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United Pacific Industries

United Pacific Industries Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 176)

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2012

FINANCIAL HIGHLIGHTS

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

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

CHAIRMAN'S STATEMENT

To Our Shareholders,

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

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

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

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

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

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

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

David H Clarke
Chairman

Hong Kong, 24 May 2012

INTERIM DIVIDEND

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Review

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

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

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

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

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

Divisional Business Review

Tools Division

Neill Tools Ltd/Spear & Jackson Garden Products Ltd

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

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

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

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

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

Robert Sorby

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

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

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

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

Spear & Jackson France/Australia

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

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

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

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

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

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

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

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

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

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

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

Magnetics Division

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

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

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

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

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

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

Precision Measurement Division

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

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

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

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

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

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

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

Contract Manufacturing Division (The Pantene Group)

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

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

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

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

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

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

Consumer Electronics Division (Alford Industries)

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

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

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

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

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

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

Capital Expenditure

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

Capital Commitments and Contingent Liabilities

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

Employees

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

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

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

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

Outlook

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

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

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six month period ended 31 March 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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.

REVIEW BY AUDIT COMMITTEE

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

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

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

CLOSURE OF REGISTER OF MEMBERS

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

PUBLICATION OF INTERIM REPORT

The 2012 Interim Report will be published on the Company's websites (www.upi.com.hk and www.irasia.com/listco/hk/upi) and on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) in due course.

By Order of the Board
United Pacific Industries Limited
DAVID H CLARKE
Chairman

Hong Kong, 24 May 2012

As at the date hereof, the Executive Directors of the Company are Mr. David H Clarke, Mr. Simon N Hsu, Mr. Henry W Lim and Mr. Patrick J Dyson; the Non-executive Directors are Mr. Chan Kin Sang and Mr. Liu Ka Lim: and the Independent Non-executive Directors are Mr. Robert B Machinist, Mr. Ramon S Pascual and Dr. Wong Ho Ching, Chris.

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 month period ended 31 March 2012 together with the comparative figures for 2011.

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2012

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2012

	Notes	**31 March 2012** *HK$'000* (unaudited)	**30 September 2011** *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		182,998	186,012
Prepaid land lease payments under operating leases		511	529
Goodwill		2,382	2,345
Other intangible assets		383	559
Interest in an associate		7,158	5,504
Available-for-sale financial assets		2,872	705
Deferred tax assets		48,576	52,434
		244,880	248,088
Current assets			
Inventories		279,976	274,209
Trade and other receivables	8	297,255	250,975
Tax recoverable		62	1,239
Derivative financial instruments		—	1,932
Pledged bank deposits		5,000	5,000
Cash and cash equivalents		124,192	137,038
		706,485	670,393
Current liabilities			
Trade and other payables	9	236,402	242,492
Interest-bearing bank borrowings - amounts due within one year		88,528	79,885
Obligations under finance leases - amounts due within one year		6,964	6,392
Provisions		2,950	2,102
Derivative financial instruments		469	117
Tax payable		2,713	3,260
		338,026	334,248
Net current assets		368,459	336,145
Total assets less current liabilities		613,339	584,233
Non-current liabilities			
Interest-bearing bank borrowings - amounts due after one year		7,320	11,671
Obligations under finance leases - amounts due after one year		8,073	8,623
Retirement benefit obligations		143,174	132,220
Deferred tax liabilities		13,033	13,148
		171,600	165,662
Net assets		441,739	418,571
Capital and reserves			
Share capital	10	99,185	99,185
Reserves		342,554	319,386
Total equity attributable to owners of the Company		441,739	418,571

NOTES

1. BASIS OF PREPARATION

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

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

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

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

2. ADOPTION OF NEW OR REVISED HKFRSs

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

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

2. ADOPTION OF NEW OR REVISED HKFRSs (continued)

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

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

Notes:

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

HKAS 19 (2011) — Employee Benefits

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

The Directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs, except for the adoption of HKAS 19 (2011) — Employee Benefits, is unlikely to have a significant impact on the Group's results and financial position. However, these changes will not affect the financial statements until the year ending 30 September 2014, unless the Company's Directors elect to adopt the standard earlier.

3. REVENUE AND SEGMENT INFORMATION

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

The Group's principal segments for internal reporting purposes are: the contract manufacturing, on OEM and EMS bases, of a wide range of power-related and electrical/electronic products ("Contract Manufacturing"); the manufacturing, procurement and distribution of a broad line of hand, lawn and garden tools ("Tools"), magnetic tools and products including the provision of magnetic-based industrial solutions ("Magnetics") and precision measurement and metrology tools ("Precision Measurement") and electronic consumer products ("Consumer Electronics").These five business segments are the basis on which the Group reports its operating segment information. During the year ended 30 September 2010, the operations of Jade Precision Engineering Pte. Ltd., which comprised the manufacturing and distribution of stamped, etched and plated leadframes for the semi-conductor industry ("Leadframes"), were re-classified as discontinued and were subsequently sold in February 2011.

Operating segments

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Operating segments (continued)

	Continuing operations						Discontinued operation	
	Contract Manufacturing	Tools	Precision Measurement	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 before tax								
Segment profit/(loss)	8,584	11,904	8,122	9,233	(9,546)	28,297	(6,257)	22,040
Restructuring costs	(30)	(5,396)	—	(1,888)	—	(7,314)	—	(7,314)
Share of results of an associate	—	—	—	1,095	—	1,095	—	1,095
Net finance costs	(920)	880	(99)	(38)	(20)	(197)	(770)	(967)
Reportable segment profit	7,634	7,388	8,023	8,402	(9,566)	21,881	(7,027)	14,854

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Operating segments (continued)

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

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

Revenue by geographical market

	Continuing operations Six months ended 31 March		Discontinued operation Six months ended 31 March		Total Six months ended 31 March	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The People's Republic of China (the "PRC")						
Mainland China	17,663	15,762	—	377	17,663	16,139
Hong Kong (place of domicile)	16,007	12,560	—	1,055	16,007	13,615
	33,670	28,322	—	1,432	33,670	29,754
United States of America	188,600	107,032	—	380	188,600	107,412
The UK	158,860	138,689	—	—	158,860	138,689
France	59,908	62,194	—	—	59,908	62,194
Australia	110,197	106,817	—	—	110,197	106,817
Others	163,178	164,638	—	49,736	163,178	214,374
	714,413	607,692	—	51,548	714,413	659,240

4. PROFIT BEFORE TAX

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

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

5. INCOME TAX CHARGE

The income tax charge for the period comprises:

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

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

6. DIVIDENDS

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

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

7. EARNINGS PER SHARE

(a) From continuing and discontinued operations

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

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

7. **EARNINGS PER SHARE (continued)**

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

The calculations are as follows:

(i) *Weighted average number of ordinary shares*

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

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

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

(b) **From continuing operations**

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

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

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

7. EARNINGS PER SHARE (continued)

(c) From the discontinued operation

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

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

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

8. TRADE AND OTHER RECEIVABLES

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

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

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

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

8. TRADE AND OTHER RECEIVABLES (continued)

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

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

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

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

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

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.

9. TRADE AND OTHER PAYABLES

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

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

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

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

10. SHARE CAPITAL

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

11. 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.