58,775
(Charged) /credited to profit or loss for the period (note 7)	(3,926)	224	(2,125)	245	(745)	(6,327)
Recognition of actuarial gain on retirement benefit obligation in other comprehensive income	–	–	(46,773)	–	–	(46,773)
Currency realignment	257	(370)	1,011	217	56	1,171
At 31 March 2011 (unaudited)	8,853	(14,838)	499	9,444	2,888	6,846
(Charged) /credited to profit or loss for the period	3,007	1,297	(5,128)	(2,605)	(1,647)	(5,076)
Recognition of actuarial loss on retirement benefit obligation in other comprehensive income	–	–	37,500	–	–	37,500
Currency realignment	(243)	393	181	(301)	(14)	16
At 30 September 2011 (audited)	**11,617**	**(13,148)**	**33,052**	**6,538**	**1,227**	**39,286**
(Charged) /credited to profit or loss for the period (note 7)	**(4,407)**	**220**	**(2,366)**	**(1,208)**	**(1,233)**	**(8,994)**
Recognition of actuarial loss on retirement benefit obligation in other comprehensive income	**–**	**–**	**4,616**	**–**	**–**	**4,616**
Currency realignment	**133**	**(105)**	**488**	**113**	**6**	**635**
At 31 March 2012 (unaudited)	**7,343**	**(13,033)**	**35,790**	**5,443**	**–**	**35,543**

19. DEFERRED TAX *(Continued)*

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
Deferred tax liabilities	**(13,033)**	(13,148)
Deferred tax assets	**48,576**	52,434
	35,543	39,286

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% (30 September 2011 – 25%).

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

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
Unused tax losses	**323,757**	338,538
Capital losses	**118,503**	116,679
Other temporary differences	**34,508**	35,178
Other tax credits	**408,479**	402,190
	885,247	892,585

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits will be utilised in the foreseeable future. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant portion of these unrecognised tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits principally arise in Hong Kong, the UK and France and can be carried forward indefinitely.

19. DEFERRED TAX *(Continued)*

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

At 31 March 2012 and 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. In the opinion of the 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 investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,497,000 at 31 March 2012 (30 September 2011- HK$632,000).

20. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 March 2012 and 30 September 2011	1,500,000,000	150,000
Issued and fully paid:		
At 31 March 2012 and 30 September 2011	991,852,107	99,185

21. MAJOR NON-CASH TRANSACTIONS

During the period, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$3,375,000 (1 October 2010 to 31 March 2011 - HK$4,607,000).

22. PLEDGE OF ASSETS

At the reporting date, the Group has pledged bank deposits of HK$5,000,000 (30 September 2011 – HK$5,000,000) to certain banks to secure credit facilities granted by the banks to the extent of approximately HK$10,000,000 (30 September 2011 – HK$10,000,000).

The banking facilities of the UK subsidiaries of Spear & Jackson plc and Bowers Group plc (the "UK Group") comprise a £6,500,000 Sterling (approximately HK$80,000,000) composite facility comprising confidential invoice discounting and an overdraft. This facility is secured by certain trade receivables in the UK trading operations of the UK Group, by fixed and floating charges on the other assets and undertakings of the UK Group and by a first fixed charge on the Group's freehold properties in the United Kingdom. The amount drawn down under the confidential invoice facility at 31 March 2012 was HK$45,170,000 (30 September 2011 – HK$31,618,000) which is secured against trade debts of the same amount in the applicable UK Group trading subsidiaries. The amount drawn down under the overdraft facility at 31 March 2012 was HK$15,526,000 (30 September 2011 – HK$8,008,000).The short-term loan facility was repaid in March 2012 and the amount drawn down under this facility at 30 September 2011 was HK$3,038,000. The net book value of the Group's UK freehold properties at 31 March 2012 was approximately HK$109,000,000 (30 September 2011 – HK$109,000,000) over which there is a first fixed charge of approximately HK$64,200,000 (30 September 2011 – HK$64,200,000).

During the year to 30 September 2008, in accordance with UK pension regulatory requirements, a pension contribution schedule was agreed between the Group and the Trustees of the James Neill Pension Plan covering contributions payable to the Plan. As part of this agreement, the Group executed a second charge in favour of the Plan representing 50% of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, the UK, which at 31 March 2012 had a net book value of HK$44,800,000 (30 September 2011 – HK$45,000,000).

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

	Six months ended	
	31 March 2012 HK$'000 (unaudited)	31 March 2011 HK$'000 (unaudited)
Net (decrease)/increase in cash and cash equivalents for the period	**(15,811)**	22,409
Effect of foreign exchange rates	**1,848**	4,603
Net movement in cash and cash equivalents	**(13,963)**	27,012
Repayment of bank borrowings	**29,725**	10,008
New bank borrowings raised	**(31,244)**	(5,072)
Net (inflow)/ouflow from export loans	**(1,011)**	14,668
Others	**(667)**	(2,800)
Disposal group bank and other loans	**–**	10,961
Net cash/(borrowings) at the beginning of the period	**35,467**	(30,074)
Net cash at the end of the period	**18,307**	24,703

	31 March 2012 HK$'000 (unaudited)	31 March 2011 HK$'000 (unaudited)
Analysis of net cash at 31 March:		
Cash and cash equivalents	**124,192**	147,222
Pledged bank deposits	**5,000**	5,000
Interest-bearing bank borrowings - amounts due within one year	**(88,528)**	(97,865)
Interest-bearing bank borrowings - amounts due after one year	**(7,320)**	(18,076)
Obligations under finance leases - amounts due within one year	**(6,964)**	(5,501)
Obligations under finance leases - amounts due after one year	**(8,073)**	(6,077)
	18,307	24,703

24. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	31 March 2012 HK$'000 (unaudited)	31 March 2011 HK$'000 (unaudited)
Basic salaries and allowances, bonuses and benefits in kind	**5,333**	2,806
Mandatory provident fund contribution	**12**	6
	5,345	2,812

Eclipse Magnetics Limited, a subsidiary undertaking of United Pacific Industries Limited, purchases manufactured products directly from Ningbo Hi-tech Assemblies Co Ltd ("Ningbo Hi-tech"), a company in which it has a 25% interest. For the six month period ended 31 March 2012, goods to the value of approximately HK$10,616,000 (31 March 2011 – HK$8,750,000) 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 plc and Bowers Group plc ("the Plan"). The Group pays contributions to the Plan each year according to a schedule of contributions agreed between the Plan trustees and the Group. Full details of the contributions paid by the Group to the Plan during the period are disclosed in note 18.

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

25. CONTINGENT LIABILITIES

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

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

26. CAPITAL COMMITMENTS

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
Committed but not contracted for:		
Property, plant and equipment	**1,999**	2,248
Contracted but not provided for:		
Property, plant and equipment	**2,206**	–
	4,205	2,248

27. OPERATING LEASE COMMITMENTS

The Group as Lessee

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

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
Operating leases which expire:		
Within one year	**12,398**	12,629
In the second to fifth years inclusive	**17,650**	18,772
Over five years	**16,383**	16,903
	46,431	48,304

Operating lease payments represent rentals payable by the Group for its certain office properties and factories. The leases run for an initial period of 1 to 84 years, with an option to renew the leases and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and the respective landlords. None of the leases contain contingent rentals.

The Group as lessor

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

	31 March 2012 HK$'000 (unaudited)	30 September 2011 HK$'000 (audited)
Within one year	**76**	74
In the second to fifth years inclusive	**302**	299
Over five years	**5,203**	5,160
	5,581	5,533

Operating lease income represents the rental receivable by the Group for certain of its leased properties under sub-lease agreements. The leases run for an initial period of 1 to 84 years (30 September 2011 – 1 to 85 years), with an option to renew the leases and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and the respective tenants.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' Interests in Shares and Underying Shares of the Company and its Associated Corporations

As at 31 March 2012, 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 of Hong Kong (the "SFO")) which are required to be notified to the Company and the Stock Exchange of Hong Kong ("the HKEx") 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 Issuers, to be notified to the Company and the HKEx 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
		13,303,717	13,303,717

Other than as disclosed above, and except for nominee shares in certain subsidiaries held in trust for the Group at 31 March 2012, neither the Directors nor Chief Executives, nor any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Substantial Shareholders' Interests in Shares and Underlying Shares of the Company

As at 31 March 2012, so for as is known to any Director of the Company, shareholders (other than Directors of the Company whose interests are disclosed above) who had interests in the shares or underlying shares of the Company, as recorded in the register required to be kept pursuant to Section 336 of the SFO, were as follows:

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% interest.

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

Other than disclosed above, as at 31 March 2012, 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 336 of the SFO.

Share Options and Directors' Rights to Acquire Shares or Debentures

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

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

Name	Date of Grant	Exercise Price HK$	Number of option shares outstanding at 1.10.2011 and 31.03.2012
Mr. Simon N Hsu	23.7.2003	0.286	3,773,165

All the options granted have vested and can be exercised at any time within ten years until 2013. No options were exercised, cancelled or lapsed under the 1994 Scheme during the period under review.

(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, as at 31 March 2012, the number of options available for grants is 35,031,217, which represented approximately 3.5% of the Company's shares in issue at the date of this 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 period 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:

Name	Date of Grant	Exercise Price HK$	Number of Option Shares Outstanding at 1.10.2011 and 31.3.2012
Mr. David H Clarke	28.9.2004	0.193	1,030,331
	20.12.2004	0.198	875,780
Mr. Simon N Hsu	28.9.2004	0.193	4,121,320
	20.12.2004	0.198	3,503,121
			9,530,552
Other employees	28.9.2004	0.193	1,236,393
	20.12.2004	0.198	1,050,937
			11,817,882

All the options have vested and can be exercised at any time within ten years until 2014. No options were granted, exercised, cancelled or lapsed under the 2004 Scheme during the period under review.

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

Other than as disclosed above, none of the Directors, or any of their associates, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

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 31 March 2012 and there has been no exercise of convertible securities, options, warrants or similar rights during the period under review.

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

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

Pre-emptive Rights

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

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 six month period ended 31 March 2012.

Model Code for Securities Transactions

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

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

Review by Audit Committee

The Audit Committee comprises three Independent Non-executive Directors as follows: Mr. Robert B Machinist (Chairman), Dr. Wong Ho Ching, Chris and Mr. Ramon S Pascual.

The unaudited interim results for the six months ended 31 March 2012 have been reviewed by the Company's Audit Committee. The information in these interim accounts does not include all of the information required in the annual financial statements.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the unaudited interim consolidated financial statements for the six month period ended 31 March 2012.

By Order of the Board

David H Clarke
Chairman

Hong Kong 24 May 2012

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

Remuneration Committee

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

Nominating and Corporate Governance Committee

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

Chief Financial Officer

Mr. Patrick J Dyson

Registered Office

Clarendon House
Church Street, Hamilton HM 11, Bermuda

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

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Bermuda Principal Share Registrar and Transfer Office

HSBC 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, Wanchai, 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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聯太工業
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