United Pacific Industries

United Pacific Industries Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 176)
Websites: www.irasia.com/listco/hk/upi

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2011

Chairman's Statement

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

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

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

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

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

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

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

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

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

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

David H Clarke
Chairman
United Pacific Industries Limited

26 May 2011

Financial Highlights

- Sale of loss-making leadframes business concluded in the period for HK$48.2 million in cash. The results of this business shown as a discontinued operation in the current and prior period.

- Revenue from continuing operations increased by 12.7% to HK$607.7 million. Rising sales across all divisions with the exception of Consumer Electronics following delays in the launch of a new digital product range.

- Operating profit (i.e. result before restructuring costs, finance costs, share of associate's profits, other non-operating items and taxation) of HK$24.1 million, an improvement of HK$1.5 million compared to the operating profit of HK$22.6 million in the prior period.

- Restructuring costs of HK$7.0 million (2010 - HK$15.0 million) principally relating to continuing costs in respect of the relocation of the Group's UK hacksaw blade manufacturing plant to the PRC.

- Profit before tax from continuing operations of HK$20.9 million compared to a profit before tax of HK$6.9 million for the same period last year.

- Tax charge for the current period of HK$8.4 million, an increase of HK$1.3 million over the prior period.

- Post-tax profit from continuing operations of HK$12.5 million compared to a loss of HK$0.2 million in the prior period.

- Net profit from discontinued operation of HK$4.3 million (2010 - loss of HK$4.3 million) with credit disposal adjustments off-set by trading losses in the period.

- Profit from continuing and discontinued operation of HK$16.8 million (2010 - loss of HK$4.5 million).

- Zero gearing at 31 March 2011 with net cash of HK$24.7 million (30 September 2010 net borrowings in continuing operations of HK$15.5 million).

- Net asset value of HK$506.8 million, an increase of HK$155.2 million compared to 30 September 2010 driven by increased profitability and reductions in the UK pension liability.

- In the six months ended 31 March 2011, the basic earnings per share from continuing operations was 1.261 HK cents (2010 - loss of 0.023 HK cents) and the basic earnings per share from combined continuing and discontinued operations was 1.699 HK cents (2010 - loss of 0.457 HK cents).

RESULTS

The Board of Directors (the "Board") of United Pacific Industries Limited ("United Pacific Industries", "UPI" or the "Company") is pleased to announce its unaudited consolidated results for the six months ended 31 March 2011 together with comparative figures for the six months ended 31 March 2010.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2011

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

	Notes	Six months ended 31 March	
		2011	2010
		HK$'000	*HK$'000*
		(unaudited)	*(unaudited and restated)*
Attributable to:			
Owners of the Company:			
Continuing operations		**12,506**	(224)
Discontinued operation		**4,343**	(4,272)
		16,849	(4,496)
Earnings/(loss) per share from continuing and discontinued operations	9		
Basic		**1.699 cents**	(0.457 cents)
Diluted		**1.691 cents**	N/A
Earnings/(loss) per share from continuing operations	9		
Basic		**1.261 cents**	(0.023 cents)
Diluted		**1.255 cents**	N/A
Earnings/(loss) per share from discontinued operation	9		
Basic		**0.438 cents**	(0.434 cents)
Diluted		**0.436 cents**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2011

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2011

	Notes	**31 March 2011** *HK$'000* *(unaudited)*	30 September 2010 *HK$'000* *(audited)*
Non-current assets			
Property, plant and equipment		**186,514**	178,717
Prepaid land lease payments under operating leases		**546**	581
Goodwill		**2,407**	2,357
Other intangible assets		**823**	1,074
Interest in an associate		**5,661**	4,922
Available-for-sale financial assets		**724**	879
Deferred tax assets		**23,459**	75,241
		220,134	263,771
Current assets			
Inventories		**251,789**	255,894
Trade and other receivables	10	**248,606**	255,834
Tax recoverable		**1,297**	1,246
Derivative financial instruments		**104**	637
Pledged bank deposits		**5,000**	5,000
Cash and cash equivalents		**147,222**	114,029
		654,018	632,640
Assets classified as held for sale		**—**	84,476
		654,018	717,116
Current liabilities			
Trade and other payables	11	**201,367**	227,877
Interest-bearing bank borrowings - amounts due within one year		**97,865**	101,256
Obligations under finance leases - amounts due within one year		**5,501**	4,753
Provisions		**15,974**	22,056
Derivative financial instruments		**1,833**	3,359
Tax payable		**2,168**	5,908
		324,708	365,209
Liabilities classified as held for sale		**—**	38,023
		324,708	403,232
Net current assets		**329,310**	313,884
Total assets less current liabilities		**549,444**	577,655

	Notes	**31 March 2011** *HK$'000* ***(unaudited)***	30 September 2010 *HK$'000* *(audited)*
Non-current liabilities			
Interest-bearing bank borrowings - amounts due after one year		**18,076**	24,014
Obligations under finance leases - amounts due after one year		**6,077**	4,534
Provisions		**—**	1,698
Retirement benefit obligations		**1,858**	179,304
Deferred tax liabilities		**16,613**	16,466
		42,624	226,016
Net assets		**506,820**	351,639
Capital and reserves			
Share capital	12	**99,185**	99,185
Reserves		**407,635**	252,454
Total equity attributable to owners of the Company		**506,820**	351,639

NOTES

1. BASIS OF PREPARATION

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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 2011, would not have a significant impact on the Group's results of operations and financial position.

HKAS 17 (Amendments) — Leases

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

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

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

HKFRS 9 - Financial Instruments

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

3. REVENUE AND SEGMENT INFORMATION

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

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

Operating segments

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

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

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

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

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

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

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

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

Geographical information

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

Revenue by geographical market

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

4. FINANCE COSTS

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

5. PROFIT BEFORE TAX

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

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

6. INCOME TAX CHARGE

The income tax charge for the period comprises:

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

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

7. DIVIDENDS

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

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

8. DISCONTINUED OPERATION

On 31 December 2010, the Company entered into an agreement for the sale of its 100% equity interest in Jade Precision Engineering Pte Ltd. ("Jade") to Rokko Holdings Ltd. for a total consideration of S$8 million (equivalent to approximately HK$48.2 million, after applicable costs on disposal), payable in cash. In the financial statements for the year ended 30 September 2010, Jade was presented as a discontinued operation. The sale of Jade was completed on 28 February 2011.

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

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

	Six months ended 31 March	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Revenue	**51,548**	56,433
Cost of sales	**(53,714)**	(54,869)
Gross (loss)/profit	**(2,166)**	1,564
Selling and distribution costs	**(1,092)**	(1,344)
Administrative costs	**(2,999)**	(4,216)
Finance costs	**(460)**	(276)
	(6,717)	(4,272)
Gain on disposal (note 13)	**9,866**	—
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary (note 13)	**1,194**	—
Profit/(loss) before tax from discontinued operation	**4,343**	(4,272)
Income tax charge	**—**	—
Net result from discontinued operation	**4,343**	(4,272)

The cash flows from the discontinued operation are as follows:

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

9. EARNINGS PER SHARE

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

The calculation of the basic and diluted earnings per share for the six month periods ended 31 March 2011 and 31 March 2010 is based on the profit attributable to the owners of the Company of HK$16,849,000 (31 March 2010 - loss of HK$4,496,000) and the weighted average number of ordinary shares, for basic earnings per share purposes, of 991,852,107 shares (31 March 2010 - 984,569,407 shares). For diluted earnings per share a weighted average number of shares of 996,312,188 has been used. For the six months ended 31 March 2010 diluted earnings per share have not been presented because the deemed exercise of the share options is anti-dilutive. The calculations are as follows:

(i) Weighted average number of ordinary shares

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

Note:

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

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

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

(b) **From continuing operations**

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

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

The calculations are as follows:

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

(c) **From discontinued operation**

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

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

The calculations are as follows:

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

10. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

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

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

12. SHARE CAPITAL

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

13. DISPOSAL OF A SUBSIDIARY

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

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

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

	HK$'000
Property, plant and equipment	23,721
Inventories	19,028
Trade and other receivables	35,184
Cash and cash equivalents	446
Trade and other payables	(23,231)
Bank overdrafts	(7,027)
Other interest bearing bank borrowings	(9,033)
Obligations under finance leases	(1,928)
	37,160
Gain on disposal (note 8)	9,866
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary (note 8)	1,194
Total consideration	48,220
Satisfied by:	
Cash consideration	48,916
Transaction costs directly attributable to the disposal	(696)
	48,220
Net cash flow arising from the disposal:	
Cash consideration	48,916
Transaction costs directly attributable to the disposal	(696)
Cash and cash equivalents disposed of	6,581
	54,801

The gain on disposal is included in the net result from discontinued operation in the consolidated income statement (note 8).

14. 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.

Business Review and Prospects

Financial and Operations Review

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

Group Results

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

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

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

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

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

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

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

Divisional Operational Review

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

Tools Division

Neill Tools Ltd/Spear & Jackson Garden Products Ltd

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

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

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

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

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

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

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

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

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

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

Robert Sorby

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

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

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

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

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

Spear & Jackson France / Australasia

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

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

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

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

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

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

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

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

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

Magnetics Division

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

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

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

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

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

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

Metrology Division

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

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

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

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

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

Contract Manufacturing Division (The Pantene Group)

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

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

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

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

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

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

Consumer Electronics Division (Alford Industries)

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

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

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

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

Computer Lead Frames Division (Jade Precision Engineering)

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

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

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

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

Review and Prospects

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

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

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

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

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

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

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

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

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

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

Employees

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

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

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

Pre-Emptive Rights

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

Compensation Committee

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

Audit Committee

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

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

Nominating and Corporate Governance Committee ("NCGC")

The NCGC Committee of the Company currently comprises two Independent Non-Executive Directors, Dr. Wong Ho Ching, Chris (Chairman) and Mr. Robert B Machinist and an Executive Director, Mr. Simon N Hsu. It oversees the composition of the Board to ensure that qualified individuals meeting the criteria of the SEHK regulations serve as members of the Board and its committees. It also has the responsibility to develop, recommend to the Board and oversee the implementation of corporate governance principles and policies relating to the operation of the Board and its committees and the Company as a whole.

Corporate Governance Practices

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six month period ended 31 March 2011, with the exception of the following deviation:

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

Model Code for Securities Transactions

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

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

Full Details of Financial Information

The 2010/2011 Interim Report of the Company will be published on the website of The Stock Exchange of Hong Kong Limited and the Company website in due course.

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

Hong Kong, 26 May 2011

At the date of this announcement, the Board comprises four Executive Directors, namely Mr. David H Clarke, Mr. Simon N Hsu, Mr. Henry W Lim and Mr. Patrick J Dyson; two Non-Executive Directors, namely, Mr. Chan Kin Sang and Mr. Liu Ka Lim and three Independent Non-Executive Directors, namely, Mr. Robert B Machinist, Mr. Ramon S Pascual and Dr. Wong Ho Ching, Chris.