United Pacific Industries
聯太工業

Stock Code: 176

Annual Report 2012

United Pacific Industries Limited ("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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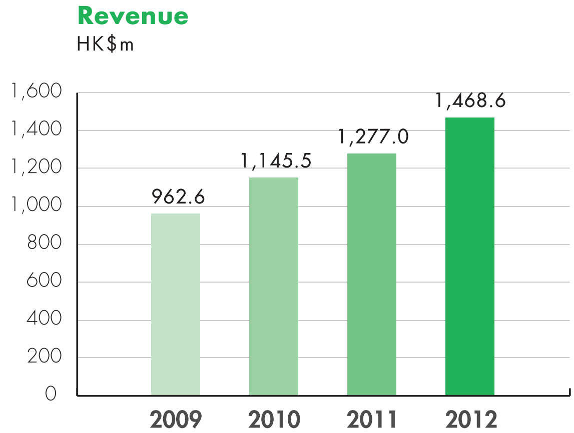
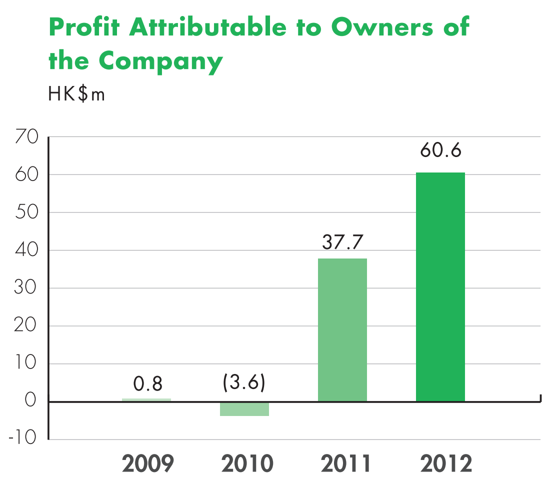
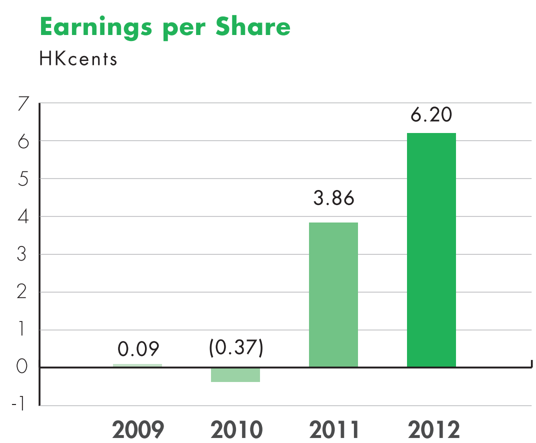
FINANCIAL HIGHLIGHTS

	2012 HK$m	2011 HK$m	% Change
Revenue	**1,468.6**	1,277.0	+15%
EBITDA	**95.2**	76.3	+25%
Profit attributable to owners of the Company	**60.6**	37.7	+61%
Earnings per share (Hong Kong cents)	**6.20**	3.86	+61%
Net cash	**79.6**	35.5	+124%

FINAL DIVIDEND RECOMMENDED OF 1.0 HK CENT PER SHARE GIVING TOTAL FOR THE YEAR OF 1.5 HK CENTS PER SHARE







CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS,

United Pacific Industries Limited's ("UPI" the "Company") very strong performance in our first half year has continued during the second half and, as a result, we are able to report excellent full year financial results and growth in all divisions.

For the year ended 30 September 2012, UPI achieved top line revenues of HK$1.469 billion, an increase of 15% compared to the same period last year. Profit for the year of HK$60.6 million was 61% higher than last year. And, earnings per share were 6.20 HK cents, an increase of 61% over last year.

In our Interim Report we referred to the large increase in working capital which occurred during our first half year and said that this was a temporary situation caused by problems related to the start-up of our new plant in Jiangmen, China. Increases in working capital can absorb large amounts of cash and this is an area which management watches and controls closely. I am pleased to advise that this situation had been resolved by 30 September.

I am also delighted to report to you that UPI's net cash balance at 30 September 2012, totaled HK$79.6 million an increase of 124% over last year's also healthy number. This is the highest net cash position in UPI's recent history and demonstrates our intense focus on this all-important financial metric.

Of course, part of the reason for our cash build is that we have simply not found a cash acquisition which would add growth and enhance value for an acceptable price. While we will always look at new opportunities, management's primary job is to achieve organic growth in our existing businesses. Organic growth is invariably achieved by being the most cost efficient producer, being innovative in developing new and better products and extending the Company's geographic reach in marketing. To this end, our program of relocating much of our manufacturing, production and sourcing to China has been substantially completed. With respect to new and innovative products, this will be covered in our CEO's report. And, our tilt toward Asia is extending the reach of our marketing.

PROSPECTS

There is a lot of uncertainty in Europe which is an important area for us. North America is in a more definite recovery but at a very slow rate and Asia is still growing at an excellent rate, but at a slower pace than recent years. With the first few weeks of fiscal 2013 completed we can confirm that we are off to a respectable, but somewhat sluggish, start. Given these conditions as a backdrop, we feel cautiously optimistic, as last year, and believe, barring some unforeseen negative economic or other event, we will achieve modest growth in earnings and earnings per share this forthcoming year.

As always I would like to thank all who contributed to UPI during 2012: our customers, suppliers, financiers, our Board of Directors and our employees.

As a result of our good performance and, in particular, our substantial net cash balance, your Board of Directors recommends the payment of a final dividend of 1.0 HK cent per ordinary share, a 100% increase over our interim dividend payment of 0.5 HK cent per ordinary share. Subject to approval at our Annual General Meeting, the final dividend will be paid to shareholders on or about 18 April 2013.

DAVID H CLARKE
Chairman

Hong Kong, 11 December 2012

CHIEF EXECUTIVE OFFICER'S BUSINESS REVIEW

I am very pleased to report that United Pacific Industries delivered excellent results and a strong cash flow in fiscal 2012. Working in a trading landscape adversely affected by volatile commodity markets, rising labor costs in China and a very challenging global economic environment, our Group was able to achieve solid financial results across most of its geographic regions and business segments, particularly in the Asia Pacific.

We were also able to significantly improve our cash flow this year which resulted in a net cash position at 30 September 2012 which was the highest in recent years.

The solid results and strong cash flow were achieved through top line sales growth, good margin management, productivity improvements and cost control.

Following, below, are the achievement highlights:

Divisional Performance

The divisions that achieved highest revenue growth were Consumer Electronics (+150%) and Precision Measurement (+13%). This growth was due to a continuing market recovery in the capital equipment markets in which we operate, new customers being secured and new product launches. The Tools division recorded only small revenue growth as a result of poor spring weather in Europe which hampered the garden season and very slow European, Australian and Middle East markets.

The Consumer Electronics division returned to profitability in the year thanks to the significant revenue increase referred to above which was principally driven by the delivery of new lines of video baby monitors into the American market.

The Contract Manufacturing division managed its costs and overheads very effectively and delivered solid results despite modest sales growth.

Although there was a small revenue increase year-on-year, the Tools division suffered much reduced gross profit due to a combination of suppliers' price increases and selling price pressure as a result of very keen competition in the market place.

New Product Development

We continue to focus on new product development and innovation to stimulate customer demand and to drive top line sales and higher margins.

New products launched and under development during the year included the following:

Tools Division

Spear & Jackson

- The Royal Botanic Gardens in Kew, UK, approached the company to develop a dual-branded range of high-end gardening tools. Kew has a pivotal role as a world leader in plant science and conservation and this partnership confirms Spear & Jackson's brand heritage and its reputation for producing premium tools. This product range will be exclusive to garden centres and is viewed as a key driver in establishing Spear & Jackson in the USA.
- Two new snow shovels. One has a telescopic tubular handle and is ideal for storage in a car boot. The second shovel has a full size tubular handle with a metal edged wider plastic blade, combining lightness and strength.
- An extension to the Razorsharp mixed range of secateurs, loppers and shears was introduced to complement existing cutting tools by incorporating new technology such as gearing, ratchet action and lightweight fibre glass construction to produce ergonomic products requiring less effort in use.
- A block paving cleaner introduced as part of the "Garden Tidy" range. This practical tool is designed to remove moss and debris from between the joints of areas of block paving.
- Our French division has introduced two bio forks, a plastic lawn rake with interchangeable tines and a multi-purpose hoe that has already won three professional awards.

Eclipse Tools

- We have introduced a comprehensive range of 13 VDE tested insulated pliers and 16 VDE tested insulated screwdrivers in response to market demand for high quality professional tools for working on or around live electrical circuits. Alongside these products, we have launched a technician's tool case, primarily aimed at electrical professionals.
- A range of 3 sizes of adjustable wrenches with extra wide jaws has been added to our work holding and gripping tools portfolio. The slim design of this range makes it perfect for plumbers or any tool user requiring to work in areas where access to the work face is limited or difficult.

Robert Sorby

- Within our specialty tools division, Robert Sorby, the "TurnMaster" was launched. Designed and manufactured in-house, this is a multi-purpose turning scraper tool that is not only able to remove and shape wood but, with an adjustment to the head, the cutter can then be locked into place to achieve a perfect shear scraping angle to ensure a smooth finish. The tool has the option of a range of cutter heads, each designed for a different purpose.

Magnetic Technologies Division

- The "BoilerMag" and "BoilerMag XL" range of domestic and industrial/commercial heating system filters was launched. In the home, BoilerMag protects domestic heating systems and improves energy efficiency by removing both magnetic and non-magnetic particles. This new product provides market leading extraction performance with the advantage of fast fitting and trouble free servicing. BoilerMag is an ideal product for the 1.3 million new build or refurbishment heating system projects carried out annually in the UK.

  In the industrial and commercial environment, Eclipse Magnetics can now provide filtration systems for a wide variety of properties. The BoilerMag XL unit has been developed as an affordable solution for increasing heating efficiency in medium sized commercial properties such as retail outlets and office units. This is the first product of its kind in the market which is compatible with 1¼" pipe sizes and positions Eclipse Magnetics as the only "one-stop shop" manufacturer of heating system filters in the UK.

- The division has extended its range of fine particle magnetic filtration systems with the launch of the Automag Compact. This product has been developed to provide a cost effective solution for individual machines where fluids are fed by a dedicated self-contained tank. The product is ideal for high precision metal machining processes such as grinding, honing, milling or super-finishing. It provides rapid payback by improving surface finish, reducing reject rates, increasing fluid lifespan, reducing machine downtime and extending tool life.

Precision Measurement Division

- The introduction of the Bowers MicroGauge for high accuracy measurement of very small diameters from 1-6 mm. It is an ergonomically designed gauge which utilizes electronics incorporating a USB output so that data can be transmitted to personal computers or data collectors. Typical applications are in the aerospace, electronics and medical industries.
- All digital Moore & Wright hand tools were given a refreshed design giving the range a more industrial and professional feel. Products included in the re-design were calipers, micrometers, indicators, height gauges and levels. Additionally, a value range of Moore & Wright bore gauges has been developed for sale in the China market.
- The popular Baty Venture Plus Vision System was expanded to incorporate two new models for large volume measurement. These new models offer an X & Y measuring range of 1,000mm x 1,000mm or 1,500mm x 1,000mm and incorporate CNC features as standard utilising the advanced Baty "Fusion" software.

Contract Manufacturing Division

- Various new lithium-ion battery power tools chargers and work-light modules.

Consumer Electronics Division

- Continuing modifications and improvements to the Company's flagship range of wireless, twin camera, 3.5"/2.7" screen baby monitors which will see two new models launched in Q1 of fiscal 2013.
- The "Boom Cube". A keychain speaker for use on mobile devices and personal computers.

Geographic Expansion

In 2012 our revenue growth in USA was 52% year-on-year, primarily due to a large increase in shipments from our Consumer Electronics division. This offset a 5% revenue decrease in Australia as the country experienced one of the worst retail sector demand declines on record.

We will continue to focus on achieving a more balanced regional revenue distribution by directing more of our efforts into new and non-traditional markets in order to minimize the risk of overexposure to an economic slowdown in any particular region.

Operational Excellence

The hacksaw blade manufacturing plant in Jiangmen, Guangdong Province, China is running at near full capacity which has allowed us to reduce the raw material inventory and also to fulfill our customers' orders on a timely basis.

During the year, we have also worked on streamlining our manufacturing and sales operations in the Precision Measurement division in order to improve productivity and efficiency which will produce cost savings in the forthcoming financial year.

We have also restructured our product management in the Spear & Jackson Group to improve our focus on product sales and marketing in order to increase sales in certain of our markets.

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

Cash Flow

As a result of improved production efficiency and better management of working capital, we were able to significantly improve our cash flow which resulted in a 124% increase in the net cash position over last year. Net cash was HK$79.6 million at 30 September 2012.

In closing, I would like to thank all our employees for their contribution to our success in 2012.

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

HENRY W LIM
Chief Executive Officer

Hong Kong, 11 December 2012

THE BOARD ROOM

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

Executive Directors

David H Clarke – *Chairman*

Mr. Clarke, aged 71, was appointed Chairman on 30 June 2010 and has been a Director since 2004. He had previously served as a Non-executive Director of the Company from July 1996 to July 1998 and as a member of the Remuneration Committee for the period from 30 June 2010 to 30 September 2010. Mr. Clarke was formerly Chairman and Chief Executive Officer of Jacuzzi Brands, Inc. ("Jacuzzi"), a company listed on the New York Stock Exchange, from 1995 until his retirement in September 2006. Prior to joining Jacuzzi, Mr. Clarke was Vice Chairman and a director of Hanson plc, a major international diversified company listed on the London Stock Exchange. Mr. Clarke also serves on the board of Fiduciary Trust Company International, a money manager, which is a subsidiary of New York Stock Exchange-listed Franklin Resources, Inc. Mr. Clarke currently is Chief Executive Officer of GSB Holdings, Inc., a subsidiary of his family's private business engaged in real estate development and investments.

Simon N Hsu – *Executive Vice-chairman*

Mr. Hsu, aged 52, was appointed Executive Vice-chairman of the Company in 2003 and has been a Director since 1996. With effect from 1 October 2010 and 30 June 2010, Mr. Hsu became a member of the Remuneration Committee and the Nominating and Corporate Governance Committee, respectively. He is the Chief Executive Officer of Sino Resources Mining Corporation Limited which engages in exploiting natural resources and mining activities in Laos PDR and Australia. Mr. Hsu is also the Executive Chairman of e-commerce Logistics Group, a Greater China-focused logistics and supply chain management company headquartered in Hong Kong. In addition, he is a director of UBP Asset Management Asia Ltd., which engages in asset management and investment consultancy in Asia.

Henry W Lim – *Chief Executive Officer*

Mr. Lim, aged 61, was re-designated as an Executive Director and was appointed Chief Executive Officer of the Company on 30 June 2010. Mr. Lim had previously served as an Independent Non-executive Director of the Company from September 2004 to June 2010 and was the Chairman of the Audit Committee as well as a member of the Remuneration Committee and the Nominating and Corporate Governance Committee during the same period. Mr. Lim was a director and the Chief Financial Officer of Morrison Express Corporation, based in Taiwan, from February 2000 to May 2009. He is a Certified Public Accountant and is a fellow of the Institute of Certified Public Accountants of Singapore, a fellow of CPA Australia as well as a fellow of the Association of Chartered Certified Accountants. He holds a Bachelor of Commerce (Honors) degree in Accounting (Silver Medal winner) from the Nanyang University of Singapore and has over 30 years' experience in professional audit, financial accounting and international management. He has held senior financial management positions with various companies, including 15 years with Fritz Companies, Inc., a former NASDAQ-listed company, where he rose through the ranks to become Director of Finance for International Operations.

Patrick J Dyson – *Chief Financial Officer*

Mr. Dyson, aged 56, was appointed Chief Financial Officer of the Company in February 2007 and was appointed a Director in April 2008. Prior to his appointment, Mr. Dyson had been Chief Financial Officer of Spear & Jackson, Inc. since October 2004. He qualified as a member of the Institute of Chartered Accountants in England and Wales in1982 and worked in public practice until joining Spear & Jackson plc in 1991, where he occupied a number of senior corporate financial roles within the Group. From April 1995 to July 2001 Mr. Dyson was Group Chief Accountant and from August 2001, until his appointment as Chief Financial Officer in October 2004, he was Group Financial Controller. He holds a BA in English and an MA in Linguistics, both from the University of Leeds, England.

Non-Executive Directors

Chan Kin Sang

Mr. Chan, aged 61, was appointed as a Non-executive Director of the Company on 20 January 2011. Mr. Chan is currently the sole proprietor of Messrs. Peter K.S. Chan & Co., Solicitors and Notaries. Mr. Chan has been a practicing solicitor in Hong Kong since 1982. He graduated from the University of Hong Kong with a BA in Law in 1979, admitted as a Notary Public in 1997 and as a China-appointed attesting officer in 2000. Mr. Chan is a Fellow of the Hong Kong Institute of Directors, acts as an independent non-executive director in two Singapore listed companies, People's Food Holdings Limited and Luxking Group Holdings Limited, and two Hong Kong listed companies, China Precious Metal Resources Holdings Co. Limited and International Taifeng Holdings Limited. Additionally, he is a non-executive director of Pan Hong Property Group Limited, listed in Singapore, as well as Pacific Plywood Holdings Limited and Combest Holdings Limited, both listed in Hong Kong. Mr. Chan is also an Altenate Director in Zhongda International Holdings Limited. He was formerly an independent non-executive director of Sunray Holdings Limited, Dynamic Energy Holdings Limited and Ming Kei Holdings Limited and was a non-executive director of Mayer Holdings Limited.

Liu Ka Lim

Mr. Liu Ka Lim, aged 57, was appointed as a Non-executive Director of the Company on 20 January 2011. Mr. Liu has over 25 years of professional experience in the field of finance and accounting. He is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Hong Kong Securities Institute. During the period from March 2004 to August 2006, Mr. Liu was the Chairman of Galileo Capital Group Limited, a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited. During the period from October 2003 to March 2006, Mr. Liu was the Chairman of Wonderful World Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is currently a director of United Simsen Securities Limited, a subsidiary of Simsen International Corporation Limited, which is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Independent Non-executive Directors

Ramon S Pascual

Mr. Pascual, aged 53, was appointed a Director of the Company in January 2003. He serves as Chairman of the Remuneration Committee and is also a member of the Audit Committee (save for the period from 30 June 2010 to 30 September 2010). He is a senior executive of Eton Properties Limited, a real estate development and investment company known for premier residential, commercial, retail, and hotel developments in Hong Kong and China. Mr. Pascual also serves as an executive director of Dynamic Holdings Ltd, a company listed on the Hong Kong Stock Exchange, a position he has held since 2006, and as a director in real estate, manufacturing and logistics companies with businesses in Hong Kong, China, and the Philippines.

Dr. Wong Ho Ching, Chris

Dr. Wong, aged 65, has been an Independent Non-executive Director of the Company since March 1994. Dr. Wong serves as Chairman of the Nominating and Corporate Governance Committee, is also a member of the Audit Committee and, since 30 June 2010, a member of the Remuneration Committee. He has been the council member of the Chinese Mechanical Engineering Society, China. He specialises in Industrial Engineering, Technology Transfer and Corporate Management. He has been a consultant for the United Nations Educational, Scientific and Cultural Organisation and received a Fellow Award from the US Institute of Industrial Engineers for his professional leadership and outstanding contributions to Industrial Engineering. Dr. Wong holds a PhD in management engineering from Xian Jiao Tung University. He has been a member of the First Hong Kong Special Administrative Region Election Committee and member of the first and second Hong Kong Special Administration Region Selection Committee.

Robert B Machinist

Mr. Machinist, aged 59, was appointed as an Independent Non-executive Director of the Company on 11 April 2008. Since 30 June 2010, he has served as Chairman of the Audit Committee and a member of the Nominating and Corporate Governance Committee. He is currently Chairman, Board of Advisors of MESA, a leading merchant bank specializing in media and entertainment industry transactions as well as a partner of Columbus Nova, a leading private investment fund. Mr. Machinist also runs a private family investment company whose activities range from the Collectors Car Garage to a number of real estate development businesses. From January 1986 to November 1998, he was president and one of the principal founders of Patricof & Co. Capital Corp. (and its successor companies), a multinational investment banking business, until its acquisition by the Bank of New York. From 1998 until December of 2001 Mr. Machinist served as Managing Director and head of investment banking for the Bank of New York and its Capital Markets division.

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

KEY EXECUTIVES

Group Management Team

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

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

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

Spear & Jackson Group

Mark B Franckel
– *Chief Executive Officer, Spear & Jackson Group*

Lee Wells
– *Managing Director, Eclipse Tools and Magnetic Technologies Division*

Ian Archer
– *Managing Director, Spear & Jackson UK*

Philip Proctor
– *Managing Director, Robert Sorby*

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

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

Steve White
– *Chief Executive Officer, Precision Measurement Division*

Pantene Group

Ho Hon Ching, Lewis
– *Chief Executive Officer*

Alford Industries

Tsui Chin Cheong, Rix
– *Chief Executive Officer*

GROUP PROFILE

The Company and Principal Divisions

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

The Company and its subsidiaries (the "Group") have expanded through mergers and acquisitions and its five principal divisions are engaged in a broad range of business operations. These divisions are Contract Manufacturing, Consumer Electronics and, through the Spear & Jackson Group, Tools, Precision Measurement and Magnetic Technologies.

Contract Manufacturing Division ("Pantene Group")

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

Consumer Electronics Division ("Alford Industries")

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

Spear & Jackson Group

In 2007 the Group completed its acquisition of the Spear & Jackson group of companies.

Over the years, Spear & Jackson's products have become widely recognised for their heritage and high quality. The Group has expanded through acquisitions and has also reduced costs and refined its business model by relocating selected manufacturing operations to Asia.

The Spear & Jackson group comprises the following divisions:

- Tools
- Precision Measurement
- Magnetic Technologies

These autonomous divisions consist of internationally recognised subsidiary companies engaged in a range of business activities. Although headquartered in the United Kingdom, the Spear & Jackson group has extended its operations into other territories and now has manufacturing sites, distribution centres and sales offices in key locations around the world.

The Spear & Jackson group's website is www.spearandjacksongroup.com.

The activities of these divisions are summarised below:

Tools Division

The Tools division comprises the UK operating units Spear & Jackson, Eclipse Tools and Robert Sorby Limited, plus subsidiaries in France, Australia and New Zealand.

Principal activities include the design, manufacture, assembly, procurement, sales and distribution of a broad range of hand and garden tools.

Spear & Jackson and Eclipse Tools

The division has manufacturing and assembly facilities in Sheffield, England, Jiangmen, PRC, and St. Chamond, France, and distribution facilities in England, France, Australia, New Zealand, China and Canada. The division sells in over 100 countries world-wide under globally recognized brands such as Spear & Jackson, Eclipse, Neill Tools, WHS Tyzack and Elliott Lucas.

With a heritage dating back to the 1760s, Spear & Jackson and Eclipse Tools offer a broad range of premium quality, industry-leading brands. Between them, the two operations are involved in the design, manufacture, procurement and distribution of lawn, garden and agricultural tools, wood saws and hacksaw blades and frames. They also provide a full range of contractors' tools, engineers' tools, plumbers' tools, power tools and electric garden implements.

Spear & Jackson France offers a comprehensive lawn and garden product portfolio not only through the Spear & Jackson brand but also under the Forges de Lavieu brand, a long-standing and well-established name in French agricultural tools. Additionally, through its Karamel & Jeremy range, it has branched into children's gardening products and accessories, with a view to building brand loyalty among a new generation of gardeners.

Complementing the European operations, Spear & Jackson (Australia) and Spear and Jackson (New Zealand) provide sales and distribution services in Australia and New Zealand. These subsidiaries enhance their sales through the development of their own products, in particular air compressors and automotive equipment.

Further information on these operations and their product ranges can be found at the following websites:

www.spear-and-jackson.com

www.eclipse-tools.com

www.eclipsetoolsinc.com

www.spearandjackson.com.au/

www.spear-and-jackson.com/fr

Robert Sorby

Within the Tools division, Robert Sorby offers high quality, English designed and manufactured speciality tools. These include premium woodturning, woodcarving and woodworking tools for hobbyists and professional woodworkers worldwide, together with lathe accessories and tool sharpening products.

Robert Sorby's website can be found at:

www.robert-sorby.co.uk

Precision Measurement Division

The Precision Measurement division includes Bowers, Moore & Wright and Baty International. Through these subsidiaries, the division engages in the design, manufacture, procurement and distribution of precision shop-floor contact and non-contact measuring instruments for the automotive, aerospace, and oil and gas industries.

The Precision Measurement division's products range from simple engineers' hand tools, such as gauges for checking the threads, diameters and tapers of machined components, to highly sophisticated and specialized measuring systems, such as precision bore gauges and hardness testing equipment. These products are sold to industrial customers and are exported to more than 50 countries worldwide, including the US, Germany and France.

The division's main manufacturing facility is in Bradford, UK. Here, the key manufactured product is a range of three-point internal bore gauges, known as the 'Bowers XT', a product sector in which Bowers is the market leader. The UK sales operation in Bordon, meanwhile, offers a one-stop-shop for UK and export markets, selling to industrial end-users and offering expert precision measurement solutions.

Bowers

Bowers is a global leader in precision internal measurement. Offering customers a comprehensive product portfolio of measuring solutions, Bowers specializes in bore gauging, air gauging, SmartPlugs and universal gauging. The company's extensive range of products and services enables customers to choose the most appropriate measuring instruments for their applications, helping them to save time, improve quality and reduce operating costs. The company's Shanghai facility produces several of the Bowers Group's hardness testing instruments under the CV Instruments brand, while also acting as a design, out-sourcing and quality control centre for products sold internationally. Bowers Shanghai also distributes the entire Bowers product range to the rapidly expanding Chinese market.

For further details, please refer to:

www.bowers.co.uk

www.bowersmetrology.com

www.bowers-shanghai.com

Moore & Wright

The Moore & Wright brand is a recognized leader in micrometer design. With a product range including micrometers, calipers, indicators, height gauges and workshop tools, Moore & Wright is committed to supplying industry worldwide with high quality, yet affordable products.

www.moore-and-wright.com

Baty International

The UK-based Baty International is one of the world's leading designers and manufacturers of optical-based measuring instruments and gauging products.

Established in 1932 and now with a worldwide distribution network and diverse clientele, Baty International delivers products for industrial, manufacturing and professional use on the shop floor, in tool rooms, and in other areas where precision measurement is critical. Its range includes:

- Three-dimensional, camera-based, non-contact co-ordinate measuring systems
- Two-dimensional, non-contact optical profile projectors
- The Harpenden skinfold caliper, recognized as the industry standard for many years
- Dial gauges and other gauging products

Baty also services and calibrates contact and non contact dimensional measuring equipment. An ISO 9001:2008 accredited-company, Baty International is committed to providing measuring solutions for manufacturing. It boasts a worldwide distribution network and superior levels of service.

Additional information is available at:

www.baty.co.uk

www.cvinstruments.com

Magnetic Technologies Division

Eclipse Magnetics forms the backbone of our Magnetic technologies division. With a history of cutting-edge innovation in magnetic tool technology, Eclipse has a portfolio of high quality, industry leading products.

The division's core products include cast alloy permanent magnets, magnetic tools, magnetic chucks and turnkey magnetic systems. Synonymous with high quality and total customer support, Eclipse Magnetics enjoys worldwide recognition. Today, it supplies over 20,000 products to global markets and its Special Applications division offers bespoke magnetic solutions through innovation and specialist magnetics knowledge.

The division's sales and marketing reach has also been extended through the formation of a Canadian distribution operation, Eclipse Tools North America, which sells and distributes magnetic materials, assemblies and solutions in Canada and the US.

www.eclipse-magnetics.co.uk

www.boilermag.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

The year ended 30 September 2012 has seen the Company deliver excellent revenues and profitability. EBITDA has risen 25% to HK$95.2 million and earnings per share have increased 61% to 6.20 HK cents per share.

Financial and Operations Review

The trading upturn experienced in fiscal 2011 has continued into the year ended 30 September 2012 where further significant profit improvements have been delivered, particularly as a result of strong operating performances in the Contract Manufacturing, Magnetic Technologies and Precision Measurement divisions.

Last year, the Consumer Electronics division was adversely affected by declining sales of its analog baby monitor and by delays in the transition to a digital version. Sales revenues improved in quarter four of fiscal 2011 as deliveries of the digital replacement to a major new customer came on stream in June 2011 and these demand levels continued to increase in the current financial year with the result that the division returned to profitability in fiscal 2012.

However, within the Tools division, poor spring and summer weather adversely affected United Kingdom ("UK") garden product sales. Additionally, the hacksaw blade manufacturing operation which was transferred from the UK to the PRC in fiscal 2011 continued to encounter production problems as issues with scrap levels and labour inefficiencies had to be addressed.

These manufacturing problems resulted in hacksaw blade sales shortfalls which were partially compensated by good trading results from the French arm of the division. Spear & Jackson Australia, which delivered a very strong trading performance in fiscal 2011, saw mixed results in the current year with sales levels subdued by weakening consumer demand.

Group Results

In the year ended 30 September 2012, United Pacific Industries Limited, ("UPI", the "Group") recorded a turnover of HK$1,468.6 million from continuing operations, an increase of 15% when compared to the turnover of HK$1,277.0 million for the year ended 30 September 2011.

Despite rising labour costs in the PRC and raw material price increases, gross margins increased from 29.0% in the prior year to 29.8% in the current year, reflecting improved procurement processes and the favourable impact of prior year restructuring and capital expenditure initiatives.

The Group's EBIT (i.e. earnings before restructuring costs, net finance costs, share of associate's profits, other non-operating items and taxation) increased to HK$74.4 million in the year ended 30 September 2012, up by HK$19.5 million, or 36%, over the prior year.

Consistent with the increase in EBIT, the Group's EBITDA (i.e. earnings before restructuring costs, net finance costs, share of associate's profits, other non-operating items, taxation, depreciation and amortization) for the year under review amounted to HK$95.2 million (2011 – HK$76.3 million), an increase of HK$18.9 million, or 25%, over the prior year.

The Group’s profit before tax from continuing operations was HK$85.4 million. This compares to a profit before tax in the prior year of HK$51.2 million. The 2011 profit before tax is stated after charging HK$11.1 million of restructuring charges, principally in relation to the relocation of the Group’s hacksaw blade manufacturing plant from the UK to the PRC.

The tax charge for the year ended 30 September 2012 was HK$24.8 million (2011 – HK$17.5 million).

The profit after tax from continuing operations was HK$60.6 million (2011 – HK$33.8 million), an increase of 79% compared to the prior year.

Profit for the year totalled HK$60.6 million, an increase of 61% when compared to last year.

2012 earnings per share from continuing and discontinued operations were 6.20 HK cents compared to earnings per share of 3.86 HK cents in 2011.

Divisional Results Overview

Contract Manufacturing Division (Pantene Group)

The Pantene Group delivered an excellent trading result in fiscal 2012 with total sales of HK$355 million which were 7% higher than the prior year total of HK$333 million. Pantene faced reduced demand levels from certain existing customers but these sales shortfalls were compensated by the securing of orders from new customers.

This improved result was delivered against a backdrop of shortages of labour, persistent electricity supply limitations, adverse exchange rate movements and labour rate increases; all of which served to drive up costs in the year.

To compensate these cost increases, management was successful in passing on price increases to customers via the renegotiation of selling prices, controlling expenditure, implementing productivity improvements and streamlining operational efficiency. As a result, Pantene’s profit before tax increased 53% to HK$31.1 million.

Management focus on securing new customers and business has continued with a number of new products launched in the year and others in the pipeline for delivery in fiscal 2013. However, the challenge of consistently delivering higher quality levels without increasing sales prices is a constant requirement from our principal customers in order to retain their business. It is essential that the division keeps pace with market expectations but shortages of skilled workers and technical staff which was an issue in fiscal 2012 is one which is likely to continue into the next financial year.

During the course of fiscal 2012 we saw an escalation of the Eurozone crisis which affected the world trading environment. In addition, there were several other negative factors such as a decelerating US economy, inflationary pressures in China, all of which negatively affected market confidence. These wider economic factors were reflected in Pantene’s sales performance where a buoyant first half of the year was followed by a more subdued second six months.

The current sales order intake level indicates that this slow down will continue into fiscal 2013. As a result, our sales team is focused on proactive sales and marketing activity to find new business and customers. The company will continue to take all measures, including further cost savings, productivity improvements and the continuous streamlining of operational efficiency to protect profit levels.

Tools Division

UK Tools (Spear & Jackson UK and Eclipse Tools)

The year saw tough trading conditions within UK industrial markets across all sectors as a result of an ailing UK economy. Demand in the UK retail and building sectors was particularly poor although the division was successful in mitigating this by securing new listings, gaining market share within the independent channel for our hand and garden tools and by the introduction of new products.

Overall, sales were 10% better than last year. Our home market showed a 3% sales growth driven by high promotional sales. Although the volume was welcome in a tough market, our margins were squeezed. The garden market was below our expectations due to the poor UK weather which suppressed demand.

Our overseas markets bounced back and were 22% ahead of fiscal 2011. This was mainly driven by our PRC hacksaw blade facility coming on stream. During 2012, we experienced further start-up issues within the new factory, causing additional one-time rectification and other costs. These problems are now behind us and we are focused on building our sales line.

Going forward, the Neill Tools business unit has been split into two clearly differentiated divisions, Spear & Jackson UK and Eclipse Tools. This split was completed at the end of fiscal 2012 and the individual management teams are now focused on channel and market growth.

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

The economic outlook for 2013 remains uncertain. However, our new Spear & Jackson Kew range has received positive market feedback and our industrial products drive into Asia is expected to help to continue to grow our business.

Robert Sorby

Fiscal 2012 was a year of transition in that our traditional sales approach has had to adapt in the face of changing market conditions. Demand for Sorby core product has been declining for a number of years as more competitors have entered a restricted market space. Twenty years ago there were just two companies producing woodturning tools, now there are more than ten.

Many of these new companies are small family run businesses with little in the way of overheads in comparison to Sorby. This has resulted in cheaper product flooding the market place. It is only through a consistent year on year pipeline of new product that Sorby has maintained its sales levels. There is a similar story at our retail outlet, Turners Retreat, where we have had to work ever harder to remain successful.

Additionally, following a round of government funding cuts, the UK faces a period of austerity which is likely to put further pressure on sales levels. Our focus market suffers directly from the poor economic climate with our typical customer, a retiree, being hit hardest with reductions in pensions and low interest returns on savings. However, prospects in Europe and US appear to be improving with outlook forecasts for the beginning of our financial year looking more positive.

The good news is that Sorby retains its position as the market leader and can command a price premium as a result. We produce a high end product and offer our customers an unrivalled service. Our product innovation has always been market leading but we have suffered in recent years from copycat product and consequently we are now more aggressive with regard to intellectual property protection.

Going forward, we are increasing our presence with several initiatives including demonstrations to turning clubs and associations; increased marketing and advertising; production of videos both in the form of CDs and YouTube; the use of Flash Codes on product packaging; improved instructions and user information; more overseas' customer visits; and investment in merchandising units to ensure our product is professionally presented in stores across the world.

Although there is a cost to all these initiatives, the increased expenditure is delivering good results. The latest product launched, with all design, marketing and merchandising done in house, has sold over 100,000 units in its first 2 months of sales.

The outlook for 2013 remains positive with Q1 sales on target. Looking further ahead, the aim is to introduce additional new products to buoy demand in Quarter 2 and beyond.

Spear & Jackson France

Overall, the company's sales in fiscal 2012 were 10% higher than last year but, as in the previous year, business trends have been unpredictable.

During the first quarter, the division benefited from new business with a major French retailer which helped it to achieve budgeted turnover. Additionally, the pre season period (January and February 2012) was also good, again as a result of new listings with large retail chains. However, an unseasonably warm winter and the wet weather in spring and summer massively reduced retail demand for snow tools and garden products and diluted the positive impact of these sales gains.

In terms of trading results, the company suffered from price increases imposed by key Chinese suppliers, adverse US dollar/Euro exchange movements and from the downward pricing pressure exerted by customers in order to retain existing supply contracts or to gain incremental business. Nevertheless, the 2012 operating profit was 7% better than the prior year and the closing cash position was 13% higher.

A number of new products were launched in the year, together with a series of range extensions and modifications. These included a range of interchangeable stainless steel garden and hand tools; an extension to the existing cutting tools range; and the introduction of new promotional displays and merchandisers.

New product development is an essential part of the division's operational strategy and, when allied to ongoing improvements in procurement processes, particularly via increased sourcing from the PRC, is seen as the main driver in maintaining sales and margins as we move into fiscal 2013.

Looking forward into fiscal 2013, the picture, as in fiscal 2012, continues to be mixed. We have been successful in winning a contract to supply a major retailer with their private range of cutting tools. This range will be launched in February 2013 and will be supplemented with other incremental business which, weather permitting, will hopefully include improved garden tool sales in spring 2013. However, this positive news has to be balanced against the recently confirmed loss of one of the division's major listings.

Management has been concerned since September 2012 about a deteriorating economic landscape in France. Reducing demand has meant that the division has lost sales both at the end of Q4 of fiscal 2012 and also as the division moves into Q1 of fiscal 2013. This will affect the profitability of the business at the beginning of fiscal 2013 as the lost sales cannot be offset by the new private label cutting tool listings and new products which do not come on stream until February 2013.

Spear & Jackson Australia and New Zealand

During fiscal 2012, both the Australian and New Zealand economies and, in particular, their retail sectors, suffered declining demand and increased price competition.

The combination of rising interest rates, food, fuel and utility costs and the ongoing uncertainty of the European and USA economies encouraged consumers to reduce their discretionary spend in favour of paying down debt. This reduction in demand stimulated retail price competition as retailers battled to attract the diminishing consumer dollar.

Given the above, fiscal 2012 was a very challenging year with the combined Australian and New Zealand business units recording a neutral sales result in fiscal 2012 when compared to the prior year, however both sales revenues and trading margins were subjected to significant downward pressures.

In response, management focused its efforts on the proven sales and new product development strategies which have delivered consistent sales and profit performance in past years and, after exercising tight working capital management and cost control, delivered a satisfactory sales and profit result in fiscal 2012 given the macroeconomic challenges to both business units that were beyond our control.

While there is no indication that the prevailing economic conditions in either country will improve in the near term, management takes comfort in the knowledge that the retail ranging secured in the past will continue to both strengthen and benefit our brands and ensure the resilience of the Australian and New Zealand business units going forward.

Precision Measurement Division

Sales for the full year saw a 13% increase on last year, with the UK market being one of the main drivers. Sales in other regions were mixed, with Germany showing growth but many other Eurozone markets seeing a small decline. Good growth was achieved in China and India, albeit at a slower rate than in previous years.

The mixed trading environment resulted in the business concentrating on markets with the highest activity and with machine tool sales growing quite rapidly in the UK, this was the main target area. Investment by our customers in machine tools normally signifies additional requirements for quality measuring instruments to control the parts being produced. This resulted in excellent sales of our core Bowers 3-point bore gauges and Baty Non-contact Vision Systems.

One of the main challenges in the period was the introduction of a new SAP ERP system across the business. This inevitably caused a certain amount of disruption for the first few months, but we started to see benefits from the improved system in the second half of the year.

Long lead times continued to be a problem on product sourced from China and India. However, this also improved towards the year end. Capital investment in machine tools for our Bradford, UK, manufacturing facility managed to ease some of the capacity issues we had experienced earlier in the year.

The Bowers MicroGauge was the main product launch in the year. Designed for the accurate measurement of small bores in the 1-6mm range, the product received an excellent response at our two main tradeshows during the year in Germany and USA. We also rolled out the new design for all of our Moore & Wright digital hand tools, which offers a more industrial and professional feel.

The outlook for fiscal 2013 is a little uncertain, caused mainly by the problems in the Eurozone and the resulting effect this has on suppliers in China and India. However, we have ambitious growth plans in place for the forthcoming year and a large number of new product launches planned. With little sign of a slowdown in the UK manufacturing sector, we will continue to focus on sales to the buoyant Automotive, Aerospace and Energy sectors.

Magnetic Technologies Division

Overall, sales grew by 7% over the prior year. An otherwise cautious UK market reported an excellent 8% increase with our export business achieving 5%. This was achieved despite a strengthening of sterling against the euro that depressed our export sales revenue by 4%.

All product groups grew in the UK market, as a result of new product introduction and new projects within the Magnetic Technologies division. The new "Boilermag" initiative (an easy fit high performance filtration system that removes black ferrous oxide sludge from domestic central heating systems) was launched in the UK during August. Market feedback was extremely positive and we have high expectations for this product in fiscal 2013.

The increase in export sales growth was driven by continued filtration sales growth in conjunction with the focus on new market and the introduction of new products. We have established our own sales office within the Precision Measurement division's Shanghai facility and recruited a dedicated sales team to focus on developing this market for our Magnetic Filtration program.

We had an excellent year with our Joint Venture Company in Ningbo reporting strong earnings which were reflected in the remittance of increased dividend payments to Eclipse Magnetics Ltd, the UK shareholder.

The main challenges during the year related to the unprecedented price increase of rare earth magnet materials, which saw an increase of over 1,000% during the first half of the year. We were able to manage this closely with our customers and our margins were only slightly hit during this period as a result of the timing of price increase acceptance. The material price stabilized during the second half of the year.

The outlook for fiscal 2013 remains positive. We have positioned the business with new products during fiscal 2012 and established networks within new markets (Asia and Eastern Europe) which will provide a good platform for further growth.

Consumer Electronics Division (Alford Industries)

Market competition in the consumer electronics sector was fierce and price wars were initiated by competitors to secure market share in a shrinking market. In order to secure higher profit margins and to retain a competitive edge onus was placed on our internal research and development team to build close ties with key solution houses in the wireless video technology sector which enabled the company to continue to raise its competitiveness over its rivals.

Sales revenue for the year ended 30 September 2012 increased by 1.5 times over the previous financial year to HK$199.4 million and the division achieved a profit before tax of HK$8.1 million which compared to a prior year loss of HK$19.2 million. This favourable movement was principally attributable to substantially improved baby monitor sales in North America.

North America (USA & Canada) is still our prime market generating 86% of the company’s sales. Europe (mainly the UK) lies in second place with 8%. Market sentiment in North America is much better than in Europe but end customers are still extremely price sensitive which results in price pressure being driven down the length of the supply chain to ultimately rest with the manufacturer.

Baby monitors are our core product category generating more than 90% of our sales revenues. As noted above, customer price sensitivity and the threat of competition from new and existing market entrants continue to exert margin price pressures. Working capital and cash control is therefore a key management focus.

A number of new products were launched in the year. These included two new baby monitors with a 3.5″ and 2.7″ screen and the “Boom Cube”, a keychain speaker for use on mobile devices and PCs which, in total, contributed an additional HK$48 million to sales revenues.

Although the macro-economic environment remains challenging, we are seeing a slow but continuous recovery in the US. In Europe, however, consumer demand is negatively affected by austerity measures and economic uncertainty. Despite all these challenges, we are cautiously optimistic about trading prospects in fiscal 2013. Positioning Alford as one of the key players in the baby monitor manufacturing market, especially in North America, will continue to be our marketing team’s prime strategy in the forthcoming year.

Brands

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

Spear & Jackson has held leading brand names in its core business since 1760. These include Eclipse, WHS Tyzack, Elliott Lucas and Spear & Jackson. Robert Sorby is a recognized specialist in its wood turning tools. In France, our gardening and agricultural tools brand, Forges de Lavieu, is backed by over 100 years of quality design and manufacturing excellence.

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

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

Liquidity and Cash Resources

The Group's net cash position at 30 September 2012, together with the prior year comparatives, is summarized as follows:

	2012 **HK$million**	2011 HK$million
Cash and cash equivalents and pledged bank deposits	**156.3**	142.0
Less: interest-bearing bank borrowings and obligations under finance leases	**(76.7)**	(106.5)
Net cash	**79.6**	35.5
Total equity	**381.9**	418.6
Interest-bearing bank borrowings and obligations under finance leases to total equity	**20.08%**	25.44%

The working capital position of the Group remains healthy. At 30 September 2012, the liquidity ratio (ratio of current assets to current liabilities) was 213% (2011 – 201%). It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure.

Cash Flow from Operating Activities

Net cash generated from operating activities was HK$70.5 million (2011 – HK$21.6 million). Contributing to the increased 2012 cash inflow were higher levels of operating profit offset by a working capital increase of HK$1.8 million, restructuring costs of HK$3.7 million and annual contributions to the UK Defined Benefit Retirement Plan of HK$12.2 million. In 2011, the gross cash flow was diluted, amongst other factors, by contributions of HK$10.2 million paid into the UK Defined Benefit Retirement Plan and reorganization costs of HK$33.2 million.

Cash Flow from Investing Activities

The 2012 net cash outflow from investing activities amounted to HK$7.5 million (2011 – HK$47.0 million inflow). Included in this outflow is HK$8.1 million of property, plant and equipment purchases. The 2011 inflow included HK$48.2 million net sales proceeds, less attributable costs, arising on the disposal of Jade in February 2011 and HK$14.9 million of capital expenditure.

Cash Flow from Financing Activities

The net cash outflow from financing activities amounted to HK$48.7 million (2011 – HK$43.7 million), which included HK$32.0 million in relation to net decreases in bank borrowings and HK$4.9 million in relation to the payment of an interim dividend. The 2011 comparative included a HK$30.9 million movement in relation to net decreases in bank borrowings.

Capital Expenditure

Capital expenditure in the year (including items purchased under finance leases), financed by internal resources and credit facilities, amounted to HK$17.4 million (2011 – HK$27.4 million).

Treasury Management

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

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

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

Major Customers and Major Suppliers

For the year under review, sales to the largest customer and the five major customers accounted for 11% and 30%, respectively, of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 5% and 16%, respectively, of total purchases for the year.

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

Employees

At 30 September 2012, the Group employed approximately 556 executive and clerical staff and 1,718 factory workers. These numbers have increased in the year as the Group has recruited additional workers to meet increased demand.

The remuneration of such staff and workers is determined by overall guidelines within the relevant industries. The Group has also adopted certain bonus programs, share option schemes, 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 organizes training sessions in many disciplines, including SAP, for the benefit of its staff on a worldwide basis to upgrade their skills.

Prospects and Strategies

Building on the solid trading performances recorded in the years ended 30 September 2011 and 2010, fiscal 2012 saw a further significant increase in profitability. The Group benefited from top line growth attributable to new product launches, new customers being secured and a general market upturn. Earnings correspondingly improved thanks to the additional margin generated, cost reductions levered from prior year restructuring initiatives and a reduction in one-time reorganization and other costs.

The earnings growth achieved over these last three financial years means that a sustainable and stable profit and cash flow base has now been established that will be a key component in supporting the Group's future growth and development strategies. In recent years reorganization exercises have had a material impact on the Group's income statement and cash flow in terms of one-time charges and expenditure. Going forward, this cash and earnings volatility should now be removed as the major restructuring initiatives have been fully implemented.

In fiscal 2012, excellent trading performances were recorded in the Contract Manufacturing, Magnetic Technologies and Precision Measurement divisions. It is also pleasing to report that, after a difficult 2011 in which it was adversely affected by declining sales of its analog baby monitor and by delays in the transition to a digital version, the Group's Consumer Electronics division has seen sales revenues increase dramatically and has now returned to profitability.

The Contract Manufacturing division experienced increases in sales revenues and earnings. However, in common with many other businesses in the PRC, the business will have to deal with margin pressures as a result of labour rate increases and manpower shortages. Like a number of other business units within the Group, a slowing of orders has been noticeable from Q4 of fiscal 2012.

The Magnetic Technologies division produced excellent results in 2012 with the performance of the main UK-based division supported by strong trading from its Canadian subsidiary and by a significant contribution in terms of profit share and dividend income from its PRC joint venture associate company.

The results of the Group's Precision Measurement division for fiscal 2012 showed substantial growth over those of the prior year with strong sales demand from key overseas distributors combined with high capital item sales. Manufacturing efficiency and production capacity in the division's UK plant were enhanced by capital expenditure in fiscal 2011 and 2012 which will benefit the company moving into 2013 and beyond. The division enters fiscal 2013 with a strong order book but UK and European economic concerns may impact negatively on customers' capital expenditure budgets which may soften demand for the division's products.

However, these successes were offset by disappointing results within the Tools Division where production problems at its PRC manufacturing plant and poor spring weather in the UK held back hacksaw blade and garden tools sales, respectively, and by fragile retail demand and reducing consumer spend in Australasia which suppressed sales in our Australian subsidiary. The issues at the hacksaw blade manufacturing plant have now been resolved and 2013 should see the division able to realize the double benefit of reduced costs whilst retaining the manufacture of a premier branded product within the Group.

Looking ahead to fiscal 2013 and beyond, our core strategic goals are to:

- Continuously focus on new product development and innovation to stimulate customer demand and drive top-line sales.
- Deliver revenue growth by maximising global distribution channels and quality brand names.
- Expand our operations into key territories and use our widening global networks and brand strength to extend the reach of our products.
- Utilise Chinese facilities and expertise to generate cost efficiencies across the Group.
- Take advantage of our already strong presence in China to further access the intellectual and physical assets of this stellar growth economy.
- Target value-accretive acquisitions on the global market to further strengthen the Group balance sheet and increase profitability.

As stated above, the Group's operational strategy is to drive incremental sales through new product development and the penetration of new markets. Restructuring initiatives implemented in the current and prior years have delivered cost savings and, in addition to targeting top line growth, we will continue to explore opportunities to further reduce and rationalize the cost of the Group's operating base in order to maintain margins and to retain its competitive edge.

In recent years Spear & Jackson, thanks to its brands and quality product offering, has delivered solid financial performance against a backdrop of economic uncertainty and volatile raw material prices. Looking forward, our strategy is to pursue growth by expanding our presence in Asia, while also aggressively targeting markets we have not yet penetrated, such as the US.

Since the appointment in January 2012 of Mark Franckel as CEO of the Spear & Jackson Group, there has been increased emphasis on maximising the value of the division's well known brands, particularly with regard to those that relate to the Tool Division. Going forward, there will be a clear separation of the core elements of this division so that the key industrial tool and garden product brand names receive a dedicated focus.

As a demonstration of Spear & Jackson's brand heritage and its reputation for producing premium tools, The Royal Botanic Gardens in Kew, UK, approached the company to develop a dual-branded range of high-end gardening tools. Recognizing Kew's pivotal role as a world leader in plant science and conservation, this partnership reinforces Spear & Jackson's unique combination of history and innovation.

Entering 2013, the economic landscape is far from certain with concerns about the financial status of certain members of the Eurozone and the negative impact that this may have on economies and financial markets world-wide.

These financial and economic uncertainties have also impacted on the amount recognized in the Group's balance sheet in respect of the deficit in the UK defined benefit pension plan. Low gilt yields have driven up the plan's liabilities and introduced unwelcome volatility into the measurement of UPI's consolidated net assets.

Entering the new financial year, it is clear that fragile consumer and industry confidence and softening demand are affecting certain areas of our operations. At this point it is not possible to predict the size and timing of the effect that these unfavourable and potentially volatile aspects of the economic environment may have on our businesses. We believe, however, that the Group's portfolio of good companies with their strong asset base backed by sound cash flow, its product diversity and the geographical reach of its sales markets will help to shield the Group from the worst effects of any recessionary downturn, should this occur.

CORPORATE GOVERNANCE REPORT

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

Corporate Governance Code

The Company has adopted the Corporate Governance Code (formerly the "Code on Corporate Governance Practices") (the "CG Code") contained in Appendix 14 of the Listing Rules including those revised code provisions which became effective on 1 April 2012. Throughout the year ended 30 September 2012, the Company complied with all applicable provisions of the CG Code for their respective applicable periods, except for the following deviation:

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

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

Board of Directors

The Board of the Company (the "Board") comprises nine Directors, with four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors.

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

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

Appropriate directors' and officers' liability insurance has been arranged for the Directors and Officers of the Company.

During the year, all Directors have received regular updates on the changes to and developments in the relevant laws and regulations applicable to Directors. Additionally, training has been attended by all Directors covering a broad range of topics including Directors' duties, updates on the Listing Rules and accounting reporting standards.

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

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

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

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

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

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

The attendance records of the Directors for Board and Committee meetings for the year ended 30 September 2012 are set out below:

	No. of meetings attended/No. of meetings held					
Directors	**Full Board**	**Audit Committee**	**NCGC Committee**	**Remuneration Committee**	**AGM**	**SGM**
Executive Directors:						
Mr. David H Clarke *(Chairman)*	7/7	N/A	N/A	N/A	1/1	1/1
Mr. Simon N Hsu *(Executive Vice-Chairman)*	6/7	N/A	2/2	4/4	1/1	1/1
Mr. Henry W Lim *(Chief Executive Officer)*	7/7	N/A	N/A	N/A	1/1	1/1
Mr. Patrick J Dyson *(Chief Financial Officer)*	7/7	N/A	N/A	N/A	1/1	1/1
Non-executive Directors:						
Mr. Chan Kin Sang	6/7	N/A	N/A	N/A	1/1	1/1
Mr. Liu Ka Lim	7/7	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors:						
Dr. Wong Ho Ching, Chris	7/7	4/4	2/2	4/4	1/1	1/1
Mr. Ramon S Pascual	6/7	3/4	N/A	4/4	1/1	1/1
Mr. Robert B Machinist	7/7	4/4	2/2	N/A	1/1	1/1
Number of meetings held during the year from 1 October 2011 to 30 September 2012	**7**	**4**	**2**	**4**	**1**	**1**

Audit Committee

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

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

The composition of the Audit Committee is as follows: Mr. Robert B Machinist (Chairman of the Audit Committee), Dr. Wong Ho Ching, Chris, and Mr. Ramon S Pascual.

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

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

Remuneration Committee

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

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

The Remuneration Committee comprises: Mr. Ramon S Pascual (Chairman of the Remuneration Committee), INED, Dr. Wong Ho Ching, Chris, INED and Mr. Simon N Hsu, Executive Director.

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

Nominating and Corporate Governance Committee ("NCGC")

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

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

The NCGC Committee meets at least twice a year and reviews and recommends the composition of Board Committees, nominates members of each committee and evaluates the performance of each director and Board committee (other than NCGC members and NCGC Committee), and the performance of the Board as a whole. The criteria for the Committee to select and recommend candidates for directorship include the candidate's skill, knowledge and experience in relevant areas, the number of directorships of listed companies held by the candidate, the time commitment required, and whether the candidate can demonstrate a level of competence and integrity required for the position of Director.

Model Code for Securities Transactions

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

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

Internal Controls

The Audit Committee assists the Board in meeting its overall responsibility for ensuring that a sound and effective system of internal controls is maintained within the Group, particularly in respect of the controls on financial, operational, compliance and risk management. The adequacy of resources, qualifications and experience of staff performing the accounting and financial reporting functions, their training programmes and budget are also the subject of review. Such a review was conducted for the year ended 30 September 2012. The internal control system is designed to ensure proper maintenance of accounting records and reliability of financial reporting, ensure compliance with relevant legislation and regulations, and aims to manage, instead of eliminate, risks of failure in achieving the Group's objectives to safeguard shareholders' investments and the Group's assets, in recognition that risk-taking is an inherent aspect of business operations.

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

Auditor's Remuneration

The Company's auditor is BDO Limited, The remuneration paid and payable to BDO Limited in respect of audit services and non-audit services for the year ended 30 September 2012 amounted to approximately HK$3,504,000 and HK$2,436,000 respectively.

Responsibilities in respect of the Financial Statements

All Directors acknowledge their responsibility for preparing the accounts for the year ended 30 September 2012. The auditor of the Company acknowledges its reporting responsibilities on the financial statements for the year ended 30 September 2012 as set out in the Independent Auditor's Report on pages 42 and 43.

Communication with Shareholders

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

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

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

Shareholders' Rights

(i) Procedures by which Shareholders can convene a Special General Meeting ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

(ii) Procedures for putting forward proposals at General Meetings ("GM")

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the GM, or who are no less than 100 shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at Unit 1903-05, 19/F Nan Fung Tower, 173 Des Voeux Road Central, for the attention of the Company Secretary not less than six weeks before the GM in case of a requisition requiring notice of a resolution and not less than one week before the GM in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

(iii) Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at Unit 1903-05, 19/F Nan Fung Tower, 173 Des Voeux Road Central.

Constitutional Documents

During the year, there was no change in the Company's constitutional documents.

DIRECTORS' REPORT

The Board of Directors (the "Directors") is pleased to present its report and the audited consolidated financial statements for the year ended 30 September 2012.

Principal Activities

United Pacific Industries Limited ("United Pacific Industries", "UPI", or the "Company") is a diversified investment holding company. The principal operations of the Company and its subsidiaries (the "Group") are set out on pages 12 to 15 of this Annual Report.

Results and Appropriations

The results of the Group for the year ended 30 September 2012 are set out in the consolidated income statement on page 44 and the accompanying notes to the consolidated financial statements.

Financial Summary

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

Share Capital

Details of the Company's share capital are set out in note 35 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 49.

At 30 September 2012, the Company's reserves, for distribution purposes, showed a surplus of HK$66,139,000 comprising an accumulated loss of HK$4,772,000 and a contribution surplus of HK$70,911,000.

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

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

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

Directors and Service Contracts

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

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

Non-executive Directors:
Mr. Chan Kin Sang
Mr. Liu Ka Lim

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

In accordance with Bye-Law 111(A) and 111(B) of the Company's Bye-Laws and Code Provision A.4.2 of the Corporate Governance Code ("CG Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Simon N Hsu, Mr. Ramon S Pascual and Dr. Wong Ho Ching, Chris, will retire as Directors at the forthcoming annual general meeting ("AGM"). All of them, being eligible, will offer themselves for re-election. All other Directors will continue in office.

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

Mr. Pascual has been an Independent Non-executive Director since 2003. His re-election is subject to a separate resolution to be approved by the shareholders in compliance with Code Provision A.4.3 of the CG code. Notwithstanding that Mr. Pascual has served the Company continuously since 2003, the Board is satisfied that Mr. Pascual is a person of integrity and stature, and independent in character and judgment. He is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgment. Consequently, the Board recommends the re-election of Mr. Pascual as an Independent Non-executive Director at the forthcoming AGM.

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

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

Directors' Interests in Contracts and Connected Transactions

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

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

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

Long Positions

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

Name of directors	Capacity	Number of ordinary shares held	Percentage interest in the Company's issued share capital
Mr. David H Clarke	Interest in a controlled corporation (Note)	13,117,200	1.32%
Mr. Patrick J Dyson	Beneficial owner	2,290,212	0.23%
Mr. Henry W Lim	Beneficial owner	400,000	0.04%

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. Simon N Hsu	Beneficial owner	15,897,606	15,897,606
Mr. David H Clarke	Beneficial owner	7,906,111	7,906,111
Mr. Henry W Lim	Beneficial owner	3,000,000	3,000,000

Other than as disclosed above, and except for nominee shares in certain subsidiaries held in trust for the Group at 30 September 2012, neither the Directors nor any of their associates, had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Substantial Shareholders' Interests

As at 30 September 2012, so far as the Directors are aware, shareholders (other than Directors 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	Capacity	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	27.28%
Mrs. Chu Yuet Wah	Beneficial owner (Note 2)	261,313,309	26.31%

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) Mrs. Chu is the beneficial owner of 261,313,309 shares.

Other than as disclosed above, no person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September 2012.

Share Options and Directors' Rights to Acquire Shares or Debentures

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

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

			Number of Option Shares		
Name	**Date of Grant**	**Exercise Price HK$**	**Outstanding at 1.10.2011**	**Exercised during the year**	**Outstanding at 30.9.2012**
Mr. Simon N Hsu	23.7.2003	0.286	3,773,165	–	3,773,165

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

(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. Following adjustments to capital changes in 2008 and 2009 and the subsequent exercise and grant of share options, the number of options available for future grants is 21,531,217, which represented approximately 2.17% of the Company's shares in issue as at the date of this annual report.

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

On 18 June 2012, the Company granted 13,500,000 share options to certain Executive Directors under the share option scheme of the Company adopted on 30 August 2004. These options entitle the grantees to subscribe for a total of 13,500,000 new ordinary shares with a nominal value of HK$0.10 per share in the share capital of the Company. The exercise price of the options granted is HK$0.313 per share and they are valid for a period of ten years from 18 June 2012 to 17 June 2022. The options granted are subject to vesting in three equal tranches on the first, second and third anniversary of the date of the grant.

The details of the exercise price and number of options outstanding during the year which have been granted to the Directors of the Company and employees of the Group under the 2004 Scheme, adjusted for capital changes in 2008 and 2009, are as follows:

Name	Date of Grant	Exercise Price per share HK$	Outstanding at 1.10.2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30.9.2012
Mr. David H Clarke	28.9.2004	0.193	1,030,331	–	–	–	1,030,331
	20.12.2004	0.198	875,780	–	–	–	875,780
	18.6.2012	0.313	–	6,000,000	–	–	6,000,000
Mr. Simon N Hsu	28.9.2004	0.193	4,121,320	–	–	–	4,121,320
	20.12.2004	0.198	3,503,121	–	–	–	3,503,121
	18.6.2012	0.313	–	4,500,000	–	–	4,500,000
Mr. Henry W Lim	18.6.2012	0.313	–	3,000,000	–	–	3,000,000
			9,530,552	13,500,000	–	–	23,030,552
Other employees	28.9.2004	0.193	1,236,393	–	(824,262)	–	412,131
	20.12.2004	0.198	1,050,937	–	(700,624)	–	350,313
			11,817,882	13,500,000	(1,524,886)	–	23,792,996

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

The options granted on 18 June 2012 are subject to vesting in 3 equal tranches on the first, second and third anniversary of the date of the grant and will be fully vested on 17 June 2015. The options granted are exercisable subject to the vesting conditions for a period not exceeding ten years up to 17 June 2022.

For details of the above share option schemes, please refer to note 36 to the consolidated financial statements.

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

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

Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding but unvested share options as set out above, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 30 September 2012 and there has been no exercise of convertible securities, options, warrants or similar rights during the year.

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

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

Pre-emptive Rights

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

Major Customers and Major Suppliers

For the year under review, sales to the largest customer and the five major customers accounted for 11% and 30% respectively, of total revenues for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 5% and 16% respectively, of total purchases for the year.

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

Emolument Policy

The emolument policy of Group employees is set by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 36 to the consolidated financial statements.

Public Float

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

Corporate Governance

Principal corporate governance practice as adopted by the Company is set out in the Corporate Governance Report on pages 28 to 33.

Confirmation of Independence of Independent Non-executive Directors

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

Auditor

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

BDO Limited has expressed its willingness to continue in office and will seek re-election as auditor of the Company at the forthcoming Annual General Meeting.

On behalf of the Board

DAVID H CLARKE
CHAIRMAN
Hong Kong, 11 December 2012

INDEPENDENT AUDITOR'S REPORT

BDO

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

We have audited the consolidated financial statements of United Pacific Industries Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 44 to 141, which comprise the consolidated and company statements of financial position as at 30 September 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

BDO

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number: P04434
Hong Kong, 11 December 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2012

	Note	2012 HK$'000	2011 HK$'000
Continuing operations			
Revenue	5	**1,468,610**	1,276,962
Cost of sales		**(1,030,994)**	(906,164)
Gross profit		**437,616**	370,798
Other income	6	**4,354**	7,204
Interest income	7	**11,796**	12,292
Selling and distribution costs		**(223,534)**	(219,036)
Administrative costs		**(144,058)**	(104,081)
Restructuring costs	8	**(3,284)**	(11,135)
Finance costs	9	**(3,921)**	(5,573)
Share of results of an associate	21	**4,452**	2,848
Realised exchange differences on the liquidation of a subsidiary undertaking recycled from other comprehensive income		**600**	–
Cash flow hedge recycled from other comprehensive income		**1,361**	(2,076)
Profit before tax	10	**85,382**	51,241
Income tax charge	12	**(24,808)**	(17,471)
Profit for the year from continuing operations		**60,574**	33,770
Discontinued operation			
Net result from discontinued operation	38	**–**	3,979
Profit for the year		**60,574**	37,749
Attributable to:			
Owners of the Company:			
Continuing operations		**60,574**	33,770
Discontinued operation		**–**	3,979
		60,574	37,749
Earnings per share from continuing and discontinued operations	15		
Basic		**6.20 cents**	3.86 cents
Diluted		**6.18 cents**	3.85 cents
Earnings per share from continuing operations	15		
Basic		**6.20 cents**	3.45 cents
Diluted		**6.18 cents**	3.44 cents
Earnings per share from discontinued operation	15		
Basic		**N/A**	0.41 cents
Diluted		**N/A**	0.41 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2012

	2012 HK$'000	2011 HK$'000
Profit for the year	**60,574**	37,749
Other comprehensive income		
Exchange differences arising on the translation of foreign operations	**9,856**	1,852
Realised exchange differences on the sale of a disposal group recycled to the income statement	**–**	(1,194)
Cash flow hedge (loss)/gain recognised in equity	**(839)**	1,361
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)	**(99,724)**	25,088
Deficit on revaluation of available-for-sale financial assets	**(113)**	–
Realised exchange differences on the liquidation of a subsidiary undertaking recycled to the income statement	**(600)**	–
Other comprehensive income for the year, net of tax	**(92,781)**	29,183
Total comprehensive income for the year attributable to the owners of the Company	**(32,207)**	66,932

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**187,854**	186,012
Prepaid land lease payments under operating leases	17	**494**	529
Goodwill	18	**2,432**	2,345
Other intangible assets	19	**164**	559
Interest in an associate	21	**7,007**	5,504
Available-for-sale financial assets	22	**2,593**	705
Deferred tax assets	34	**72,203**	52,434
		272,747	248,088
Current assets			
Inventories	23	**272,735**	274,209
Trade and other receivables	24	**281,915**	250,975
Tax recoverable		**–**	1,239
Derivative financial instruments	25	**–**	1,932
Pledged bank deposits	26	**5,000**	5,000
Cash and cash equivalents	27	**151,357**	137,038
		711,007	670,393
Current liabilities			
Trade and other payables	28	**251,911**	242,492
Interest-bearing bank borrowings - amounts due within one year	29	**57,103**	79,885
Obligations under finance leases - amounts due within one year	30	**8,127**	6,392
Provisions	31	**4,121**	2,102
Derivative financial instruments	25	**2,874**	117
Tax payable		**9,020**	3,260
		333,156	334,248
Net current assets		**377,851**	336,145
Total assets less current liabilities		**650,598**	584,233

At 30 September 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Non-current liabilities			
Interest-bearing bank borrowings - amounts due after one year	29	**2,400**	11,671
Obligations under finance leases - amounts due after one year	30	**9,104**	8,623
Retirement benefit obligations	33	**245,217**	132,220
Deferred tax liabilities	34	**11,973**	13,148
		268,694	165,662
Net assets		**381,904**	418,571
Capital and reserves			
Share capital	35	**99,338**	99,185
Reserves	37(a)	**282,566**	319,386
Total equity attributable to owners of the Company		**381,904**	418,571

The consolidated financial statements on pages 44 to 141 were approved and authorised for issue by the Board of Directors on 11 December 2012 and are signed on its behalf by:

DAVID H CLARKE
DIRECTOR

PATRICK J DYSON
DIRECTOR

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**377**	447
Investment in subsidiaries	20	**97,802**	124,802
Available-for-sale financial assets	22	**1,875**	–
		100,054	125,249
Current assets			
Trade and other receivables	24	**647**	488
Amounts due from subsidiaries	20	**216,766**	236,161
Cash and cash equivalents	27	**26,762**	37,987
		244,175	274,636
Current liabilities			
Trade and other payables	28	**6,859**	3,831
Amounts due to subsidiaries	20	**128,987**	197,864
Derivative financial instruments	25	**–**	117
		135,846	201,812
Net current assets		**108,329**	72,824
Total assets less current liabilities		**208,383**	198,073
Net assets		**208,383**	198,073
Capital and reserves			
Share capital	35	**99,338**	99,185
Reserves	37(b)	**109,045**	98,888
Total equity attributable to owners of the Company		**208,383**	198,073

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium * HK$'000	Treasury share reserve * HK$'000	Share option reserve * HK$'000	Capital redemption reserve * HK$'000	Capital reserve * HK$'000	Trans-lation reserve * HK$'000	Hedging reserve * HK$'000	Investment revaluation reserve * HK$'000	Accum-ulated profits * HK$'000	Total HK$'000
At 1 October 2010	99,185	40,050	(5,365)	528	1,442	19,870	(63,000)	(2,076)	–	261,005	351,639
Profit for the year	–	–	–	–	–	–	–	–	–	37,749	37,749
Other comprehensive income:											
Exchange differences arising on the translation of foreign operations	–	–	–	–	–	–	1,852	–	–	–	1,852
Realised exchange differences on the sale of a disposal group recycled to the income statement	–	–	–	–	–	–	(1,194)	–	–	–	(1,194)
Cash flow hedges - changes in fair value recognised in the year (note 25)	–	–	–	–	–	–	–	1,361	–	–	1,361
Cash flow hedges recycled to the income statement (note 25)	–	–	–	–	–	–	–	2,076	–	–	2,076
Recognition of actuarial gains on defined benefit pension plan (net of tax)	–	–	–	–	–	–	–	–	–	25,088	25,088
Total comprehensive income income for the year	–	–	–	–	–	–	658	3,437	–	62,837	66,932
At 30 September 2011	**99,185**	**40,050**	**(5,365)**	**528**	**1,442**	**19,870**	**(62,342)**	**1,361**	**–**	**323,842**	**418,571**
Dividends paid (note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,887)**	**(4,887)**
Exercise of share options	**153**	**145**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**298**
Grant of new share options	**–**	**–**	**–**	**129**	**–**	**–**	**–**	**–**	**–**	**–**	**129**
Transactions with owners	**153**	**145**	**–**	**129**	**–**	**–**	**–**	**–**	**–**	**(4,887)**	**(4,460)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**60,574**	**60,574**
Other comprehensive income:											
Exchange differences arising on the translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**9,856**	**–**	**–**	**–**	**9,856**
Cash flow hedges - changes in fair value recognised in the year (note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(839)**	**–**	**–**	**(839)**
Cash flow hedges recycled to the income statement (note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,361)**	**–**	**–**	**(1,361)**
Realised exchange differences on the liquidation of a subsidiary undertaking recycled to the income statement	**–**	**–**	**–**	**–**	**–**	**–**	**(600)**	**–**	**–**	**–**	**(600)**
Deficit on revaluation of available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(113)**	**–**	**(113)**
Recognition of actuarial losses on defined benefit pension plan (net of tax)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(99,724)**	**(99,724)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**9,256**	**(2,200)**	**(113)**	**(39,150)**	**(32,207)**
At 30 September 2012	**99,338**	**40,195**	**(5,365)**	**657**	**1,442**	**19,870**	**(53,086)**	**(839)**	**(113)**	**279,805**	**381,904**

* The total of reserves at 30 September 2012 is HK$282,566,000 (2011 – HK$319,386,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2012

	Note	**2012 HK$'000**	2011 HK$'000
Cash flows from operating activities:			
Profit before tax from continuing operations		**85,382**	51,241
Profit before tax from discontinued operation		**–**	3,979
Adjustments for:			
Interest income		**(957)**	(2,168)
Interest on interest-bearing bank borrowings and overdrafts		**3,122**	4,889
Interest on obligations under finance leases		**799**	684
Interest credit on retirement benefit obligations		**(10,839)**	(10,124)
Retirement benefit plan expenses		**2,940**	3,600
Share of results of an associate		**(4,452)**	(2,848)
(Gain)/loss on disposal of property, plant and equipment		**(34)**	62
Amortisation of other intangible assets		**390**	532
Depreciation of property, plant and equipment		**20,405**	20,790
Amortisation of prepaid land lease payments under operating leases		**35**	52
Impairment loss on trade receivables		**161**	5,475
Impairment loss on inventories		**243**	4,506
Cash flow hedge recycled to the income statement		**(1,361)**	2,076
Share-based compensation expenses		**129**	–
Realised exchange differences on the liquidation of a subsidiary undertaking recycled to the income statement		**(600)**	–
Gain on disposal of a subsidiary	38	**–**	(9,736)
Cumulative exchange differences in respect of the net assets of a subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	38	**–**	(1,194)
Gain on disposal of available-for-sale financial assets		**–**	(123)
Operating cash flows before movements in working capital		**95,363**	71,693
Decrease/(increase) in inventories		**7,720**	(22,606)
(Increase)/decrease in trade and other receivables		**(26,669)**	1,761
Increase in trade and other payables		**17,161**	21,716
Restructuring costs		**(3,654)**	(33,174)
Employer contributions to the defined benefit retirement plan		**(12,218)**	(10,191)
Net cash generated from operations		**77,703**	29,199
Income tax paid		**(7,249)**	(7,574)
Net cash generated from operating activities		**70,454**	21,625

For the year ended 30 September 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(8,071)**	(14,921)
Interest received		**957**	2,168
Proceeds from disposal of property, plant and equipment		**44**	35
Dividend received from an associate		**2,737**	2,310
Deferred contingent consideration paid for the acquisition of a subsidiary		**(1,503)**	(1,547)
Disposal group classified as asset held for sale		**–**	4,005
Proceeds from disposal of available-for-sale financial assets		**–**	172
Net cash inflow on disposal of a subsidiary	38	**–**	54,801
Proceeds from exercise of share options		**298**	–
Purchase of available-for-sale financial assets		**(1,967)**	–
Net cash (used in)/generated from investing activities		**(7,505)**	47,023
Cash flows from financing activities:			
Principal repayment of obligations under finance leases		**(7,803)**	(7,227)
Interest paid on interest-bearing bank borrowings and bank overdrafts		**(3,122)**	(4,889)
Interest paid on obligations under finance leases		**(799)**	(684)
Net cash outflow in trust receipts and export loans		**(3,557)**	(13,786)
Repayment of bank borrowings		**(38,792)**	(44,009)
New bank borrowings raised		**18,367**	21,637
(Decrease)/increase in invoice discounting facility		**(8,054)**	5,218
Dividends paid	13	**(4,887)**	–
Net cash used in financing activities		**(48,647)**	(43,740)
Net increase in cash and cash equivalents		**14,302**	24,908
Effect of foreign exchange rates		**1,208**	3,827
Cash and cash equivalents at 1 October		**122,629**	93,894
Cash and cash equivalents at 30 September		**138,139**	122,629
Analysis of the balance of cash and cash equivalents:			
Cash and cash equivalents	27	**151,357**	137,038
Bank overdrafts	29	**(13,218)**	(14,409)
		138,139	122,629

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

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

The Company is an investment holding company. Its subsidiaries are principally engaged in: the contract manufacturing, on OEM and EMS bases, of a wide range of power-related and electrical/electronic products ("Contract Manufacturing"); the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"); the procurement and assembly of magnetic tools and products including the provision of magnetic-based industrial solutions ("Magnetic Technologies"); the manufacturing, assembly and procurement of metrology and measurement tools ("Precision Measurement"); and the manufacture of electronic consumer products ("Consumer Electronics"). These five business segments are the basis upon which the Group reports its primary segment information. Details of the principal activities of the Company's subsidiaries are set out in note 20.

During the year to 30 September 2010, the operations of Jade Precision Engineering Pte. Ltd. ("Jade"), which comprised the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry, ("Leadframes") were re-classified as discontinued and were subsequently sold in February 2011. Details of this discontinued operation are set out in note 38 to the financial statements.

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

The consolidated financial statements for the current period cover the twelve-months ended 30 September 2012.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 24 (Revised) amends the definition of "related party" and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has revised its accounting policy for the identification of its related parties and has reassessed counterparties of transactions in accordance with the revised definition. The reassessment did not result in new related parties being identified. Related parties identified in prior years remain unchanged under the new accounting policy and the Group has concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and prior years.

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

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

The Group has concluded that the adoption of the new and revised HKFRSs, to the extent that they are relevant to the Group and which are expected to be reflected in the annual financial statements for the year ended 30 September 2012, have had no significant impact on the Group's results of operations and financial position.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[3]
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 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[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 of 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 is 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 July 2014
5 Effective for annual periods beginning on or after 1 January 2015

HKFRS 7 (Amendments) – Disclosures – Offsetting Financial Assets and Financial Liabilities

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

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

HKFRS 9 – Financial Instruments

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

HKFRS 10 – Consolidated Financial Statements

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

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

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

HKAS 19 (2011) – Employee Benefits

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

Basis of consolidation

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

Subsidiaries

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

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

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

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

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

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

Business combinations

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

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

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

Business combinations *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Goodwill

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

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

Interest in an associate

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

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

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

Interest in an associate *(Continued)*

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

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

Revenue recognition

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

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

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

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

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

Property, plant and equipment

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

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

Depreciation is provided to write off the cost of property, plant and equipment net of expected residual value over their estimated useful lives, using the straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

Property, plant and equipment *(Continued)*

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

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

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

Other intangible assets

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

Financial instruments

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

Financial assets

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

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

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

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

— significant financial difficulty of the debtor;

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

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

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

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

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

Available-for-sale financial assets

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

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

Financial instruments *(Continued)*

Financial assets (Continued)

Available-for-sale financial assets (Continued)

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

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of the trade receivable is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

Financial liabilities and equity

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

Bank borrowings

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

Other financial liabilities

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

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

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

When any entity within the Group purchases the Company's ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners and presented as "treasury shares" within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of the treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued, the cost of the treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is taken to equity as other reserve of the Company.

Derecognition

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

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

Derivative financial instruments and hedging

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

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

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

Financial instruments *(Continued)*

Derivative financial instruments and hedging *(Continued)*

Cash flow hedges

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

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

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

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

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

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

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

Borrowing costs

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

Onerous contracts

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

Restructuring

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

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

Impairment of assets

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

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

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

Taxation

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

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

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

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

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

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

Foreign currencies

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

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

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

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

Leases

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

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

Prepaid land lease payments under operating leases

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

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

Leases *(Continued)*

The Group as lessor

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

The Group as lessee

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

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

Retirement benefits costs

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

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

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

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

Retirement benefits costs *(Continued)*

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

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

Equity-settled share-based payment transactions

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

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

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

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

Financial guarantees issued

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

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

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

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

Related parties

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

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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

Segmental reporting

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

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

The Group's principal segments for internal reporting purposes are: the contract manufacturing, on OEM and EMS bases, of a wide range of power-related and electrical/electronic products ("Contract Manufacturing"); the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"); the procurement and assembly of magnetic tools and products including the provision of magnetic-based industrial solutions ("Magnetic Technologies"); the manufacturing, assembly and procurement of metrology and measurement tools ("Precision Measurement"); and the manufacture of electronic consumer products ("Consumer Electronics"). These five business segments are the basis upon which the Group reports its primary segment information.

During the year ended 30 September 2010, the operations of Jade Precision Engineering Pte. Ltd., which comprised the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry, ("Leadframes") were re-classified as discontinued and were subsequently sold in February 2011.

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

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

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

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

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

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

Discontinued operation

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Inventories

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

Income taxes

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

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

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

Income taxes *(Continued)*

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

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

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

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

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

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

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

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

Provisions

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

Foreign currency translation

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

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

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

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

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

Retirement benefit costs

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

Company pension contributions to the Plan are determined by the Trustees of the Plan after consultation with the Plan's actuary with the agreement of the principal employer and the UK Pension Regulator. Contribution levels are set with the intention of eliminating the past service deficit in accordance with relevant regulatory requirements. The Company's funding policy with respect to the Plan is to contribute annually the maximum affordable amount with the intention of clearing the deficit over the shortest period possible and in accordance with applicable UK law and pension regulations. In addition to cash contributions made into the Plan, a second charge has been executed in favour of the Plan representing 50% of the value of the Group's freehold land and buildings at Atlas Way, Sheffield, England (note 40).

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

Retirement benefit costs *(Continued)*

The Group's annual contributions to the Plan in the two years ended 31 March 2010 were £1.9 million (approximately HK$23 million) per annum. 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$12 million). Thereafter, contributions will be £1.079 million (approximately HK$13.4 million) for the year ending 31 March 2013. From 1 April 2013 the annual rate of contribution will be £2.1 million (approximately HK$26.0 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 may be liable to revision and amendment in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of the Plan investments and liabilities and the financial strengths and cash flow requirements of the Plan's sponsoring employers.

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

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

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

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

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

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

Retirement benefit costs *(Continued)*

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

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

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

	Impact on 2013 Pre-Tax Pension Expense HK$	Impact on 30 September 2012 Pension Deficit HK$
Change in assumption		
25 basis point decrease in discount rate	**-$0.99 million**	**+$56.7 million**
25 basis point increase in discount rate	**+$0.99 million**	**-$56.7 million**
25 basis point decrease in expected return on assets	**+ $3.23 million**	**–**
25 basis point increase in expected return on assets	**-$3.23 million**	**–**
25 basis point increase in inflation assumption	**+$0.87 million**	**+$18.9 million**
25 basis point decrease in inflation assumption	**-$0.87 million**	**-$18.9 million**
25 basis point increase in RPI to CPI deduction inflation assumption	**-$0.74 million**	**-$18.9 million**
25 basis point decrease in RPI to CPI deduction inflation assumption	**+$0.74 million**	**+$18.9 million**
Reduce mortality offset to plus 2.75 years	**+$2.48 million**	**+$50.4 million**

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

Goodwill

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

5. REVENUE AND SEGMENT INFORMATION

The Group's segmental information is based on regular internal financial information reported to the Company's Executive Directors for their decisions about resources allocation to the Group's business components and their review of these components' performance.

The Group's principal segments for internal reporting purposes are: the contract manufacturing, on OEM and EMS bases, of a wide range of power-related and electrical/electronic products ("Contract Manufacturing"); the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"); the procurement and assembly of magnetic tools and products including the provision of magnetic-based industrial solutions ("Magnetic Technologies"); the manufacture, assembly and procurement of metrology and measurement tools ("Precision Measurement"); and the manufacture of electronic consumer products ("Consumer Electronics"). These five business segments are the basis upon which the Group reports its primary segment information.

During the year ended 30 September 2010, the operations of Jade Precision Engineering Pte. Ltd., which comprised the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry ("Leadframes"), were re-classified as discontinued and were subsequently sold in February 2011.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Contract Manu-facturing HK$'000	Tools HK$'000	Precision Measure-ment HK$'000	Magnetic Technologies HK$'000	Consumer Electronics HK$'000	Total HK$'000
For the year ended 30 September 2012						
Revenue						
External customers	355,405	606,943	181,206	125,685	199,371	1,468,610
Inter-segment sales	–	2,036	4,425	1,521	–	7,982
	355,405	608,979	185,631	127,206	199,371	1,476,592
Profit before tax						
Segment profit	31,347	2,921	29,619	22,789	8,246	94,922
Restructuring (costs)/credits	–	(1,035)	(2,795)	546	–	(3,284)
Share of results of an associate	–	–	–	4,452	–	4,452
Net finance costs	(242)	1,458	(148)	–	(139)	929
	31,105	3,344	26,676	27,787	8,107	97,019
Assets						
Segment assets	170,122	397,284	151,677	104,252	98,131	921,466
Liabilities						
Segment liabilities	85,994	358,631	41,590	52,277	47,493	585,985
Other information						
Additions of property, plant and equipment	4,629	5,948	3,157	955	889	15,578
Depreciation of property, plant and equipment	2,776	7,664	3,245	882	2,289	16,856
Amortisation of other intangible assets	–	–	367	23	–	390
Amortisation of prepaid land lease payments under operating leases	35	–	–	–	–	35
Impairment loss/(reversal of impairment loss) on trade receivables	202	(199)	277	106	(225)	161
Impairment loss/(reversal of impairment loss) on inventories	86	(534)	(3,276)	1,376	2,591	243

Inter-segment sales are charged at prevailing market rates.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	2012 **HK$'000**	2011 HK$'000
Reportable segment revenues	**1,476,592**	1,336,298
Discontinued operation	**–**	(51,548)
Elimination of inter-segment revenues	**(7,982)**	(7,788)
Total revenue	**1,468,610**	1,276,962

	2012 **HK$'000**	2011 HK$'000
Reportable segment profit	**97,019**	46,238
Cash flow hedge recycled from other comprehensive income	**1,361**	(2,076)
Realised exchange differences on the liquidation of a subsidiary undertaking recycled from other comprehensive income	**600**	–
Unallocated corporate net finance credits	**6,946**	6,090
Unallocated corporate costs	**(20,544)**	(6,637)
Unallocated corporate restructuring credits	**–**	289
Segment loss from discontinued operation	**–**	7,261
Inter-company transactions with discontinued operation	**–**	76
Profit from continuing operations before income tax	**85,382**	51,241

	2012 **HK$'000**	2011 HK$'000
Reportable segment assets	**921,466**	922,124
Deferred tax assets	**72,203**	52,434
Goodwill	**2,432**	2,345
Other intangible assets	**164**	559
Interest in an associate	**7,007**	5,504
Available-for-sale financial assets	**2,593**	705
Consolidation and Group assets	**(22,111)**	(65,190)
Total assets	**983,754**	918,481

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

	2012 HK$'000	2011 HK$'000
Reportable segment liabilities	**585,985**	637,337
Deferred tax liabilities	**11,973**	13,148
Consolidation and Group liabilities	**3,892**	(150,575)
Total liabilities	**601,850**	499,910

Geographical information

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

Revenue by geographical market

	Continuing operations		Discontinued operation		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
The People's Republic of China:						
Mainland China	**29,066**	40,777	**–**	377	**29,066**	41,154
Hong Kong (place of domicile)	**32,528**	38,017	**–**	1,055	**32,528**	39,072
	61,594	78,794	**–**	1,432	**61,594**	80,226
United States of America	**399,599**	263,246	**–**	380	**399,599**	263,626
UK	**318,356**	300,173	**–**	–	**318,356**	300,173
France	**104,313**	108,027	**–**	–	**104,313**	108,027
Australia	**217,859**	230,246	**–**	–	**217,859**	230,246
Others	**366,889**	296,476	**–**	49,736	**366,889**	346,212
	1,468,610	1,276,962	**–**	51,548	**1,468,610**	1,328,510

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

Two customers contributed 10% (HK$146,879,000 – Tools) and 11% (HK$161,913,000 – Consumer Electronics), respectively, of the Group's total revenue in the year ended 30 September 2012. One customer contributed 10% (HK$130,938,000 – Tools) of the Group's total revenue in the year ended 30 September 2011.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

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

Carrying amount of non-current assets:

	2012	2011
	HK$'000	HK$'000
UK	**134,235**	129,559
Mainland China	**40,929**	41,890
France	**16,094**	17,644
Australia	**4,235**	–
Hong Kong	**1,961**	448
Others	**497**	5,408
	197,951	194,949

6. OTHER INCOME

	Continuing operations		**Discontinued operation**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Property rental income	**1,297**	1,945	**–**	–	**1,297**	1,945
Gain on disposal of property, plant and equipment	**34**	–	**–**	–	**34**	–
Gain on disposal of available-for-sale financial assets	**–**	123	**–**	–	**–**	123
Royalty income	**1,457**	1,962	**–**	–	**1,457**	1,962
Others	**1,566**	3,174	**–**	–	**1,566**	3,174
	4,354	7,204	**–**	–	**4,354**	7,204

7. INTEREST INCOME

	Continuing operations		**Discontinued operation**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest earned on bank deposits and balances	**957**	2,168	**–**	–	**957**	2,168
Interest credit on retirement benefit obligations (note 33)	**10,839**	10,124	**–**	–	**10,839**	10,124
	11,796	12,292	**–**	–	**11,796**	12,292

8. RESTRUCTURING COSTS

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Manufacturing reorganisation (note 31)	**1,934**	524	**–**	–	**1,934**	524
Onerous lease rentals (note 31)	**1,350**	(621)	**–**	–	**1,350**	(621)
Pre-trading and set-up costs	**–**	8,786	**–**	–	**–**	8,786
Retrenchment and other costs	**–**	2,446	**–**	–	**–**	2,446
	3,284	11,135	**–**	–	**3,284**	11,135

The manufacturing reorganisation, retrenchment and other costs relate to retrenchment and relocation costs in the Group's Precision Measurement and Tools divisions as the Group's management restructured individual companies' cost bases to take account of decreases in sales demand.

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

Pre-trading and set up costs in 2011 relate to the establishment of a new company, Eclipse Tools Manufacturing Company Limited ("ETM"), a Chinese company which is now responsible for the Group's continuing manufacture of hacksaw blades.

In 2011, retrenchment costs were incurred in the Group's Head Office, Contract Manufacturing, Precision Measurement and Tools divisions as the Group's management restructured individual companies' cost bases to take account of decreases in sales demand as a result of the global financial crisis prevalent at that time.

9. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on interest-bearing bank borrowings and overdrafts wholly repayable within five years	**3,122**	4,889	**–**	379	**3,122**	5,268
Interest on obligations under finance leases	**799**	684	**–**	81	**799**	765
	3,921	5,573	**–**	460	**3,921**	6,033

10. PROFIT BEFORE TAX

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

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Labour and related costs:						
Directors' remuneration (note 11)	**8,472**	8,335	**–**	–	**8,472**	8,335
Staff salaries, allowances and welfare	**150,015**	146,304	**–**	6,060	**150,015**	152,364
Defined contribution plans (note 32)	**4,646**	5,509	**–**	–	**4,646**	5,509
Provident fund contributions (note 32)	**6,159**	3,601	**–**	–	**6,159**	3,601
Mandatory provident fund obligations (note 32)	**700**	1,739	**–**	–	**700**	1,739
Defined benefit retirement plan charge (note 33)	**2,940**	3,600	**–**	–	**2,940**	3,600
Direct labour costs	**93,199**	78,144	**–**	7,092	**93,199**	85,236
	266,131	247,232	**–**	13,152	**266,131**	260,384
Other items:						
Amortisation of lease payments under operating leases	**35**	52	**–**	–	**35**	52
Auditors' remuneration	**6,011**	4,344	**–**	120	**6,011**	4,464
Exchange losses	**3,865**	2,686	**–**	456	**3,865**	3,142
Depreciation of property, plant and equipment	**20,405**	20,790	**–**	1,524	**20,405**	22,314
Amortisation of other intangible assets	**390**	532	**–**	–	**390**	532
Impairment loss on trade receivables	**161**	5,475	**–**	–	**161**	5,475
Impairment loss on inventories	**243**	4,506	**–**	–	**243**	4,506
Minimum lease payments in respect of rented premises	**14,231**	13,910	**–**	294	**14,231**	14,204
Cost of inventories recognised as expenses	**1,030,994**	906,164	**–**	53,948	**1,030,994**	960,112
(Gain)/loss on disposal of property, plant and equipment	**(34)**	62	**–**	–	**(34)**	62
Cash flow hedge recycled from other comprehensive income	**(1,361)**	2,076	**–**	–	**(1,361)**	2,076
Restructuring costs	**3,284**	11,135	**–**	–	**3,284**	11,135

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 9 (2011 – 10) directors were as follows:

For the year ended 30 September 2012

	Fees HK$'000	Basic salaries and allowances HK$'000	Share-based compen-sation expenses HK$'000	Bonuses HK$'000	Benefits in kind HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive Directors:							
Mr. David H Clarke	–	776	57	624	–	–	1,457
Mr. Henry W Lim	–	2,676	29	663	–	13	3,381
Mr. Simon N Hsu	–	480	43	468	–	13	1,004
Mr. Patrick J Dyson	–	1,285	–	149	115	91	1,640
Non-executive Directors:							
Dr. Wong Ho Ching, Chris*	198	–	–	–	–	–	198
Mr. Ramon S Pascual*	198	–	–	–	–	–	198
Mr. Robert B Machinist *	198	–	–	–	–	–	198
Mr. Chan Kin Sang	198	–	–	–	–	–	198
Mr. Liu Ka Lim	198	–	–	–	–	–	198
	990	5,217	129	1,904	115	117	8,472

* *Independent Non-executive Directors*

None of the Directors waived any emoluments during the year.

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

Directors' emoluments *(Continued)*

For the year ended 30 September 2011

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

* *Independent Non-executive Directors*

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

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

None of the Directors waived any emoluments during the year.

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

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

Employees' emoluments

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

	2012	2011
	HK$'000	HK$'000
Salaries and other benefits	**5,152**	5,210
Expenses of retirement benefit plans	**228**	300
	5,380	5,510

Emoluments of these employees were within the following bands:

	Number of employees	
	2012	2011
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**3**	3
HK$2,000,001 – HK$2,500,000	**–**	–
	3	3

12. INCOME TAX CHARGE

The income tax charge for the year comprises:

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current income tax – Hong Kong:						
Provision for the year	**409**	–	**–**	–	**409**	–
Under/(over) provision in respect of prior years	**760**	(680)	**–**	–	**760**	(680)
	1,169	(680)	**–**	–	**1,169**	(680)
Current income tax – Overseas:						
Provision for the year:						
Australia	**3,107**	3,645	**–**	–	**3,107**	3,645
United Kingdom	**1,878**	–	**–**	–	**1,878**	–
Mainland China	**5,505**	490	**–**	–	**5,505**	490
Canada	**1,714**	1,323	**–**	–	**1,714**	1,323
United States	**(36)**	155	**–**	–	**(36)**	155
France	**597**	761	**–**	–	**597**	761
New Zealand	**298**	374	**–**	–	**298**	374
	13,063	6,748	**–**	–	**13,063**	6,748
Deferred tax (note 34)	**10,576**	11,403	**–**	–	**10,576**	11,403
	24,808	17,471	**–**	–	**24,808**	17,471

(a) Hong Kong profits tax is calculated at 16.5 % (2011 – 16.5%) on the estimated assessable profits for the year. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

12. INCOME TAX CHARGE *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Profit before tax:		
Continuing operations	**85,382**	51,241
Discontinued operation	**–**	3,979
	85,382	55,220
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	**(22,110)**	(15,115)
Tax effect of expenses not deductible for tax purposes	**(3,765)**	(12,254)
Tax effect of income not taxable for tax purposes	**1,342**	1,638
Tax effect of losses not recognised	**(3,716)**	(4,755)
Utilisation of tax losses previously not recognised	**8,580**	14,988
(Over)/under provision in respect of prior years	**(2,179)**	1,449
Decrease in recoverable amount of UK deferred tax asset (note c)	**(3,080)**	(2,983)
Others	**120**	(439)
Tax charge for the year	**(24,808)**	(17,471)

(c) The majority of the Group's deferred tax assets relate to temporary differences originating in its UK subsidiaries. Such deferred tax balances have been provided at 23% (2011 – 25%). Legislation formally enacted during the year has had the effect of reducing the effective tax rate from 25% to 23% from April 2013. Included in the HK$10,576,000 deferred charge for the year is a charge of HK$3,080,000 to reflect this change in tax rates (2011 – HK$2,983,000 reflecting a change of rates from 27% to 25%).

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

13. DIVIDENDS

Dividend paid during the year:

	2012 **HK$'000**	2011 HK$'000
Interim dividend relating to the year ended 30 September 2012 declared and paid of 0.5 HK cent per ordinary share	**4,887**	–

At a Board Meeting held on 24 May 2012, the Directors approved the payment of an interim dividend of HK$4,886,761 (0.5 HK cent per ordinary share) for the six month period ended 31 March 2012. This interim dividend was distributed on 20 June 2012 to shareholders whose names were recorded in the Register of Members of the Company as at the close of business on 12 June 2012.

At a Board Meeting held on 11 December 2012, the Directors recommended the payment of a final dividend of HK$9,933,770 (1.0 HK cent per ordinary share) for the year ended 30 September 2012. Subject to shareholders' approval, this final dividend will be distributed on or about 18 April 2013 to shareholders whose names appear in the Register of Members of the Company as at the close of business on 8 April 2013.

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

Assuming that the final dividend is approved by shareholders at the Annual General Meeting, total dividends for the year will be 1.5 HK cents per ordinary share (2011 – Nil).

14. PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated profit of HK$60,574,000 (2011 – HK$37,749,000) attributable to the owners of the Company, a profit of HK$8,793,000 (2011 – HK$82,738,000) has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the profit attributable to owners of the Company of HK$60,574,000 (2011 – HK$37,749,000).

For basic earnings per share purposes, the weighted average number of ordinary shares was 977,669,792 (2011 – 977,352,107).

For diluted earnings per share, a weighted average number of shares of 980,629,508 (2011 – 980,603,471) has been used.

The calculations are as follows:

(i) Weighted average number of ordinary shares

	2012	2011
Issued ordinary shares at 1 October	**991,852,107**	991,852,107
Effect of share options exercised (note a)	**317,685**	–
Treasury shares	**(14,500,000)**	(14,500,000)
Weighted average number of ordinary shares at 30 September	**977,669,792**	977,352,107
Basic earnings per share (HK cents)	**6.20**	3.86

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

	2012	2011
Issued ordinary shares at 1 October	**991,852,107**	991,852,107
Effect of share options exercised (note a)	**317,685**	–
Effect of deemed issue of shares under the Company's share option scheme	**2,959,716**	3,251,364
Treasury shares	**(14,500,000)**	(14,500,000)
Weighted average number of ordinary shares at 30 September	**980,629,508**	980,603,471
Diluted earnings per share (HK cents)	**6.18**	3.85

Note:

(a) Relates to the share options exercised under the Company's share option scheme during the year ended 30 September 2012.

15. EARNINGS PER SHARE *(Continued)*

(b) From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations is based on the profit for the year of HK$60,574,000 (2011 – HK$33,770,000).

For basic earnings per share purposes, the weighted average number of ordinary shares was 977,669,792 (2011 – 977,352,107).

For diluted earnings per share, the weighted average number of shares of 980,629,508 (2011 – 980,603,471) has been used.

	2012	2011
Basic earnings per share (HK cents)	**6.20**	3.45
Diluted earnings per share (HK cents)	**6.18**	3.44

(c) From discontinued operation

The calculation of the basic and diluted earnings per share is based on the profit for the year to 30 September 2011 from discontinued operations of HK$3,979,000.

For basic earnings per share purposes, the weighted average number of ordinary shares was 977,352,107.

For diluted earnings per share, the weighted average number of shares 980,603,471 has been used.

	2012	2011
Basic earnings per share (HK cents)	**N/A**	0.41
Diluted earnings per share (HK cents)	**N/A**	0.41

The comparative figures for the calculation of the basic and diluted earnings per share for 2011 have been restated to take into account the Company's treasury shares.

16. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost					
At 1 October 2010	163,865	69,399	23,765	91,618	348,647
Additions	4,722	5,096	11,289	6,303	27,410
Disposals	–	(874)	(11,893)	(173)	(12,940)
Currency realignment and others	1,767	1,230	169	4,084	7,250
At 30 September 2011	170,354	74,851	23,330	101,832	370,367
Additions	118	4,131	5,932	7,258	17,439
Disposals	–	(30)	(5,467)	(610)	(6,107)
Currency realignment and others	4,006	1,103	778	1,080	6,967
At 30 September 2012	**174,478**	**80,055**	**24,573**	**109,560**	**388,666**
Accumulated depreciation, amortisation and impairment					
At 1 October 2010	20,779	53,145	17,301	78,705	169,930
Provided for the year	4,492	7,232	5,608	3,458	20,790
Disposals	–	(864)	(11,893)	(86)	(12,843)
Currency realignment and others	1,260	1,028	367	3,823	6,478
At 30 September 2011	26,531	60,541	11,383	85,900	184,355
Provided for the year	4,985	4,667	6,067	4,686	20,405
Disposals	–	(30)	(5,467)	(603)	(6,100)
Currency realignment and others	567	498	307	780	2,152
At 30 September 2012	**32,083**	**65,676**	**12,290**	**90,763**	**200,812**
Carrying values					
At 30 September 2012	**142,395**	**14,379**	**12,283**	**18,797**	**187,854**
At 30 September 2011	143,823	14,310	11,947	15,932	186,012

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

COMPANY

	Furniture, fixtures and equipment HK$'000
Cost	
At 1 October 2011	466
Additions	25
At 30 September 2012	**491**
Accumulated depreciation	
At 1 October 2011	19
Provided for the year	95
At 30 September 2012	**114**
Carrying values	
At 30 September 2012	**377**
At 30 September 2011	447

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

Freehold land	Nil
Land and buildings	Over the remaining unexpired term of the lease or fifty years, whichever is the shorter
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	20% – 25%
Plant and machinery	10% – 33$^1/_3$%

The carrying value of the properties shown above mainly comprises:

	2012 HK$'000	2011 HK$'000
Properties held outside Hong Kong that are:		
Freehold	**125,383**	126,096
Held under medium term leases	**16,675**	17,427
	142,058	143,523

Additions in the year include HK$9,368,000 (2011 – HK$12,489,000) (note 39) in relation to assets acquired under finance leases for which there is no cash outflow included in the consolidated statement of cash flows.

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

The net book value of furniture, fixtures and equipment, motor vehicles and plant and machinery of HK$14,379,000 (2011 – HK$14,310,000), HK$12,283,000 (2011 – HK$11,947,000) and HK$18,797,000 (2011 – HK$15,932,000) includes amounts of HK$5,694,000 (2011 – HK$4,326,000), HK$11,848,000 (2011 – HK$11,489,000) and HK$1,676,000 (2011 – HK$ Nil) respectively, in respect of assets held under finance leases (note 30).

The net book value of the Group's UK freehold properties at 30 September 2012 is approximately HK$110,000,000 (2011 – HK$109,000,000) over which there is a first fixed charge of approximately HK$65,000,000 (2011 – HK$64,200,000). Additionally, land and buildings in the UK, with a carrying value of HK$45,000,000 (2011 – HK$45,000,000) have been pledged in favour of the James Neill Pension Plan (note 33).

17. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

GROUP

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

	2012 **HK$'000**	2011 HK$'000
At 1 October	**529**	581
Amortisation	**(35)**	(52)
At 30 September	**494**	529

18. GOODWILL

GROUP

	2012 HK$'000	2011 HK$'000
At 1 October	**2,345**	2,357
Currency realignment	**87**	(12)
At 30 September	**2,432**	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 Limited (formerly Bowers Group plc).

The consideration for the acquisition, excluding costs, amounted to HK$10,854,000, comprising HK$6,886,000 in cash and deferred contingent consideration capped at HK$3,968,000, payable over a maximum of four years. The fair value of assets at the acquisition date was HK$8,602,000 resulting in goodwill on the acquisition of a subsidiary of HK$2,252,000.

In the current year, deferred contingent consideration of HK$1,503,000 (2011 – HK$1,547,000) has been paid.

The recoverable amount of the goodwill arising on the acquisition has been tested for impairment based on value in use calculations, covering a three-year forecast period, for the relevant cash generating unit. The key assumptions used were as follows: discount rate of 4.75%; growth rate of 2%; and cash flows, gross margins and net profits determined by the management of Baty based on past performance and expectations for market development.

Based on the result of impairment tests carried out, and since the recoverable amount of the cash-generating units is higher than its carrying value, the Directors consider that the carrying value at the reporting date is not impaired.

19. OTHER INTANGIBLE ASSETS

GROUP

	Intellectual property rights HK$'000	Purchased goodwill HK$'000	Total HK$'000
At 1 October 2010	830	244	1,074
Amortisation	(375)	(157)	(532)
Currency alignment	7	10	17
Carrying amount at 30 September 2011	462	97	559
Amortisation	(367)	(23)	(390)
Currency alignment	6	(11)	(5)
Carrying amount at 30 September 2012	**101**	**63**	**164**

20. INTERESTS IN SUBSIDIARIES

COMPANY

	2012 HK$'000	2011 HK$'000
Unlisted investments, at cost (note a)	**97,802**	124,802
Amounts due from subsidiaries (note b)	**216,766**	236,161
Amounts due to subsidiaries (note c)	**128,987**	197,864

Notes:

(a) On 28 September 2012, the Company entered into an agreement with Bowers Group Limited (formerly Bowers Group plc) whereby Bowers Group Limited repurchased 74,076 ordinary shares with a nominal value of Sterling £1 each, which had previously been invested by the Company in Bowers Group Limited for a total consideration of Sterling £2,415,243 (equivalent to approximately HK$30,000,000). The original cost of these shares to the Company was HK$27,000,000.

(b) Loans to subsidiary undertakings are unsecured, interest-free and repayable on demand.

(c) Except for loans from subsidiary undertakings of approximately HK$10,000,000 (2011 – HK$10,000,000) and HK$4,055,000 (2011 – HK$3,784,000) which are interest-bearing at rates of 5% per annum, the amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Alford Industries Limited	Hong Kong	Ordinary HK$2,000,000	–	100%	Design and distribution of consumer electronic products
Foshan Shunde Alford Electronics Co. Ltd.	PRC*	Registered capital HK$22,074,000	–	100%	Manufacture and design of consumer electronic products
Bowers Equipment Shanghai Co. Limited	PRC*	Registered capital RMB4,026,000	–	100%	Procurement, quality control and distribution of metrology products
Baty International Ltd.	UK	Ordinary £1,819,915	–	100%	Assembly and distribution of precision measuring equipment
Bowers Group Limited (formerly Bowers Group plc)	UK	Ordinary £59,500	–	100%	Investment holding
Bowers Metrology Limited	UK	Ordinary £100	–	100%	Manufacture and distribution of precision measuring equipment
Bowers Metrology (UK) Limited	UK	Ordinary £100	–	100%	Distribution of precision measuring equipment
Coventry Gauge Limited	UK	Ordinary £2	–	100%	Manufacture of precision gauges and associated metrology products
CV Instruments Limited	UK	Ordinary £100	–	100%	Assembly and distribution of precision measuring equipment
Eclipse Magnetics Limited	UK	Ordinary £80,000	–	100%	Procurement, manufacture and sale of permanent magnets, magnetic work holding systems and other associated products,
Eclipse Tools Manufacturing Company Limited	PRC*	Registered capital US$3,000,000	–	100%	Manufacture of hacksaws, hacksaw blades and other industrial hand tools
Eclipse Tools North America, Inc.	Canada	Ordinary Can$100	–	100%	Distributor of magnets and magnetic products, hand and and garden tools and metrology products
James Neill Holdings Limited	UK	Ordinary £25	–	100%	Investment holding
Magnacut Limited	UK	Ordinary £9,000	–	100%	Procurement, distribution and sale of permanent magnets and assemblies
Neill France SA	France	Ordinary Euro 198,184	–	100%	Investment holding
Neill Tools Limited	UK	Ordinary £100	–	100%	Procurement, distribution and sale of hacksaw blades, engineers' cutting tools and other industrial hand tools
Pan Electrium Industrial Company Limited	Hong Kong	Ordinary HK$5,000,000	–	100%	Manufacture and trading of electric/electrical parts and products
Pantene Global Holdings Limited	Hong Kong	Ordinary HK$5,000,000	100%	–	Investment holding in Hong Kong
Moore & Wright Limited	UK	Ordinary £1	–	100%	Procurement, distribution and sale of micrometers and other precision measurement tools

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation or registration	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Proportion of ownership interest held by the Company Indirectly	Principal activities
Pantene Industrial Co. Limited	Hong Kong	Ordinary HK$10,000	–	100%	Sale and distribution of rechargeable battery products
Rise Up International Limited	British Virgin Islands	Ordinary US$1	100%	–	Investment holding in Hong Kong
Robert Sorby Limited	UK	Ordinary £1	–	100%	Manufacture, sale and distribution of specialist wood turning tools
Spear & Jackson (Australia) Pty Limited	Australia	Ordinary AU$4,640,000	–	100%	Procurement, marketing and sale of group tools and externally sourced related products
Spear & Jackson France SA	France	Ordinary Euro 1,300,000	–	100%	Marketing and sale of lawn and garden tools and other related products
Spear & Jackson Garden Products Limited	UK	Ordinary £100	–	100%	Procurement and sale of garden, agricultural and contractors' hand tools, woodsaws and builders' tools
Spear & Jackson Group Limited	UK	Ordinary £700,001	–	100%	Investment holding
Spear & Jackson Holdings Limited	UK	Ordinary £25	–	100%	Investment holding
Spear & Jackson Limited (formerly Spear & Jackson plc)	UK	Ordinary £100	–	100%	Investment holding
Spear & Jackson (New Zealand) Limited	New Zealand	Ordinary NZ$400,000	–	100%	Marketing and sale of group hand and garden tools and other related products
Pin Xin Power Resources (Shenzhen) Co. Limited	PRC*	Registered capital HK$2,000,000	–	100%	Sale and distribution of rechargeable battery products
Shenzhen Pantai Electronic Co. Ltd.	PRC*	Registered capital US$1,700,000	–	100%	Manufacture and sale of electronic products

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

20. INTERESTS IN SUBSIDIARIES *(Continued)*

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

On 31 July 2012, Pantene Global Acquisition Corp., the US parent undertaking of Spear & Jackson Limited (formerly Spear & Jackson plc) and Bowers Group Limited (formerly Bowers Group plc), was dissolved and its interests in those group companies were transferred to Pantene Global Holdings Limited, a Hong Kong subsidiary of the Company and Pantene Global Acquisition Corp.'s immediate parent undertaking.

Subsequent to this dissolution and transfer of investments, on 28 September 2012, Pantene Global Holdings Limited, subscribed to a further 700,000 ordinary shares of £1 each in Spear & Jackson Group Limited, a company incorporated in the United Kingdom on 25 May 2012, bringing its total shareholding in Spear & Jackson Group Limited to 700,001 ordinary shares of nominal value Sterling £1 each.

On 28 September 2012, Spear & Jackson Group Limited purchased the entire issued share capital of Spear & Jackson Limited and Bowers Group Limited from Pantene Global Holdings Limited.

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

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

None of the subsidiaries had any debt securities subsisting at 30 September 2012 or at any time during the year (2011 – Nil).

21. INTEREST IN AN ASSOCIATE

GROUP

	2012 **HK$'000**	2011 HK$'000
At 1 October	**5,504**	4,922
Currency realignment	**(212)**	44
Share of profit before tax for the year	**5,952**	3,633
Share of tax for the year	**(1,500)**	(785)
Dividends received	**(2,737)**	(2,310)
At 30 September	**7,007**	5,504

The Group had an interest in the following associate:

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

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

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

	2012 **HK$'000**	2011 HK$'000
Total assets	**58,467**	40,377
Total liabilities	**(30,439)**	(18,361)
Net assets	**28,028**	22,016
Share of an associate's net assets	**7,007**	5,504
Sales	**165,692**	123,332
Profit for the year after tax	**17,808**	11,392
Share of results of an associate (net of tax)	**4,452**	2,848

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP

	2012 HK$'000	2011 HK$'000
Unlisted equity investments (note a)		
Equity securities	**718**	705
Listed investments (note b)		
Equity securities	**5,801**	3,813
Less: Impairment losses	**(3,813)**	(3,813)
Less: Change in fair value recognised in other comprehensive income	**(113)**	–
	1,875	–
Total	**2,593**	705

The movements in available-for-sale financial assets during the year are as follows:

	2012 HK$'000	2011 HK$'000
At 1 October	**705**	879
Additions	**1,967**	–
Currency realignment	**34**	(4)
Disposals	**–**	(170)
Change in fair value recognised in other comprehensive income	**(113)**	–
At 30 September	**2,593**	705

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

COMPANY

	2012	2011
	HK$'000	HK$'000
Listed investments (note b)		
Equity securities	**5,801**	3,813
Less: Impairment losses	**(3,813)**	(3,813)
Less: Change in fair value recognised in other comprehensive income	**(113)**	–
	1,875	–

The movements in available-for-sale financial assets during the year are as follows:

	2012	2011
	HK$'000	HK$'000
At 1 October	**–**	–
Additions	**1,967**	–
Currency realignment	**21**	–
Disposals	**–**	–
Change in fair value recognised in other comprehensive income	**(113)**	–
At 30 September	**1,875**	–

Notes:

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

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

A 11% stake in BFL, a company incorporated and operating in France, was acquired on the acquisition of Baty International Limited in March 2010. It has a carrying amount of HK$87,000 (2011 – HK$85,000).

BITPL is a company incorporated and operating in India, with a carrying amount of HK$631,000 (2011 – HK$620,000). The investment represents a 30% holding of the issued ordinary share capital of BITPL. BITPL is not regarded as an associate of the Group because the Group has less than one-fifth of the voting power of BITPL under arrangements with other investors, the Group has no right to appoint directors of BITPL and the Group does not possess the ability to exercise significant influence over the company.

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

Notes: *(Continued)*

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

During the year, the Company acquired 1,389,000 shares in CBM Asia Development Corp. (Symbol: TCF), a Canada-based company quoted on the TSX Venture Capital, for HK$1,967,000.

In addition to the listed and unlisted securities above, the Company holds an investment in the shares of Climax International Company Limited ("CICL"), a company incorporated in Bermuda with its shares listed on the HKEx, representing a holding of approximately 0.25% (2011 – 0.25%) of the issued share capital of CICL as at 30 September 2012.

In the opinion of the Directors, because of the low volume of transactions in the market for CICL's shares, it is difficult to dispose of the entire shares in the market. Hence, the fair value of CICL's shares held by the Group is estimated to be HK$Nil (2011 – HK$Nil).

23. INVENTORIES

GROUP

	2012 **HK$'000**	2011 HK$'000
Raw materials	**53,105**	64,314
Work in progress	**25,642**	21,279
Finished goods	**193,988**	188,616
	272,735	274,209

The carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK$272,735,000 (2011 – HK$274,209,000). Impairment losses of HK$243,000 were recognised in the financial statements for the year ended 30 September 2012 (2011 – HK$4,506,000).

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**274,506**	244,004	**–**	–
Less: impairment provisions	**(9,959)**	(14,310)	**–**	–
Trade receivables – net	**264,547**	229,694	**–**	–
Prepayments and other receivables	**17,368**	21,281	**647**	488
	281,915	250,975	**647**	488

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

GROUP

	2012	2011
	HK$'000	HK$'000
0-60 days	**236,125**	206,642
61-90 days	**16,742**	17,519
91-120 days	**9,964**	4,666
Greater than 120 days	**11,675**	15,177
	274,506	244,004

Trade receivables that were neither past due nor impaired related to a large number of customers for whom there has been no recent history of default.

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

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

GROUP

	2012	2011
	HK$'000	HK$'000
At 1 October	**14,310**	10,294
Impairment losses recognised	**652**	5,475
Impairment losses reversed	**(491)**	–
Re-allocated from gross trade receivables	**–**	498
Currency realignment	**157**	(112)
Uncollectible amounts written off	**(4,669)**	(1,845)
At 30 September	**9,959**	14,310

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

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

GROUP

	2012	2011
	HK$'000	HK$'000
91 – 120 days	**7,722**	4,643
Greater than 120 days	**4,069**	2,582
	11,791	7,225

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

25. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP

	2012	2011
	HK$'000	HK$'000
Derivative financial assets:		
Forward foreign exchange contracts – cash flow hedges (note a)	**–**	1,932
	–	1,932
Derivative financial liabilities:		
Forward foreign exchange contracts – cash flow hedges (note a)	**839**	–
Forward foreign exchange contracts – held-for-trading (note b)	**2,035**	117
	2,874	117

25. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

COMPANY

	2012	2011
	HK$'000	HK$'000
Derivative financial liabilities:		
Forward foreign exchange contracts – held-for-trading (note b)	**–**	117

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

Notes:

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

(b) The Group also enters into significant medium term currency exposures that are not expected to be off-set by other currency transactions. They are considered to be part of the economic hedge arrangement but have not been formerly designated. The forward foreign exchange contracts relate primarily to forward purchases of US dollars and Euros and the cash flows are expected to occur before March 2013.

The cash flows are expected to occur between 1 and 6 months from 30 September 2012. The amount recognised in other comprehensive income and in equity during the year was a HK$839,000 charge (2011 – HK$1,361,000 credit) and this will be transferred to the income statement in the same year that the associated inventory impacts profit and loss (i.e when it is sold or impaired). The amount transferred to the income statement during the year was HK$1,361,000 credit (2011 – HK$2,076,000 charge).

26. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$5,000,000 (2011 – HK$5,000,000) have been pledged to secure trust receipt and export invoices financing facilities (notes 29 and 40) and are therefore classified as current assets.

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

Pledged time deposits earn 0.1% (2011 – 0.025%) interest per annum and have a maturity of 1 month.

27. CASH AND CASH EQUIVALENTS

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

Included in bank and cash balances of the Group are bank balances denominated in Renminbi ("RMB") of HK$14,842,000 (2011 – HK$12,125,000) placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

28. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**154,738**	155,464	**–**	–
Accruals and other payables	**97,173**	87,028	**6,859**	3,831
	251,911	242,492	**6,859**	3,831

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

GROUP

	2012	2011
	HK$'000	HK$'000
0 - 60 days	**111,425**	125,847
61 - 90 days	**22,758**	15,065
Greater than 90 days	**20,555**	14,552
	154,738	155,464

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

29. INTEREST-BEARING BANK BORROWINGS

GROUP

	2012 HK$'000	2011 HK$'000
Bank borrowings (all secured) comprise:		
Bank overdrafts	**13,218**	14,409
Export invoices/loan financing	**16,720**	20,276
Invoice discounting	**24,765**	31,618
Other bank loans	**–**	3,225
HKSAR Government-backed bank loans	**4,800**	22,028
Total overdrafts and bank borrowings	**59,503**	91,556
Bank borrowings are repayable as follows:		
Within one year or on demand	**57,103**	79,885
More than one year, but not exceeding two years	**2,400**	8,976
More than two years, but not exceeding five years	**–**	2,695
	59,503	91,556
Less: Amounts due within one year shown under current liabilities	**(57,103)**	(79,885)
Amounts due after one year shown under non-current liabilities	**2,400**	11,671

The HKSAR Government-backed loans, which are all denominated in Hong Kong Dollars, carry fixed interest rates ranging from 4.5% to 7% (2011 – 4.5% to 7%) per annum and are repayable in monthly installments 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 2.5% to 6.0% (2011 – 2.5% 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 40 for details of pledged assets.

30. OBLIGATIONS UNDER FINANCE LEASES

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

GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases:				
Within one year	**8,805**	7,015	**8,127**	6,392
In the second to fifth years inclusive	**9,536**	9,048	**9,104**	8,623
	18,341	16,063	**17,231**	15,015
Less: Future finance charges	**(1,110)**	(1,048)	**–**	–
Present value of lease obligations	**17,231**	15,015	**17,231**	15,015
Less: Amount due for settlement within one year shown under current liabilities			**(8,127)**	(6,392)
Amount due for settlement after one year shown under non-current liabilities			**9,104**	8,623

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

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

31. PROVISIONS

GROUP

	Onerous contracts HK$'000	Manufacturing reorganisation HK$'000	Total HK$'000
At 1 October 2010	10,185	13,569	23,754
Utilisation of provision	(7,906)	(14,027)	(21,933)
(Reversal)/provision for the year	(621)	524	(97)
Currency realignment	201	177	378
At 30 September 2011	1,859	243	2,102
Utilisation of provision	(304)	(1,075)	(1,379)
Provision for the year	1,350	1,934	3,284
Currency realignment	107	7	114
At 30 September 2012	**3,012**	**1,109**	**4,121**

	2012 HK$'000	2011 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**4,121**	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, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases is less than one year (2011 – one year).

The manufacturing reorganisation costs in the year relate to the relocation of the warehouse and production operations of one of the Group's UK subsidiaries. Manufacturing reorganisation costs in the prior year relate to the relocation of the hacksaw blade manufacturing plant of Neill Tools Limited, a UK based subsidiary of the Company, to the PRC.

32. DEFINED CONTRIBUTION PLANS

Hong Kong

With effect from 1 December 2000, the Group joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. For the year ended 30 September 2012, the retirement benefit scheme contributions charged to the consolidated income statement (including Directors' contributions) amounted to HK$726,000 (2011 – HK$1,763,000) (note 10), representing contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

Mainland China

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contribution made for the year ended 30 September 2012 was HK$6,159,000 (2011 – HK$3,601,000) (note 10). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

Rest of the World

Defined pension contribution schemes are in place in the United Kingdom, France and Australasia, the assets of which are held separately from those of the Group and are held under the control of independent trustees. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions. The total contributions made for the year ended 30 September 2012 (including Directors' contributions) was HK$4,710,000 (2011 – HK$5,545,000) (note 10).

33. RETIREMENT BENEFIT OBLIGATIONS

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

The latest formal actuarial valuation of the Plan was carried out at 5 April 2010 by Xafinity, the actuarial advisors to the Plan at that time. This valuation has been updated to 30 September 2012, by PricewaterhouseCoopers LLP, the Company's actuarial advisors, for the purposes of this Annual Report.

The Group's annual contributions for the year ended 30 September 2012 amounted to £1.1 million Sterling (approximately HK$12.2 million) (2011 – £0.8 million (approximately HK$10.2 million)).

The Group's annual contributions to the Plan in the two years ended 31 March 2010 were £1.9 million (approximately HK$23 million) per annum. For the years ended 31 March 2011 and 31 March 2012 they were £0.75 million (approximately HK$9.4 million) and £0.954 million (approximately HK$12.0 million). Thereafter, contributions will be £1.079 million (approximately HK$13.4 million) for the year ending 31 March 2013. From 1 April 2013 the annual rate of contribution will be £2.1 million (approximately HK$26.0 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 may be liable to revision and amendment in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of the Plan investments and liabilities and the financial strengths and cash flow requirements of the Plan's sponsoring employers.

In addition to cash contributions made to 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 40).

Furthermore, in connection with the renegotiation of the employer's contribution schedule relating to the annual payments to be made by the participating employers of the Plan, guarantees have been provided by Spear & Jackson Limited and Bowers Group Limited, 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 represents 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.

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The principal financial assumptions used in the updated actuarial valuations at 30 September 2012 and 30 September 2011 for the purpose of the accounting disclosures in this annual report are as follows:

	2012	2011
Long term rate of increase in pensionable salaries (note a)	**0.00%**	0.00%
Rate of increase of benefits in payment (note b)	**2.40%**	2.80%
Rate of increase of benefits in payment (note c)	**1.60%**	1.90%
Discount rate	**4.30%**	5.30%
Inflation assumption (Retail Prices Index ("RPI"))	**2.40%**	2.90%
Inflation assumption (Consumer Prices Index ("CPI")) (note d)	**1.70%**	2.20%
Expected return on equities	**6.95%**	7.70%
Expected return on bonds	**4.30%**	5.30%
Expected return on diversified corporate bonds	**5.95%**	N/A
Expected return on cash	**0.50%**	0.50%
Expected return on property	**4.30%**	5.30%
Expected return on insurance policies	**4.30%**	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 expected return on assets assumption has been derived by considering the appropriate return for each of the main asset classes. The yields assumed on bond type investments are based on published redemption yields at the reporting date. The assumed return on equities reflects an assumed allowance for the out-performance of these asset classes over UK Government bonds in the long-term. The rates of return are shown net of investment manager expenses. The expected return on property is based upon funds being invested in properties with high quality tenants for which the income stream is bond-like, and the return is expected to be similar to a portfolio of high quality corporate bonds.

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

Pensioner currently aged 65:	Male 18.4 years	Female 20.7 years
Future pensioner when aged 65:	Male 20.1 years	Female 22.0 years

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fair value of Plan assets:					
Equities	**825,534**	720,195	720,782	598,215	602,009
Bonds	**143,170**	324,117	378,404	505,992	606,637
Diversified corporate bonds	**181,055**	–	–	–	–
Property	**146,926**	136,425	130,906	–	–
Cash	**2,634**	1,920	1,685	60,458	7,650
Insurance policies	**10,082**	10,268	12,066	14,099	16,732
	1,309,401	1,192,925	1,243,843	1,178,764	1,233,028
Present value of funded obligations	**(1,554,618)**	(1,325,145)	(1,423,147)	(1,368,316)	(1,473,599)
Net liabilities recognised	**(245,217)**	(132,220)	(179,304)	(189,552)	(240,571)

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

	2012	2011
	HK$'000	HK$'000
Current service cost	**2,940**	3,600
Expected return on assets	**(79,484)**	(82,504)
Interest cost	**68,645**	72,380
Net pension credit	**(7,899)**	(6,524)

The current service cost charge is included in the employee benefits expense caption in the consolidated income statement. The net interest receivable is included in the interest income caption in the consolidated income statement.

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2012	2011
	HK$'000	HK$'000
At 1 October	**1,325,145**	1,423,147
Currency realignment	**51,041**	(3,752)
Current service cost	**2,940**	3,600
Utilisation of expense reserve	**(1,552)**	–
Interest cost	**68,645**	72,380
Member contributions	**1,952**	2,200
Benefit payments	**(69,120)**	(71,275)
Actuarial losses/(gains)	**175,567**	(101,155)
At 30 September	**1,554,618**	1,325,145

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

	2012	2011
	HK$'000	HK$'000
At 1 October	**1,192,925**	1,243,843
Currency realignment	**46,324**	(7,744)
Employer contributions	**12,218**	10,191
Member contributions	**1,952**	2,200
Expected return on assets	**79,484**	82,504
Benefit payments	**(69,120)**	(71,275)
Actuarial gains/(losses)	**45,618**	(66,794)
At 30 September	**1,309,401**	1,192,925

The actual return on the Plan's assets was a gain of approximately HK$125,102,000 (2011 – HK$15,710,000).

33. RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

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

	2012	2011
	HK$'000	HK$'000
Actuarial (loss)/gain	**(129,949)**	34,361

The cumulative amount of actuarial losses recognised in the consolidated statement of comprehensive income, before tax, is HK$16,207,000 (2011 – HK$113,742,000 gain).

The history of experience adjustments is as follows:

	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Present value of defined benefit obligation	**(1,554,618)**	(1,325,145)	(1,423,147)	(1,368,316)	(1,473,599)
Fair value of Plan assets	**1,309,401**	1,192,925	1,243,843	1,178,764	1,233,028
Deficit	**(245,217)**	(132,220)	(179,304)	(189,552)	(240,571)
Experience gain adjustment on Plan liabilities	**–**	31,910	–	–	–
Experience gain/(loss) adjustment on Plan assets	**45,618**	(66,794)	52,248	93,111	(84,141)

The actuarial valuation showed that the market value of the Plan's assets at 30 September 2012 was HK$1,309,401,000 (2011 – HK$1,192,925,000) and that the actuarial value of these assets represented 84% (2011 – 90%) of the benefits that had accrued to members. The shortfall of HK$245,217,000 (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.

34. DEFERRED TAX

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

	Accelerated accounting depreciation HK$'000	Revaluation of properties HK$'000	Retirement benefit obligations HK$'000	Others HK$'000	Tax losses HK$'000	Total HK$'000
At 1 October 2010	12,522	(14,692)	48,386	8,982	3,577	58,775
(Charged)/ credited to consolidated income statement (note 12)	(919)	1,521	(7,253)	(2,360)	(2,392)	(11,403)
Recognition of actuarial gains on defined benefit pension plan in other comprehensive income	–	–	(9,273)	–	–	(9,273)
Currency realignment	14	23	1,192	(84)	42	1,187
At 30 September 2011	11,617	(13,148)	33,052	6,538	1,227	39,286
(Charged)/ credited to consolidated income statement (note 12)	(2,147)	1,892	(7,254)	(2,623)	(444)	(10,576)
Recognition of actuarial losses on defined benefit pension plan in other comprehensive income	–	–	30,225	–	–	30,225
Currency realignment	852	(717)	375	685	100	1,295
At 30 September 2012	**10,322**	**(11,973)**	**56,398**	**4,600**	**883**	**60,230**

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:

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**72,203**	52,434
Deferred tax liabilities	**(11,973)**	(13,148)
	60,230	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 23% (2011 – 25%). Legislation formally enacted during the year has had the effect of reducing the effective tax rate from 25% to 23% from April 2013. Included in the HK$10,576,000 charge for the year is a charge of HK$3,080,000 to reflect this change in tax rates.

34. DEFERRED TAX *(Continued)*

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

	2012	2011
	HK$'000	HK$'000
Unused tax losses	**344,195**	338,538
Capital losses	**121,127**	116,679
Other temporary differences	**45,943**	35,178
Other tax credits	**417,058**	402,190
	928,323	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 proportion 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, UK, and France and can be carried forward indefinitely.

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

As at 30 September 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 Directors, it is not probable that these subsidiaries will distribute their earnings accrued after 1 January 2008 in the foreseeable future. The aggregate amount of temporary differences associated with investment in subsidiaries in Mainland China, for which deferred tax liabilities have not been recognised at 30 September 2012, totaled approximately HK$3,809,000 (2011 – HK$1,497,000).

35. SHARE CAPITAL

Ordinary shares of HK$0.10 each

	2012 Number of shares	2012 Amount HK$	2011 Number of shares	2011 Amount HK$
Authorised:				
At 1 October and 30 September	**1,500,000,000**	**150,000,000**	1,500,000,000	150,000,000
Issued and fully paid:				
At 1 October	**991,852,107**	**99,185,210**	991,852,107	99,185,210
Share options exercised (note a)	**1,524,886**	**152,489**	–	–
At 30 September	**993,376,993**	**99,337,699**	991,852,107	99,185,210

Note:

(a) In July 2012 and August 2012 the Company approved the exercise of 762,443 and 762,443 Share Options, respectively, under the 2004 Share Option Scheme.

36. SHARE OPTIONS

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

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

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

36. SHARE OPTIONS *(Continued)*

(a) *(Continued)*

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

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

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

	Outstanding at 1 October 2011	Exercised during the year	**Outstanding at 30 September 2012**
Mr. Simon N Hsu	3,773,165	–	**3,773,165**

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

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

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

36. SHARE OPTIONS *(Continued)*

(b) *(Continued)*

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

	Date of grant	Exercise price HK$	Outstanding at 1 October 2011	Granted during the year (note a)	Exercised during the year (note b)	Lapsed during the year	**Outstanding at 30 September 2012**
Directors	28.9.2004	0.193	5,151,651	–	–	–	**5,151,651**
	20.12.2004	0.198	4,378,901	–	–	–	**4,378,901**
	18.6.2012	0.313	–	13,500,000	–	–	**13,500,000**
			9,530,552	13,500,000	–	–	**23,030,552**
Other employees	28.9.2004	0.193	1,236,393	–	(824,262)	–	**412,131**
	20.12.2004	0.198	1,050,937	–	(700,624)	–	**350,313**
			11,817,882	13,500,000	(1,524,886)	–	**23,792,996**

	Date of grant	Exercise price HK$	Outstanding at 1 October 2010	Exercised during the year	Lapsed during the year	Outstanding at 30 September 2011
Directors	28.9.2004	0.193	5,151,651	–	–	5,151,651
	20.12.2004	0.198	4,378,901	–	–	4,378,901
			9,530,552	–	–	9,530,552
Other employees	28.9.2004	0.193	1,236,393	–	–	1,236,393
	20.12.2004	0.198	1,050,937	–	–	1,050,937
			11,817,882	–	–	11,817,882

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

36. SHARE OPTIONS *(Continued)*

(b) *(Continued)*

Notes:

(a) On 18 June 2012, the Company granted 13,500,000 options to certain Executive Directors of the Company under the share option scheme of the Company adopted on 30 August 2004. These options entitle the grantees to subscribe for a total of 13,500,000 new ordinary shares with nominal value of HK$0.10 per share in the capital of the Company. The exercise price of the options granted is HK$0.313 per share and they are valid for a period of ten years from 18 June 2012 to 17 June 2022. The options granted are subject to vesting in 3 equal tranches on the first, second and third anniversary of the date of the grant.

The following assumptions were used to derive the fair values of these share options, using the Black-Scholes option pricing model:

Date of grant	18 June 2012
Number of options	13,500,000
Expected volatility	33%
Expected life	3 years
Risk-free interest rate	1.50%
Weighted average share price	HK$0.313

The underlying expected volatility was determined by reference to historical data based on the expected life of share options.

Based on the fair values derived from the above pricing model, share-based compensation expenses, included within Directors' emoluments, of HK$129,000 were charged to the income statement for the year ended 30 September 2012 (2011 – Nil).

(b) The weighted average share price at the date of the exercise of the share options exercised during the year was HK$0.327 (2011 – Nil).

(c) As at 30 September 2012, 27,566,161 (2011 – 15,591,047), share options are exercisable and the weighted average remaining life for the outstanding share options is 2,063 days (2011 – 1,070 days).

37. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for both the current and prior years are presented in the consolidated statement of changes in equity on page 49 of the financial statements.

Share premium account

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

The movement on the share premium account is as follows:

	2012 **HK$'000**	2011 HK$'000
At 1 October	**40,050**	40,050
Exercise of share options (note a)	**145**	–
At 30 September	**40,195**	40,050

Note:

(a) The following share options were exercised during the year ended 30 September 2012:

Date	Number of options exercised	Excercise price HK$	Share premium HK$'000	Closing price prior to exercise HK$
July 2012	412,131	0.193	39	0.285
July 2012	350,312	0.198	34	0.285
August 2012	412,131	0.193	38	0.37
August 2012	350,312	0.198	34	0.37
	1,524,886		145	

No share options were exercised during the year ended 30 September 2011.

37. RESERVES *(Continued)*

(a) GROUP *(Continued)*

Treasury Share Reserve

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

Share Option Reserve

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

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

Capital Reserve

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

Translation Reserve

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

Hedging Reserve

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

Investment Revaluation Reserve

The investment revaluation reserve comprises the change in fair value of the Group's available-for-sale financial assets.

37. RESERVES *(Continued)*

(b) COMPANY

	Share premium HK$'000	Treasury share reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000	Contribution surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2010	40,050	(5,365)	528	1,442	–	–	70,911	(91,416)	16,150
Profit for the year	–	–	–	–	–	–	–	82,738	82,738
At 30 September 2011	40,050	(5,365)	528	1,442	–	–	70,911	(8,678)	98,888
Profit for the year	–	–	–	–	–	–	–	8,793	8,793
Deficit on revaluation of available-for-sale financial assets	–	–	–	–	(113)	–	–	–	(113)
Dividends paid	–	–	–	–	–	–	–	(4,887)	(4,887)
Sale of treasury shares (see below)	–	5,365	–	–	–	725	–	–	6,090
Grant of new share options	–	–	129	–	–	–	–	–	129
Exercise of share options	145	–	–	–	–	–	–	–	145
	145	5,365	129	–	(113)	725	–	3,906	10,157
At 30 September 2012	**40,195**	**–**	**657**	**1,442**	**(113)**	**725**	**70,911**	**(4,772)**	**109,045**

The other reserve represents the net gain on the disposal of treasury shares.

The investment revaluation reserve comprises the change in fair value of the Group's available-for-sale financial assets.

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

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

During the year, the Company transferred 14,500,000 of its own shares with a nominal value of HK$0.10 each, which it had obtained at nil cost with a value of HK$5,365,000 in the year ended 30 September 2010, to Pantronic Holdings Limited, a subsidiary undertaking incorporated in the British Virgin Islands, at a consideration of HK$6,090,000. This resulted in a capital gain on disposal of treasury shares of HK$725,000 which has been taken to other reserve.

38. 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 SG$8 million (equivalent to approximately HK$48.2 million, after applicable costs on disposal), payable in cash.

The sale of Jade was completed on 28 February 2011 (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.

The revenues, results and cash flows of Jade in the year ended 30 September 2011 were as follows:

	Note	2011 HK$'000
Revenue	5	51,548
Cost of sales		(53,948)
Gross loss		(2,400)
Selling and distribution costs		(1,092)
Administrative costs		(2,999)
Finance costs	9	(460)
Gain on disposal		9,736
Cumulative exchange differences in respect of the net assets of a subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary		1,194
Profit before tax from discontinued operation		3,979
Income tax charge		—
Net result from discontinued operation		3,979

The cash flows from the discontinued operation are as follows:

	2011 HK$'000
Net cash used in from operating activities	(1,882)
Net cash used in generated from 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)

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

The net assets at the disposal date were as follows:

	HK$'000
Property, plant and equipment	23,721
Inventories	19,028
Trade and other receivables	35,184
Cash and cash equivalents	446
Trade and other payables	(23,101)
Bank overdrafts	(7,027)
Other interest bearing bank borrowings	(9,033)
Obligations under finance leases	(1,928)
	37,290
Gain on disposal	9,736
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	1,194
Total consideration	48,220
Satisfied by:	
Cash consideration	48,916
Transaction costs directly attributable to the disposal	(696)
	48,220
Net cash flow arising from the disposal:	
Cash consideration	48,916
Transaction costs directly attributable to the disposal	(696)
Cash and cash equivalents disposed of	6,581
	54,801

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

39. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of approximately HK$9,368,000 (2011 – HK$12,489,000) (note 16).

40. PLEDGE OF ASSETS

At the reporting date, the Group has pledged bank deposits of HK$5,000,000 (2011 – HK$5,000,000) (note 26) to certain banks to secure credit facilities granted by those banks to the extent of approximately HK$10,000,000 (2011 – HK$10,000,000).

The banking facilities of the UK subsidiaries of Spear & Jackson Limited and Bowers Group Limited (the "UK Group") comprise a £6,500,000 Sterling (approximately HK$81,000,000) 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 assets and undertakings of the UK Group and its trading subsidiaries and by a first fixed charge on the Group's freehold properties in the United Kingdom. The amount drawn down under the confidential invoice facility at 30 September 2012 was HK$24,765,000 (2011 – HK$31,618,000) which is secured against trade debts of the same amount in the applicable UK Group's trading subsidiaries. The amount drawn down under the overdraft facility at 30 September 2012 was HK$8,431,000 (2011 – HK$8,008,000). The short-term loan facility was repaid in March 2012 and the amount drawn down under the short-term loan at 30 September 2011 was HK$3,038,000. The net book value of the Group's UK freehold properties at 30 September 2012 is approximately HK$110,000,000 (2011 – HK$109,000,000) over which there is a first fixed charge of approximately HK$65,000,000 (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% (approximately HK$45,000,000) (2011 – HK$45,000,000) of the value of the Group's UK freehold land and buildings at Atlas Way, Sheffield (notes 16 and 33).

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

	Note	2012 HK$'000	2011 HK$'000
Net increase in cash and cash equivalents for the year		**14,302**	24,908
Effect of foreign exchange rates		**1,208**	3,827
Net movement in cash and cash equivalents		**15,510**	28,735
Repayment of bank borrowings		**38,792**	44,009
New bank borrowings raised		**(18,367)**	(21,637)
Decrease/(increase) in the invoice discounting facility		**8,054**	(5,218)
Net cash outflow from export loans		**3,557**	13,786
Others		**(3,390)**	5,866
Net cash/(borrowings) at the beginning of the year		**35,467**	(30,074)
Net cash at the end of the year		**79,623**	35,467
Represented by:			
Pledged bank deposits	26	**5,000**	5,000
Cash and cash equivalents	27	**151,357**	137,038
Interest-bearing bank borrowings – amounts due within one year	29	**(57,103)**	(79,885)
Obligations under finance leases – amounts due within one year	30	**(8,127)**	(6,392)
Interest-bearing bank borrowings – amounts due after one year	29	**(2,400)**	(11,671)
Obligations under finance leases – amounts due after one year	30	**(9,104)**	(8,623)
		79,623	35,467

42. CONTINGENT LIABILITIES

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

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.

43. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$23,385,000 (2011 – HK$48,704,000) with respect to general banking facilities granted to certain subsidiaries of the Company. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loan and facilities. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was not probable that the repayments of any loans or facilities would be in default.

44. CAPITAL COMMITMENTS

GROUP	**2012** **HK$'000**	2011 HK$'000
Committed but not contracted for:		
Property, plant and equipment	**1,891**	2,248

COMPANY

As at 30 September 2012 and 2011, the Company did not have any significant capital commitments.

45. 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:

	2012 **HK$'000**	2011 HK$'000
Operating leases which expire:		
Within one year	**10,579**	12,629
In the second to fifth years inclusive	**12,266**	18,772
Over five years	**16,575**	16,903
	39,420	48,304

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. The leases run for an initial period of 1 to 84 years (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 landlords. None of the leases contain contingent rentals.

45. OPERATING LEASE COMMITMENTS *(Continued)*

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

	2012	2011
	HK$'000	HK$'000
Onerous lease contracts (note 31)		
Within one year	**3,012**	1,859

The Group as Lessor

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

	2012	2011
	HK$'000	HK$'000
Within one year	**77**	74
In the second to fifth years inclusive	**309**	299
Over five years	**5,314**	5,160
	5,700	5,533

Operating lease income represents the rentals 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 (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.

The Company as Lessee

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

	2012	2011
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**1,118**	1,118
In the second to fifth years inclusive	**838**	1,956
	1,956	3,074

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

46. RELATED PARTY TRANSACTIONS

Eclipse Magnetics Limited, a subsidiary undertaking of United Pacific Industries Limited, purchases manufactured products directly from Ningbo Hi-tech Assemblies Co. Ltd. ("Ningbo Hi-tech"), a company in which it has a 25% interest (note 21). In the year ended 30 September 2012, goods to the value of approximately HK$21,614,000 (2011 – HK$20,000,000) were purchased from Ningbo Hi-tech. At 30 September 2012 the amount payable to Ningbo Hi-tech was approximately HK$1,264,000 (2011 – HK$3,013,000).

The Group operates a contributory defined benefit pension plan covering certain of its employees in the UK based subsidiaries of Spear & Jackson Limited and Bowers Group Limited ("the Plan"). The Group pays contributions to the Plan each year according to a schedule of contributions agreed between the Plan trustees and the Group. Full details of the contributions paid by the Group to the Plan during the year are disclosed in note 33.

Other than the emoluments paid to the Directors of the Company, as disclosed in note 11, who are also considered as the key management of the Group and the points referred to above, the Group has not entered into any other related party transactions.

47. FINANCIAL RISK MANAGEMENT AND POLICIES

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

Foreign currency risk

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

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

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

	2012 Group		**2012 Company**	
	Euro HK$'000	**US$ HK$'000**	**Euro HK$'000**	**US$ HK$'000**
Trade receivables	**7,730**	**2,878**	**–**	**–**
Cash and cash equivalents	**3,138**	**–**	**–**	**–**
Trade payables	**(1,273)**	**(21,320)**	**–**	**–**
Borrowings	**–**	**(11,283)**	**–**	
Gross exposure arising from recognised financial assets and liabilities	**9,595**	**(29,725)**	**–**	**–**
Notional amounts of forward foreign exchange contracts	**11,650**	**(71,257)**	**–**	**–**

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

Foreign currency risk *(Continued)*

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

The following table details the Group's sensitivity to a 5% increase or decrease in relation to the above currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The positive figures represent an increase in the profit for the year where the Renminbi yuan strengthens against the US dollar, an increase in profit where Pound sterling strengthens against the US dollar, an increase in profit where the Australian dollar strengthens against the US dollar, and a decrease in profit where Pound sterling strengthens against the Euro. For a 5% weakening of the various currencies, there would be an equal and opposite impact on the profit and loss account.

	2012	2011
	HK$'000	HK$'000
Pound sterling to US dollar	**777**	77
Australian dollar to US dollar	**426**	426
Renminbi yuan to US dollar	**283**	176
Pound sterling to Euro	**(480)**	(470)

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

Interest rate risk

The Group's exposure to interest rate risk relates principally to its interest-bearing bank borrowings. The interest-bearing bank borrowings have floating and fixed interest rates and in the main are denominated in Hong Kong Dollars, Pound Sterling and US Dollars. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 29. At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate profile and will consider appropriate hedging measures in the future which may be necessary.

The net interest credit experienced by the Group is HK$7.9 million (2011 — HK$6.7 million). If there were a 1% increase/(decrease), the net interest credits/costs would increase/(decrease) by approximately HK$1.5 million (2011 — HK$1.4 million).

Equity price risk

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

Fair value risk

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

Credit risk

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

The Group is exposed to concentration risk as a significant portion of its business is derived from its largest customers. As at 30 September 2012, trade receivables of HK$95,639,000 (2011 — HK$71,850,000) were contributed by the top five customers. In order to minimise any credit risk, the management of the Group has delegated a team to be responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. Additionally, in certain markets, specific export guarantee insurance is taken out to minimise any credit rate risk. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced. Management does not expect any significant losses of trade receivables that have not been provided for by way of an allowance.

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

As at 30 September 2012, the maximum exposure to credit risk in respect of financial guarantees issued by the Company was HK$23,385,000 (2011 – HK$48,704,000) which represented the maximum amount the Company could be required to pay if the guarantees were called on (note 43).

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

Liquidity risk

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

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

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

At 30 September 2012

GROUP

	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	Total undiscounted amount or on demand HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities:				
Trade payables	154,738	–	154,738	154,738
Accruals and other payables	97,173	–	97,173	97,173
Interest-bearing bank borrowings	57,270	2,459	59,729	59,503
Obligations under finance leases	8,805	9,536	18,341	17,231
Provisions for onerous contracts	3,012	–	3,012	3,012
	320,998	11,995	332,993	331,657
Derivative financial liabilities:				
Gross settled forward foreign exchange contracts:				
– cash inflow	82,907	–	82,907	
– cash outflow	(80,061)	–	(80,061)	
	2,846	–	2,846	

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

Liquidity risk *(Continued)*

At 30 September 2012

COMPANY

	Within one year or on demand HK$'000	**More than one year but less than five years HK$'000**	**Total undiscounted amount or on demand HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities:				
Accruals and other payables	**6,859**	**–**	**6,859**	**6,859**
Amounts due to subsidiaries	**128,987**	**–**	**128,987**	**128,987**
	135,846	**–**	**135,846**	**135,846**
Issued financial guarantee contracts:				
Maximum amount guaranteed (note 43)	**23,385**	**–**	**23,385**	**–**

At 30 September 2011

GROUP

	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	Total undiscounted amount or on demand HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities:				
Trade payables	155,464	–	155,464	155,464
Accruals and other payables	87,028	–	87,028	87,028
Interest-bearing bank borrowings	80,909	12,437	93,346	91,556
Obligations under finance leases	7,015	9,048	16,063	15,015
Provisions for onerous contracts	1,859	–	1,859	1,859
	332,275	21,485	353,760	350,922
Derivative financial liabilities:				
Gross settled forward foreign exchange contracts:				
– cash inflow	28,710	–	28,710	
– cash outflow	(26,780)	–	(26,780)	
	1,930	–	1,930	

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

Liquidity risk *(Continued)*

At 30 September 2011

COMPANY

	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	Total undiscounted amount or on demand HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities:				
Accruals and other payables	3,831	–	3,831	3,831
Amounts due to subsidiaries	197,864	–	197,864	197,864
	201,695	–	201,695	201,695
Issued financial guarantee contracts:				
Maximum amount guaranteed (note 43)	48,704	–	48,704	–

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

Categories of financial assets and liabilities by category

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

Financial assets:

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and receivables:				
Cash and cash equivalents	**151,357**	137,038	**26,762**	37,987
Pledged bank deposits	**5,000**	5,000	**–**	–
Trade and other receivables	**281,915**	250,975	**647**	488
Amounts due from subsidiaries	**–**	–	**216,766**	236,161
Available-for-sale financial assets	**2,593**	705	**1,875**	–
Financial assets at fair value through profit or loss:				
Derivative financial instruments	**–**	1,932	**–**	–
	440,865	395,650	**246,050**	274,636

Financial liabilities:

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities measured at amortised cost:				
Trade and other payables	**251,911**	242,492	**6,859**	3,831
Interest-bearing bank borrowings	**59,503**	91,556	**–**	–
Obligations under finance leases	**17,231**	15,015	**–**	–
Provision for onerous contracts	**3,012**	1,859	**–**	–
Amounts due to subsidiaries	**–**	–	**128,987**	197,864
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	**2,874**	117	**–**	117
	334,531	351,039	**135,846**	201,812

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

Fair value measurements recognised in the statement of financial position

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

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

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

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

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

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

	2012 Group				2011 Group			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets:								
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	–	1,932	–	1,932
Available-for-sale financial assets								
– Listed	**1,875**	**–**	**–**	**1,875**	–	–	–	–
Total	**1,875**	**–**	**–**	**1,875**	–	1,932	–	1,932
Liabilities:								
Forward foreign exchange contracts	**–**	**2,874**	**–**	**2,874**	–	117	–	117
Net fair value	**1,875**	**(2,874)**	**–**	**(999)**	–	1,815	–	1,815

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

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

	2012 Company				2011 Company			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets:								
Available-for-sale financial assets								
– Listed	**1,875**	**–**	**–**	**1,875**	–	–	–	–
Liabilities:								
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	–	117	–	117
Net fair value	**1,875**	**–**	**–**	**1,875**	–	(117)	–	(117)

Listed Securities

The fair value of the listed securities is determined with reference to their quoted bid prices at the reporting date and has been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

Derivatives

The fair value of derivatives is estimated using market interest rates as disclosed in note 25 to the financial statements.

48. CAPITAL MANAGEMENT POLICIES AND RISK

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

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

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

	2012	2011
	HK$'000	HK$'000
Total net debt	**N/A**	N/A
Total capital	**381,904**	418,571
Gearing ratio	**N/A**	N/A

FINANCIAL SUMMARY

RESULTS

	Years ended 30 September				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	1,411,718	962,622	1,145,529	1,276,962	**1,468,610**
Cost of sales	(1,036,923)	(711,786)	(807,472)	(906,164)	**(1,030,994)**
Gross profit	374,795	250,836	338,057	370,798	**437,616**
Other income	18,649	8,988	18,960	7,204	**4,354**
Interest income	3,195	829	5,618	12,292	**11,796**
Selling and distribution costs	(235,091)	(167,666)	(191,733)	(219,036)	**(223,534)**
Administrative costs	(107,338)	(63,409)	(100,704)	(104,081)	**(144,058)**
Restructuring costs	(13,604)	(6,779)	(21,047)	(11,135)	**(3,284)**
Other non-operating costs	–	–	(2,015)	–	**–**
Gain on disposal of a subsidiary	23	–	–	–	**–**
Finance costs	(12,265)	(16,454)	(6,915)	(5,573)	**(3,921)**
Share of results of an associate	1,525	664	1,959	2,848	**4,452**
Costs on acquisition of a subsidiary	–	–	(772)	–	**–**
Cash flow hedge recycled from other comprehensive income	–	–	(1,502)	(2,076)	**1,361**
Discount on acquisition of a subsidiary	46,674	10,616	–	–	**–**
Realied exchange differences on the liquidation of a subsidiary undertaking recycled from other comprehensive income	–	–	–	–	**600**
Impairment loss on available-for-sale financial assets	–	(3,813)	–	–	**–**
Profit before tax from continuing operations	76,563	13,812	39,906	51,241	**85,382**
Income tax charge	(5,176)	(6,587)	(12,877)	(17,471)	**(24,808)**
Profit for the year from continuing operations	71,387	7,225	27,029	33,770	**60,574**
Net result from discontinued operation	(4,713)	(6,441)	(30,608)	3,979	**–**
Profit/(loss) for the year	66,674	784	(3,579)	37,749	**60,574**
Attributable to owners of the Company	66,674	784	(3,579)	37,749	**60,574**
Dividends paid	3,000	7,700	4,924	–	**4,887**
Earnings/(loss) per share from continuing and discontinued operations					
Basic	10.03 cents	0.09 cents	(0.37 cents)	3.86 cents	**6.20 cents**
Diluted	9.94 cents	N/A	N/A	3.85 cents	**6.18 cents**
Earnings per share from continuing operations					
Basic	10.03 cents	0.86 cents	2.86 cents	3.45 cents	**6.20 cents**
Diluted	9.94 cents	N/A	2.74 cents	3.44 cents	**6.18 cents**

ASSETS AND LIABILITIES

	At 30 September				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,088,795	929,614	980,887	918,481	**983,754**
Total liabilities	(720,518)	(559,879)	(629,248)	(499,910)	**(601,850)**
	368,277	369,735	351,639	418,571	**381,904**
Equity attributable to:					
Owners of the Company	368,277	369,735	351,639	418,571	**381,904**

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

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Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Bermuda Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Auditor

BDO Limited

Chief Accounting Officer and Chief Taxation Officer

Ms. Alaina Shone

Group Financial Controller (Asia)

Mr. Fung Chow Man, Charles

Company Secretary

Mr. Som Wai Tong, Ivan

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