United Pacific Industries

United Pacific Industries Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 00176)

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2010

Chairman's Statement

Interim Results – 31 March 2010

Since the end of the 2009 financial year we have experienced increased confidence in the business community which is mirrored by our results. Excluding restructuring costs and other one-time items, the operating profit for the six months ended 31 March 2010 is HK$18.6 million compared to a loss of HK$12.9 million sustained in the equivalent period last year.

In the majority of our activities, trading has improved in line with the world economic situation. In fiscal 2009 we recorded a steep fall in sales and this movement is now being reversed. Barring unforeseen circumstances, we are confident that the improvement will continue in the second half of this financial year, aided by the restructuring of our cost base in fiscal 2009 which has left the business well placed to benefit from market improvements. Our balance sheet remains strong, although cash is being used to re-build our working capital.

With the improving situation, our Board is mindful of the need to rationalize the Group and had earlier formed a Strategic Review Committee made up of independent directors to consider all the alternatives available to your Group. If, and when, it is decided to make material change, such information will be conveyed to shareholders through The Stock Exchange of Hong Kong Limited.

During the course of this reporting period, the Group, through its UK subsidiary, Bowers Group plc, has acquired Quality Measurement Limited ("Baty"), which will supplement our technology and take our Group further into higher precision measurement. We welcome Mr. Geoff Jackson, the Managing Director of Baty, to our team.

We work in challenging, competitive industries. A realignment of currencies can have a large effect on our trade. The RMB, now a major constituent in world macro-economics, is the trading base currency for much of the world's consumer goods. Any substantial change, which is now possible, in due course, will distort trading patterns for a period of time.

Commodity prices are also of continuing interest, although the massive changes of the last two years are unlikely to occur in 2010.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 March 2010, in order that the Group retains flexibility to take advantage of the opportunities presented by the improving business climate. This position will be kept under continuing review as it relates to a final dividend payment.

Taking all of the above into consideration, and adding the strength of our brands, the dedication of our management and our worldwide footprint, we look forward to the future with confidence.

Brian C Beazer
Executive Chairman
United Pacific Industries Limited

25 June 2010

Financial Highlights

- The Group's trading performance in the period ended 31 March 2010 has improved considerably when compared to the same period last year.
- Turnover increased by 21% to HK$595.5 million. Increases were experienced across all divisions as sales demand has begun to improve reflecting a more benign world economic landscape.
- There was an operating profit (i.e. result before restructuring costs, finance costs, share of associate's profits, other non-operating items and taxation) of HK$18.6 million, an improvement of HK$31.5 million (244%) compared to the operating loss of HK$12.9 million sustained in the prior period.
- Restructuring costs of HK$15.0 million charged in the period principally relate to the relocation of the Group's UK hacksaw blade manufacturing plant to the PRC where it will be operated under the supervision of the management of the Group's Contract Manufacturing division.
- Profit before tax was HK$2.6 million compared to a loss before tax of HK$18.5 million (after crediting a discount on acquisition of HK$9.6 million) for the same period last year.
- The tax charge for the current period was HK$7.1 million, an increase of HK$5.7 million over the prior period.
- The loss attributable to the owners of the Company was HK$4.5 million (2009 - loss of HK$19.9 million).
- Gearing remains low at 10.3%.
- In the six months ended 31 March 2010, the basic loss per share was 0.46 HK cents (2009 - loss of 2.55 HK cents).

RESULTS

The Board of Directors of United Pacific Industries Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 March 2010 together with comparative figures for the six months ended 31 March 2009.

Consolidated Statement of Comprehensive Income
For the six months ended 31 March 2010

	Notes	Six months ended 31 March	
		2010	2009
		HK$'000	*HK$'000*
		(unaudited)	*(unaudited)*
Turnover	3	**595,468**	493,696
Cost of sales		**(433,652)**	(378,862)
Gross profit		**161,816**	114,834
Other income		**9,209**	1,271
Selling and distribution costs		**(96,301)**	(86,091)
Administrative costs		**(51,846)**	(42,451)
Finance costs	4	**(3,809)**	(8,289)
Restructuring costs		**(14,970)**	(4,040)
Share of results of an associate		**760**	540
Costs on acquisition of a subsidiary		**(772)**	—
Cash flow hedge-recycle from other comprehensive income		**(1,502)**	—
Discount on acquisition of a subsidiary		**—**	9,571
Impairment loss on available-for-sale financial assets		**—**	(3,813)
Profit/(loss) before tax	5	**2,585**	(18,468)
Income tax charge	6	**(7,081)**	(1,480)
Loss for the period		**(4,496)**	(19,948)
Loss for the period attributable to owners of the Company		**(4,496)**	(19,948)

Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 31 March 2010

	Notes	Six months ended 31 March	
		2010	2009
		HK$'000	*HK$'000*
		(unaudited)	*(unaudited)*
Other comprehensive income/(loss)			
Exchange differences arising on translation of foreign operations		**(3,277)**	(60,089)
Cash flow hedging profit recognised in equity		**736**	—
Cash flow hedge-recycle to income statement		**1,502**	—
Recognition of actuarial gains/(losses) on defined benefit pension plan (net of tax)		**9,543**	(79,583)
Change in fair value of available-for-sale financial assets		**—**	3,465
Other comprehensive income/(loss) for the period, net of tax		**8,504**	(136,207)
Loss for the period		**(4,496)**	(19,948)
Total comprehensive income/(loss) for the period attributable to owners of the Company		**4,008**	(156,155)
Loss per share	8		
Basic		**(0.46) cents**	(2.55) cents
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 March 2010

	Notes	**31 March 2010** *HK$'000* ***(unaudited)***	30 September 2009 *HK$'000* *(audited)*
Non-current assets			
Property, plant and equipment	9	**229,615**	243,044
Prepaid land lease payments under operating leases		**581**	598
Goodwill		**2,291**	—
Other intangible assets		**1,329**	1,623
Interest in an associate		**4,214**	3,556
Available-for-sale financial assets		**855**	632
Deferred tax assets		**67,535**	81,212
		306,420	330,665
Current assets			
Inventories		**234,862**	233,516
Trade and other receivables	10	**284,232**	249,448
Tax recoverable		**1,175**	1,437
Derivative financial instruments		**1,443**	2,345
Pledged bank deposits		**5,000**	5,000
Cash and cash equivalents		**92,840**	107,203
		619,552	598,949
Current liabilities			
Trade and other payables	11	**222,061**	199,122
Interest-bearing bank borrowings - amounts due within one year		**94,476**	101,691
Obligations under finance leases - amounts due within one year		**6,879**	6,941
Provisions		**18,873**	6,095
Derivative financial instruments		**—**	1,029
Tax payable		**4,104**	3,714
		346,393	318,592
Net current assets		**273,159**	280,357
Total assets less current liabilities		**579,579**	611,022

Consolidated Statement of Financial Position (Continued)

As at 31 March 2010

	Notes	**31 March 2010** *HK$'000* *(unaudited)*	30 September 2009 *HK$'000* *(audited)*
Non-current liabilities			
Trade and other payables	11	**3,027**	—
Interest-bearing bank borrowings - amounts due after one year		**29,521**	20,600
Obligations under finance leases - amounts due after one year		**5,119**	5,961
Provisions		**7,584**	7,173
Retirement benefit obligations	12	**149,370**	189,552
Deferred tax liabilities		**15,991**	18,001
		210,612	241,287
Net assets		**368,967**	369,735
Capital and reserves			
Share capital	13	**98,476**	98,400
Reserves		**270,491**	271,335
Total equity attributable to owners of the Company		**368,967**	369,735

Notes to the Interim Financial Report
For the six months ended 31 March 2010

1. Basis of Preparation

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

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

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

This interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2009.

2. Principal Accounting Policies

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 September 2009, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations), which are adopted for the first time in the current period.

Other than as noted below, the Group has concluded that the adoption of the new and revised HKFRSs, to the extent that they are relevant to the Group and which are expected to be reflected in the annual financial statements for the year ending 30 September 2010, would not have a significant impact on the Group's results of operations and financial position.

HKAS 1 (Revised) Presentation of Financial Statements

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

HKFRS 3 (Revised) Business Combinations

The revised HKFRS 3, Business Combinations, continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement and all acquisition-related costs are expensed.

HKFRS 8 Operating Segments

The adoption of HKFRS 8, Operating Segments, has not affected the identifiable and reportable operating segments of the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the executive directors and other chief operating decision makers. The adoption of this standard has no material effect on the disclosure of reportable operating segments of the Group.

The Group has not early applied those new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that all of these pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. Turnover and Segment Information

Operating segments

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

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

Under HKFRS 8, reported segmental information is based on internal management reporting information that is regularly reviewed by the executive directors. The executive directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in the HKFRS financial statements. Certain items are not included in arriving at operating results of the operating segments (expenses relating to restructuring, share of results of an associate, cash flow hedge recycled from other comprehensive income, interest income, cost on acquisition of a subsidiary, impairment loss on available-for-sale financial assets, discount on acquisition of a subsidiary, finance costs, income tax and corporate income and expense).

The Group's principal activities are: the contracting, on OEM and EMS bases, of a wide range of power-related and electrical/electronic products ("Contract Manufacturing"); the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"), magnetic tools and products and provision of magnetic-based industrial solutions ("Magnetics") and metrology and measurement tools ("Metrology"); and the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry ("Leadframes"). Following the acquisition of Alford Industries Limited ("Alford") in January 2009 there has been a further expansion of the principal segments to include electronic consumer products ("Consumer Electronics").These six business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented below.

For the six months ended 31 March 2010

	Contract Manufacturing	Tools	Metrology	Magnetics	Leadframes	Consumer Electronics	Corporate/ Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover								
External customers	103,365	286,434	47,514	43,419	56,433	58,303	–	595,468
Inter-segment sales	354	6,675	1,588	269	–	–	(8,886)	–
	103,719	293,109	49,102	43,688	56,433	58,303	(8,886)	595,468
Segment profit/(loss)	294	14,145	2,409	5,997	(3,997)	(246)	–	18,602
Restructuring costs	(331)	(14,229)	–	(399)	–	–	–	(14,959)
Share of results of an associate								760
Unallocated corporate credits								1,580
Unallocated restructuring costs								(11)
Cash flow hedge recycled from other comprehensuve income								(1,502)
Interest income								2,696
Costs on acquisition of a subsidiary								(772)
Finance costs								(3,809)
Profit before tax								2,585
Income tax charge								(7,081)
Loss for the period								(4,496)

For the six months ended 31 March 2009

	Contract Manufacturing *HK$'000*	Tools *HK$'000*	Metrology *HK$'000*	Magnetics *HK$'000*	Leadframes *HK$'000*	Consumer Electronics *HK$'000*	Corporate/ Elimination *HK$'000*	Consolidated *HK$'000*
Turnover								
External sales	120,223	227,452	56,218	38,402	35,099	16,302	–	493,696
Inter-segment sales	194	3,206	4,220	276	–	–	(7,896)	–
	120,417	230,658	60,438	38,678	35,099	16,302	(7,896)	493,696
Segment (loss)/profit	(12,615)	(2,176)	4,267	7,594	(7,401)	838	–	(9,493)
Restructuring costs	(3,200)	(717)	(123)	–	–	–	–	(4,040)
Unallocated corporate expenses								(3,369)
Interest income								425
Share of results of an associate								540
Impairment loss on available-for-sale financial assets								(3,813)
Discount on acquisition of a subsidiary								9,571
Finance costs								(8,289)
Loss before tax								(18,468)
Income tax charge								(1,480)
Loss for the period								(19,948)

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

Geographical information

The Group's operations are mainly located in Mainland China, Hong Kong, the United Kingdom ("UK"), the United States of America, Canada, Mainland Europe, Australasia, Singapore and elsewhere in Asia. The following provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

Turnover by geographical market

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
The People's Republic of China (the "PRC")		
Mainland China	**11,999**	8,554
Hong Kong (place of domicile)	**11,002**	10,949
	23,001	19,503
United States of America, South America and Canada	**115,413**	74,708
Mainland Europe (excluding UK)	**126,279**	136,846
UK	**116,363**	107,859
Australasia	**98,259**	85,660
Asia (including Singapore but excluding Mainland China and Hong Kong)	**85,462**	43,258
Others	**30,691**	25,862
	595,468	493,696

4. Finance Costs

Finance costs comprise:

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Interest on interest-bearing bank borrowings and overdrafts wholly repayable within five years	**3,390**	3,829
Interest on obligations under finance leases	**419**	629
Interest on retirement benefit obligations	**—**	3,831
	3,809	8,289

5. Profit/(loss) Before Tax

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
The profit/(loss) before tax has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**12,341**	12,236
Amortisation of other intangible assets	**186**	173
Impairment loss on available-for-sale financial assets	**—**	3,813
Impairment loss on trade receivables	**619**	445
Impairment loss on inventories	**760**	2,549
Amortisation of prepaid lease payments under operating leases	**17**	9
Retirement benefit plan (credit)/expense:		
Current service cost	**1,202**	2,067
Curtailment gain	**(6,371)**	—
Interest (receivable)/payable	**(2,480)**	3,831
Cash flow hedge-recycle from other comprehensive income	**1,502**	—
Loss/(gain) on disposal of property, plant and equipment	**243**	(45)
Restructuring costs	**14,970**	4,040
Interest income	**(216)**	(425)
Gain on disposal of available-for-sale financial assets	**—**	(92)

6. Income Tax Charge

The income tax charge for the period comprises:

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Current income tax:		
Hong Kong	**(297)**	531
Mainland China	**(121)**	(113)
France	**(427)**	(495)
New Zealand	**(208)**	(235)
Canada	**(192)**	—
	(1,245)	(312)
Deferred tax	**(5,836)**	(1,168)
	(7,081)	(1,480)

Hong Kong Profits Tax is calculated at 16.5% (31 March 2009 - 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

7. Dividends

(a) Dividends attributable to the interim period:

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Interim dividend declared and paid after the period end of Nil per ordinary share (2009 - 0.5 HK cents)	**—**	4,100

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

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Final dividend in respect of the previous financial year of 0.5 HK cents per ordinary share (2009 - 0.5 HK cents)	**4,924**	3,600

8. Loss Per Share

The calculation of the basic loss per share for the six month periods ended 31 March 2010 and 31 March 2009 is based on the loss attributable to owners of the Company of HK$4,496,000 (31 March 2009 - HK$19,948,000) and the weighted average number of ordinary shares of 984,569,407 shares (31 March 2009 - 782,514,285 shares).

For the six months ended 31 March 2010 diluted earnings per share have not been presented because the effect of the share options is anti-dilutive. Diluted earnings per share have not been presented for the period from 1 October 2008 to 31 March 2009 because the exercise price of the Company's share options was higher than the average market price of the shares for the period. The relevant calculations are as follows:

(i) Weighted average number of ordinary shares

	31 March 2010 *(unaudited)*	31 March 2009 *(unaudited)*
Issued ordinary shares at 1 October 2009	**984,000,000**	720,000,000
Effect of share options exercised *(note a)*	**569,407**	—
Effect of new shares issued *(note b)*	**—**	32,417,582
Effect of Rights Issue *(note c)*	**—**	30,096,703
Weighted average number of ordinary shares at 31 March 2010	**984,569,407**	782,514,285
Basic loss per share (HK$)	**(0.46) cents**	(2.55) cents

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

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

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

9. Property, Plant and Equipment

Property, plant and equipment additions in the period amounted to approximately HK$4,797,000 (31 March 2009 - HK$3,989,000). The additions in the period include HK$2,832,000 (31 March 2009 - HK$1,430,000) in relation to assets acquired under finance leases for which there is no cash flow included in the consolidated statement of cash flows.

10. Trade and Other Receivables

Trade and other receivables of HK$284,232,000 (30 September 2009 - HK$249,448,000) include trade receivables of HK$263,816,000 (30 September 2009 - HK$233,601,000). At the reporting date, the aged analysis of trade receivables, which is stated after provisions for impairment, is as follows:

	31 March 2010	30 September 2009
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0-60 days	**225,877**	210,371
61-90 days	**20,897**	8,609
91-120 days	**9,835**	5,166
Greater than 120 days	**7,207**	9,455
	263,816	233,601

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

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 and current 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.

11. Trade and Other Payables

Trade and other payables of HK$225,088,000 (30 September 2009 - HK$ 199,122,000) include trade payables of HK$124,371,000 (30 September 2009 - HK$84,930,000). At the reporting date, the aged analysis of trade payables, based on invoice date, is as follows:

	31 March 2010	30 September 2009
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
0-60 days	**103,398**	76,286
61-90 days	**10,670**	3,896
Greater than 90 days	**10,303**	4,748
	124,371	84,930

Analysed for reporting purposes as:

Current liabilities	**222,061**	199,122
Non-current liabilities	**3,027**	—
	225,088	199,122

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

12. Retirement Benefit Obligations

The Group operates defined contribution retirement benefits schemes and a defined benefit plan. The details of the defined contribution retirement benefit schemes are consistent with those disclosed in the financial statements of the Group for the year ended 30 September 2009. Details of the defined benefit plan are described below.

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

The last formal valuation of the Pension Plan, for accounting valuation purposes, was carried out by the Group's actuary, PricewaterhouseCoopers LLP at 30 September 2009. This valuation has been updated to 31 March 2010 for the purposes of this Interim Report.

The Group's annual contributions to the Plan are £1.9 million (approximately HK$ 23 million) until 31 March 2010. Thereafter, contributions will be £0.75 million (approximately HK$8.7 million) for the year to 31 March 2011, £0.875 million (approximately HK$10.2 million) for the year to 31 March 2012 and £1.0 million (approximately HK$11.6 million) for the year to 31 March 2013. This contribution schedule may be subject to revision and amendment in future periods dependent on fluctuations, both favourable and adverse, in the actuarially determined value of Plan investments and liabilities and the financial strength and cash flow requirements of the Plan's sponsoring employers. Additionally, a charge has been executed in favour of the Plan representing 50% of the value of the Spear & Jackson group's freehold land and buildings at Atlas Way, Sheffield.

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

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

The principal financial assumptions used for the purpose of the actuarial valuations of the Pension Plan at 31 March 2010 and 30 September 2009 are detailed below:

	31 March 2010 ***(unaudited)***	30 September 2009 *(audited)*
Long term rate of increase in pensionable salaries	**—**	2.95%
Rate of increase of benefits in payment *(note a)*	**3.15%**	2.55%
Rate of increase of benefits in payment *(note b)*	**2.85%**	2.25%
Discount rate	**5.70%**	5.70%
Inflation assumption	**3.40%**	2.75%
Expected return on equities	**n/a**	8.30%
Expected return on bonds	**n/a**	5.70%
Expected return on cash	**n/a**	0.50%

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

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

The methodology and criteria underlying the calculation and setting of the assumptions at 31 March 2010 are consistent with those used to determine the comparable assumptions disclosed in the financial statements of the Group for the year ended 30 September 2009.

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

	31 March 2010 ***HK$'000*** ***(unaudited)***	30 September 2009 *HK$'000* *(audited)*
Fair value of Plan assets:		
Equities	**699,606**	598,215
Bonds	**409,662**	505,992
Property	**73,545**	—
Cash	**3,953**	60,458
Insurance policies	**13,460**	14,099
	1,200,226	1,178,764
Present value of funded obligations	**(1,349,596)**	(1,368,316)
Net liability recognised in the consolidated statement of financial position	**(149,370)**	(189,552)

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

	Six months ended 31 March	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Current service cost	**1,202**	2,067
Curtailment gain	**(6,371)**	—
Expected return on assets	**(40,300)**	(36,486)
Interest cost	**37,820**	40,317
	(7,649)	5,898

The current service cost charge and the curtailment gain for the period are included in administrative costs in the consolidated statement of comprehensive income. The net excess or deficit of expected return on assets over interest cost is disclosed in interest income or finance costs, as appropriate.

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

	Six months ended		
	31 March 2010	30 September 2009	31 March 2009
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
At the beginning of the period	**1,368,316**	1,178,370	1,473,599
Currency realignment	**(57,321)**	93,832	(292,696)
Current service cost	**1,202**	2,126	2,067
Past service credit	**—**	(21,471)	—
Curtailment gain	**(6,371)**	(2,210)	—
Interest cost	**37,820**	43,780	40,317
Member contributions	**1,311**	1,438	1,646
Benefit payments	**(39,517)**	(36,609)	(37,235)
Actuarial losses/(gains)	**44,156**	109,060	(9,328)
At the end of the period	**1,349,596**	1,368,316	1,178,370

Changes in the fair values of the Plan's assets:

	Six months ended		
	31 March 2010	30 September 2009	31 March 2009
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
At the beginning of the period	**1,178,764**	880,473	1,233,028
Currency realignment	**(50,044)**	69,649	(244,922)
Employer contributions	**11,998**	11,224	11,338
Expenses	**—**	985	—
Member contributions	**1,311**	1,438	1,646
Expected return on assets	**40,300**	38,625	36,486
Benefit payments	**(39,517)**	(36,609)	(37,235)
Actuarial gains/(losses)	**57,414**	212,979	(119,868)
At the end of the period	**1,200,226**	1,178,764	880,473

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

	Six months ended		
	31 March 2010	30 September 2009	31 March 2009
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Actuarial gain/(loss)	**13,258**	103,919	(110,540)

The cumulative amount of actuarial gains recognised in the consolidated statement of comprehensive income, before tax, is HK$110,999,000 (30 September 2009 - HK$97,741,000).

The history of experience adjustments is as follows:

	31 March 2010	30 September 2009
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Present value of defined benefit obligation	**(1,349,596)**	(1,368,316)
Fair value of Plan assets	**1,200,226**	1,178,764
Deficit	**(149,370)**	(189,552)
Experience gain/(loss) adjustment on Plan liabilities	**—**	—
Experience gain adjustment on Plan assets	**—**	93,111

The actuarial valuation showed that the market value of the Plan's assets at 31 March 2010 was HK$1,200,226,000 (30 September 2009 - HK$1,178,764,000) and that the actuarial value of these assets represented 89% (30 September 2009 - 86%) of the benefits that had accrued to members. The shortfall of HK$149,370,000 (30 September 2009 - HK$189,552,000) is to be cleared in accordance with current UK pensions legislation and after consultation with, and agreement by, the Trustees of the Plan.

13. Share Capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 31 March 2010 and 30 September 2009	1,500,000,000	150,000
Issued and fully paid:		
At 1 October 2009	984,000,000	98,400
Share options exercised	762,000	76
At 31 March 2010	984,762,000	98,476

In November 2009 the Company approved the exercise of 762,000 Share Options under the 2004 Share Option Scheme.

14. Acquisition of a Subsidiary

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

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

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

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

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

The acquired business contributed revenue of approximately HK$2,151,000 and a net profit of HK$386,000 in the period from acquisition to 31 March 2010. If the acquisition had taken place on 1 October 2009, the Group's revenue would have been approximately HK$606,050,000 and the net loss for the period would have been approximately HK$3,774,000. This pro-forma information is for illustrative purposes only and is not necessarily indicative of the revenue and results of the Group that would have been achieved had the acquisition been completed on 1 October 2009, nor is it intended to be a projection of future results.

The net assets acquired in the transaction and the goodwill arising on the acquisition are as follows:

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

15. Events After the Reporting Date

Subsequent to the reporting date, settlement was reached regarding a trading dispute involving one of the Group's trading subsidiaries. Based on latest information, the net amount receivable by the above company will be approximately HK$4,000,000.

Employees

At 31 March 2010 the Group had approximately 2,540 employees worldwide. The remuneration of employees is determined by overall guidelines for each category of employees, commensurate with qualification and experience and takes into account business performance, market practices and competitive market conditions. The Group has adopted a discretionary bonus program, share option scheme, medical insurance and personal accident insurance for certain categories of employees. Incentive awards for certain categories of employees are determined annually based on various criteria, including the performance of the Group as a whole and the careful assessment of the performance of each participating employee individually.

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

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

Pre-Emptive Rights

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

Compensation Committee

The Compensation Committee of the Company, currently comprising two Independent Non-Executive Directors, Mr. Ramon S Pascual (Chairman) and Mr. Henry W Lim, and an Executive Director, Mr. Brian C Beazer, is responsible for advising the Board on the remuneration policy and framework for the Directors and senior management of the Company. The Committee also assists the Board to review and consider the Company's policy for the remuneration of all the Executive Directors and senior management of the Company with reference to the Company's objectives from time to time.

Audit Committee

The members of the Audit Committee comprise three Independent Non-Executive Directors, Mr. Henry W Lim (Chairman), Dr. Wong Ho Ching, Chris and Mr. Ramon S Pascual. Mr. Brian C Beazer, the Executive Chairman, is the non-voting secretary of the Audit Committee.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the unaudited interim consolidated financial statements for the six months ended 31 March 2010. The information in these interim results does not constitute statutory accounts.

Corporate Governance Practices

The Company has adopted the mandatory provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules and observed them throughout the six months period ended 31 March 2010, with the exception of the following deviations:

Under Code Provision A.2.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer are both performed by Mr. Brian C Beazer. The Group considers the current structure will not impair the balance of power and authority between the Group and the management, and both the Board and senior management of the Group have significantly benefited from the leadership, support and considerable management experience of Mr. Beazer.

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct governing directors' securities transactions. The Company confirms that, having made specific enquiry of all Directors, all Directors have complied with the required standards of dealing as set out in the Model Code throughout the period for the six months ended 31 March 2010.

Full Details of Financial Information

The 2009-2010 Interim Report of the Company containing all the information required by paragraphs 37 to 44 inclusive of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

Business Review and Prospects

The following sets out the highlights of the financial results of United Pacific Industries Limited ("UPI" or the "Company") and its subsidiaries (the "Group") for the six months ended 31 March 2010 with the comparative figures for the six months ended 31 March 2009.

	Six months ended 31 March		
	2010	2009	Change
	HK$ million	*HK$ million*	*HK$ million*
	(unaudited)	*(unaudited)*	
Turnover	**595.5**	493.7	101.8
Earnings/ (loss) before restructuring costs, finance costs, taxation, depreciation and amortisation	**31.1**	(0.5)	31.6
Depreciation and amortisation	**(12.5)**	(12.4)	(0.1)
Operating profit/ (loss)	**18.6**	(12.9)	31.5
Restructuring and other costs	**(15.7)**	(4.0)	(11.7)
Net finance costs	**(1.1)**	(7.9)	6.8
Impairment loss on available-for-sale financial assets	**—**	(3.8)	3.8
Share of results of an associate	**0.8**	0.5	0.3
Discount on acquisition of a subsidiary	**—**	9.6	(9.6)
Profit/ (loss) before tax	**2.6**	(18.5)	21.1
Income tax charge	**(7.1)**	(1.4)	(5.7)
Loss for the period	**(4.5)**	(19.9)	15.4
Attributable to: owners of the Company	**(4.5)**	(19.9)	15.4

Financial and Operations Review

The Board presents its report on the unaudited consolidated trading results for the half-year ended 31 March 2010.

Group Results

For the six months ended 31 March 2010, the Group recorded a turnover of HK$595.5 million, an increase of 21% compared to the turnover of HK$493.7 million for the six months ended 31 March 2009.

The gross margin in the six months ended 31 March 2010 was 27.2% compared to 23.3% in the comparable period last year.

The Group generated an operating profit (i.e. result before restructuring costs, finance costs, share of associate's profits, other non-operating items and taxation) of HK$18.6 million in the six months ended 31 March 2010, an improvement of HK$31.5 million compared to the operating loss of HK$12.9 million in the prior period.

Restructuring costs of HK$15.0 million have been provided in the period under review. These are principally attributable to the relocation of the Group's UK hacksaw blade manufacturing plant to the PRC where a new company is to be formed which will operate under the supervision of the management of the Group's Contract Manufacturing division.

The tax charge in the six months ended 31 March 2010 was HK$7.1 million (2009 - HK$1.4 million).

The loss attributable to owners of the Company was HK$4.5 million (2009 - HK$19.9 million), an improvement of HK$15.4 million over the prior period.

In the six months ended 31 March 2010, the basic loss per share was 0.46 HK cents (2009 - loss of 2.55 HK cents).

Liquidity and Financial Resources

As at the balance sheet date, the Group had a net cash balance of HK$71.3 million, comprising bank and cash balances of HK$92.8 million less certain bank overdrafts amounting to HK$21.5 million. Total Group net debt (i.e. bank and cash balances less all bank and other debt) amounted to HK$38.2 million.

The Group's net asset value was HK$369.0 million, with a liquidity ratio (ratio of current assets to current liabilities) of 178.9% and a gearing ratio (ratio of net bank and other debt to net assets) of 10.3%.

During the period, there was no material change in the Group's funding and treasury policy. At 31 March 2010, the Group had sufficient levels of banking facilities from its major bankers to finance working capital requirements.

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

Divisional Operational Review

While certain of the Group's operating entities have continued to suffer within a cautious worldwide business environment, exacerbated by volatile currency movements and commodity prices, these negative influences have been outweighed by increased sales activity, improved sales mixes, the launch of new products, and the positive effects of cost reduction programmes initiated in fiscal 2009.

Tools Division

Neill Tools Ltd/Spear & Jackson Garden Products Ltd

The UK Hand and Garden business continued to experience intense competition especially in its home market where the UK economy remains more depressed than most of its counterparts across the world. In particular, as a high percentage of the Division's trading activity is based on the construction industry, until this returns to reasonable levels, there can be no complete recovery from the global downturn of 2009. However, despite the difficult trading environment, sales, overall, have increased by 10% when compared to the prior year and the division has returned to profitability.

In November 2009 the division announced the relocation of its hacksaw blade manufacturing plant in Sheffield, England to the PRC where a new company is to be formed which will operate under the supervision of the management of the Group's Contract Manufacturing Division. This operational migration of one of the Group's premium branded products will further cement a business model centered on an efficient and quality driven manufacturing base in Asia.

Emphasis continues to be placed on the launch of new and innovative products. Looking forward, the sales order book looks buoyant across the business with, in particular, seasonal garden tools demand at high levels.

Robert Sorby

Robert Sorby has enjoyed a successful six-month period with sales up 6% on the equivalent period last year, an increased operating profit and a positive cash flow.

While the UK market has continued to be challenging, sales in the USA have been particularly strong, aided by a favourable US$/£ cross rate and heavy promotional activity with key dealers. Likewise, European markets have become more receptive to promotions, demonstrations and e-mail marketing.

The operation's own retail store goes from strength to strength and is now the premier outlet of its type in the UK. To consolidate this position, resources are now being focused on enhancing the associated e-commerce site so that the division can benefit from both in-person and internet sales.

Spear & Jackson France / Australasia

Sales in the French garden business have seen a 5% improvement over the same period last year driven by new product launches and increased sales to major garden warehouse customers. While the latter sales typically have lower price points, margins have increased in the period under review as a result of the procurement savings effected by purchasing tools from Asia, principally via the Group's PRC sourcing centre, rather than from more expensive local sources.

In Australia, year to date sales were 21% higher than those recorded for the same period last year. The increase in turnover is attributable to increased sales of compressors, masonry, hand tool and garden products when compared to sales in the previous year, together with aggressive price promotional activity across all product areas. Continued sales growth in 2010 will rely on the introduction of new products, assuming that consumer demand and the Australian economy do not slow compared to the growth witnessed last year.

Trading conditions in New Zealand have been subdued when compared to the same period last year. The decrease in sales is attributable to lower sales of hand tools and air tools due to the loss of air tool business with a major NZ retailer and reduced promotional activity in a declining retail market.

Australian gross margins were maintained despite being adversely impacted by increased Far Eastern supplier costs and currency losses that have not been fully passed on to the retail market due to competitor activity. In New Zealand, margins were down on the previous year, reflecting the difficult market conditions.

Magnetics Division

The Magnetics Division has continued to perform well with sales 3% higher than the same period last year. Margins, however, have been adversely affected by the weakness of sterling against the US Dollar and by continued competition from Asia resulting in downward sales price reviews.

While sales activity, as a whole, has remained buoyant, the Magnetic Separation element of the UK Engineered Products Section suffered a decline in sales, reflecting fragile confidence in the UK project-based market. As a high margin product line, increased emphasis will be placed on restoring sales levels in this sector going forward. This approach has already resulted in higher levels of quotations being tendered in this area and the challenge now is to convert these quotations into sales orders.

Metrology Division

Sales for the six months under review are approximately 20% lower than the same period last year when sales benefited from a strong opening order book which depleted rapidly in the winter of 2008/2009. Thereafter, 2009 was one of the most challenging in the division's history driven by the dramatic downturn in demand as a result of the world economic downturn and de-stocking by the division's principal export customers.

Sales activity has been gradually improving, especially in the USA and the UK, and more recently in Germany and France. It is unlikely, however, that any of these markets will return to pre-recessionary levels in the remainder of 2010.

The Metrology cost base was significantly reduced during fiscal 2009 with the overall workforce being reduced by approximately 35% and these savings have contributed to the division's profitability.

The acquisition of Quality Measurement Limited ("Baty") in March 2010 will enable Bowers to introduce vision-based measuring systems to its product portfolio as well as complementing existing bore gauge and micrometer ranges.

Contract Manufacturing Division (The Pantene Group)

Compared with last year, sales from October 2009 to March 2010 showed a decrease of HK$16.7 million (14%) from HK$120.4 million to HK$103.7 million. Despite the decreased sales, the division has returned to operating profitability with an operating profit in the period under review of HK$0.3 million compared to a HK$12.6 million loss in the prior period.

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

The trading environment is now showing signs of strengthening with significant increases in order intake and sales demand. The issue now is to efficiently satisfy the higher level of sales despite ongoing labour shortages and manage increased labour costs which will be incurred from the beginning of July. The outlook for Q3 reflects the continued increase in demand and a new Business and Sales Director has been appointed to focus on new product development and identifying and securing new customers.

Computer Lead Frames Division (Jade Precision Engineering)

Jade Precision, like Pantene, was severely hit by the world-wide fall in the demand for consumer electronics in 2009. Sales for the six months to March 2010 show a 60% increase over the prior year as demand has returned in the semi-conductor market.

As with Pantene, prompt management action was taken in 2009 to reduce the workforce so that the ongoing company cost base was in line with current demand forecasts. While the division is still showing an operating loss for the six month period under review, the losses sustained in 2010 are greatly reduced when compared to those suffered in 2009.

Looking forward, sales levels show continuing improvements. The business environment, however, remains highly competitive with severe pressure remaining on margins. The challenge is to reduce and control costs (both direct and indirect) so that the losses can be stemmed and the business can become consistently profitable.

Consumer Electronics Division (Alford Industries)

The purchase of Alford Industries Limited was completed on 30 January 2009. The Group's results for the six months to 31 March 2009, therefore, included only two months of post-acquisition trading compared to a full six months trading for the period to 31 March 2010.

Sales volumes in the period from acquisition to 30 September 2009 were very encouraging in Alford. However, since the end of fiscal 2009, sales demand has slowed in certain sectors.

To mitigate the impact of sluggish sales demand, reviews are currently underway to identify potential synergies and cost savings and also to identify opportunities for higher technological applications. Additionally, sales are being promoted in China through a leading local electrical retailer and the division's investment in hearing aid technology and noise-cancellation headsets is expected to show results in the forthcoming financial year.

Review and Prospects

When compared to the six months ended 31 March 2009, the results for the six months ended 31 March 2010 show an increase in sales of HK$101.8 million and an improvement in operating performance from a loss of HK$12.9 million to a profit of HK$18.6 million.

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

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

Borrowings have increased in the period by HK$15.2 million, due, in part, to pension plan contributions of HK$12.0 million and the acquisition of Baty at a net cost of HK$6.2 million.

The Group has been successful in agreeing a reduction in the level of pension contributions into the UK Pension Plan over the next three years commencing 1 April 2010. Cash resources will, however, be utilised in the implementation of the hacksaw blade relocation and through the building up of working capital, not only in relation to this project, but elsewhere in the Group as sales levels increase.

Barring unforeseen circumstances, it is anticipated that the improved trading performance recorded in the first half of the year will continue into the second half of fiscal 2010.

By order of the Board
United Pacific Industries Limited
Brian C Beazer
Executive Chairman

Hong Kong, 25 June 2010

As at the date of this announcement, the executive directors of the Company are: Mr. Brian C Beazer, Mr. David H Clarke, Mr. Simon N Hsu and Mr. Patrick J Dyson and; the independent non-executive directors are: Dr. Wong Ho Ching, Chris, Mr. Henry W Lim, Mr. Ramon S Pascual, Mr. Robert B Machinist and Mr. Teo Ek Tor.