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**PROPOSED MAJOR ACQUISITION
OF MINORITY INTERESTS IN SPEAR & JACKSON, INC.
AND
RESUMPTION OF TRADING**

*Financial Adviser to United Pacific Industries Limited
on Hong Kong Listing Rules requirements*



The Board is pleased to announce that after the close of business in the U.S. on Friday 22 June 2007, the Company entered into an agreement and plan of merger with Spear & Jackson, Inc. to acquire the remaining 38.2% of the outstanding shares in S&J not already owned by the Company for a cash consideration of approximately U.S.\$4.3 million (approximately HK\$33.6 million) in aggregate, representing US\$1.96 (approximately HK\$15.33) per share, and thereafter to merge S&J with and into a wholly-owned subsidiary of the Company which will be the survivor corporation.

The Merger is subject to various conditions including approval by UPI Shareholders and S&J Shareholders, and US regulatory approvals. The Company, as controlling shareholder of approximately 61.8% of S&J, intends to vote in favour of the Merger at the meeting of S&J Shareholders.

S&J achieved net sales of approximately US\$97 million (approximately HK\$759 million) in financial year ended September 2006. S&J's operations are broadly divided into Tools, Metrology/Measurement products and Magnetics products and services, and the products are sold under various well-established brand names including:

- Tools — Spear & Jackson, Neill, Elliott Lucas, Robert Sorby
- Metrology — Bowers Metrology, Moore & Wright,
- Magnetics — Eclipse Magnetics

With the Company's manufacturing and sourcing bases located in China, it is expected that the Merger will enable significant synergies to be realized which should provide the economic and operating backbone for a sustained expansion of the Company's businesses in the future, including allowing the Company to:

- Have full ownership of specialty and recognized brand name product lines that will provide growth opportunities; and
- Be a vertically integrated, low-cost manufacturer, owning well-known brands, with the scale, cost structure and people to compete globally.

The Merger constitutes a Major Acquisition for the Company under Rule 14.06(3) of the Listing Rules and is subject to the approval of UPI Shareholders at a special general meeting to be convened. No UPI Shareholders are required to abstain from voting at the special general meeting as no UPI Shareholders have a material interest in the Merger, details of which are set out below.

Subject to satisfaction of conditions precedent, the Merger is expected to close by 31 October 2007 although there can be no guarantee that this timescale can be met.

The general meeting of S&J to consider and vote on the Merger is tentatively scheduled to be held in September 2007, as soon as practicable after the SEC approves the Proxy Statement. Until the outcome of this S&J general meeting is known, the Company is not able to provide a complete circular to Shareholders containing notice of the SGM, information on the final terms and conditions of the Merger, and other information as required under the Listing Rules. The Company will apply to the Stock Exchange for waiver from strict compliance with Rule 14.38 of the Listing Rules by extending the deadline for despatch of the circular to 5 weeks after the S&J general meeting, and in this connection, the Company will give an undertaking to the Stock Exchange to issue further announcements from time to time as may be necessary to keep Shareholders and the investing public updated on the Merger. The Company will announce the decision of the Stock Exchange on the application to extend the deadline for despatch of the circular when it is issued.

Trading in UPI Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 25 June 2007 pending release of this announcement. Application has been made by the Company for resumption of trading in UPI Shares from 9:30 a.m. on 6 July 2007.

Shareholders and potential investors are advised to exercise caution in dealing in UPI Shares and S&J Shares.

Agreement and Plan of Merger

Date The Agreement and Plan of Merger was signed after the close of business in the U.S. on Friday 22 June 2007.

Parties

- (1) UPI, which holds approximately 61.8% of S&J through PGHL;
- (2) Pantene Global Holdings Limited, a wholly-owned direct subsidiary of UPI and the registered owner of approximately 61.8% of S&J;
- (3) Pantene Global Acquisition Corporation, a wholly-owned direct subsidiary of PGHL which will merge with S&J and survive the merger (“Merger Sub”), and
- (4) Spear & Jackson, Inc., a Nevada corporation, which is controlled as to 61.8% by UPI.

Save that the Company holds 61.8% of S&J, and Mr David H Clarke, a director and substantial shareholder of the Company (with approximately 22.88% in the issued share capital of UPI), holds approximately 0.49% of the S&J Shares, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, S&J as counterparty and the ultimate beneficial owners of S&J are third parties independent of the Company and connected persons of the Company.

Terms and Conditions of Merger

The parties have entered into the Agreement to effect a merger of S&J with and into Merger Sub in consideration of US\$1.96 (approximately HK\$15.33) in cash for each Minority Share, or an aggregate of approximately US\$4.3 million (approximately HK\$33.6 million) on the basis that there are 2,192,280 Minority Shares outstanding. However, no consideration will be paid for S&J Shares controlled by the Company or held in treasury. At the effective time of the Merger, all S&J Shares will be cancelled and retired and shall cease to exist.

The Merger is subject to the terms and conditions of the Agreement, including the approval of the SEC to issue the Proxy Statement (circular to shareholders) to S&J Shareholders, the respective approvals of S&J Shareholders and UPI Shareholders and certain other conditions precedent described below.

Nevada law requires a merger to be approved by affirmative vote of a majority of all outstanding voting rights in S&J. The general meeting of S&J to consider and vote on the Merger is tentatively scheduled to be held in September 2007, as soon as practicable after the SEC approves the Proxy Statement. As the Company controls approximately 61.8% of S&J Shares and intends to vote all such shares in favour of the Merger at the general meeting of S&J Shareholders, the Company has no reason to believe at this time that the Merger will not be duly approved by S&J Shareholders.

The Merger proposal will only be submitted to UPI Shareholders for approval if prior approval by S&J Shareholders has been obtained. A circular will be dispatched to UPI Shareholders to give notice of the SGM, provide information regarding the Merger and other information in compliance with the requirements of the Listing Rules. The affirmative vote of a majority of the voting rights exercised at the general meeting of UPI Shareholders is required to approve the Merger and, if approved, the Merger will be consummated shortly thereafter.

At the effective time of the Merger, the separate existence of S&J shall cease and Merger Sub shall continue as the surviving corporation, assuming all the rights and obligations of S&J by operation of Nevada law. Payment of the Cash Consideration will be made to holders of Minority Shares in accordance with the provisions of Nevada laws. Dissenting S&J Shareholders are entitled to exercise appraisal rights to have the “fair value” of their shares determined by a Nevada court. Consummation of the Merger is not expected to be affected by such appraisal proceedings. The decision of the court on “fair value” will only determine the amount payable to such dissenters but will not affect the Cash Consideration payable to other non-dissenting holders of Minority Shares.

Consideration

The Agreement and the Cash Consideration of US\$1.96 (approximately HK\$15.33), approximately US\$4.3 million (approximately HK\$33.6 million) in aggregate, were negotiated and agreed on an arm’s length basis and on normal commercial terms. In determining the Cash Consideration, the Company took into consideration a number of factors, principally:

- (i) the premium payable to consolidate control;
- (ii) the share price of S&J Shares which traded between US\$0.95 — US\$1.50 (approximately HK\$7.40 — HK\$11.70) in the 52 weeks immediately preceding the date of the Agreement;
- (iii) the financial interests of the UPI Shareholders; and
- (iv) the Board’s business judgement as to the future value of S&J taking into consideration various factors, including successful realisation of potential synergies between S&J and other subsidiaries of UPI.

The Company expects to finance the Merger from banking and financing facilities available to the Company and internal resources but has not decided on the allocation between these sources of funds. No new shares of the Company will be issued to finance the Merger.

The Board believes, having taken all the foregoing into consideration, the consideration and the terms of the Agreement are fair and reasonable and in the interests of the Company and UPI Shareholders as a whole.

Conditions precedent

The Merger is subject to a number of conditions precedent having been satisfied, or waived by the party entitled to the benefit thereof, before the Closing, the material conditions of which are summarized as follows:

- (1) SEC approval of Proxy Statement to be provided to S&J Shareholders;
- (2) approval of the Merger by S&J Shareholders;
- (3) approval of the Merger by UPI Shareholders;
- (4) the opinion dated 14 June 2007 of Capitalink L.C., as independent financial adviser to S&J regarding the fair value of the S&J Shares from a financial point of view, not being withdrawn or modified in any material respect;
- (5) the S&J Board not modifying or withdrawing their recommendation to S&J Shareholders to vote in favour of the Merger;
- (6) no material adverse change shall have occurred which affects the business operations and results of the S&J Group as a whole; and
- (7) no court or Government body having jurisdiction over the parties or the transaction shall have issued any order or created any legal impediment which delays the Closing.

As at the date of this announcement, none of the conditions precedent that can be satisfied prior to Closing has been satisfied.

Closing

The Closing is scheduled to take place no later than the second business day after all conditions precedent are satisfied or waived by the party entitled to the benefit thereof and is expected to occur not later than 31 October 2007 but there is no certainty that this deadline will be met. At the Closing, the Company will deposit the full amount of the consideration with a reputable bank or other fiduciary agent as the paying agent who will arrange payment to holders of Minority Shares in accordance with the relevant Nevada laws. A certificate of merger will be filed with the Nevada Secretary of State to effectuate the Merger.

Termination

The Agreement may be terminated by mutual agreement, or by either party if Closing has not occurred by 31 December 2007, or if the Merger is prohibited by order of court or Government body having jurisdiction over the matter, or if approval of the respective shareholders of S&J and UPI is not timely obtained.

The Agreement may be terminated by the Company unilaterally for a number of reasons, principally (a) withdrawal by the S&J Board of its recommendation to shareholders to vote in favour of the Merger; (b) the S&J Board recommending a competing and superior bid; (c) a third party makes a tender offer (for cash or exchange of shares) for S&J Shares and the S&J Board does not timely recommend rejection of the tender bid, or (d) if S&J is in breach of its representations, warranties or undertakings.

The Agreement may be terminated by S&J unilaterally if (a) the S&J Board withdraws its recommendation of the Merger to S&J Shareholders in the face of a competing and superior offer being made for the Minority Shares, or (b) the Company is in breach of its representations, warranties or undertakings.

Reasons for and Benefits of the Merger

The Group, through its wholly-owned operating subsidiary, Pantene Industrial Co. Limited, has traditionally focused on contract manufacturing or OEM (original equipment manufacturer) services, in particular, the design and manufacture of power supply products, and electrical and electronic components. Pantene has manufacturing plants in southern China, sourcing and service office in Hangzhou, Mainland China, sales and service office in Chicago, USA, and maintains a presence in Europe. However, the Group is increasingly diversifying and moving towards ODM (own design manufacturer) and OBM (own brand manufacturer) operations, and actively exploring other synergistic operational arrangements with S&J.

The Board believes that the Merger could advance the realization of potential operational synergies with S&J which could provide the economic and operating backbone for a sustained expansion of the Company's business in the future. Since the Company's acquisition of a controlling stake in S&J in July 2006, Pantene and S&J have been actively pursuing a number of cooperative arrangements: the Board believes acquiring full control of S&J will facilitate realization of these potential synergies and achieve other cost savings, including the following:

- **Strengthen the Group's position in the global marketplace**

The Group will be able to:

- Have full ownership of specialty and recognized brand name product lines that will provide growth opportunities.
- Be a vertically integrated, low-cost manufacturer, owning well-known brands, with the scale, cost structure and people to compete globally.
- Set up a global procurement centre for the Group and increase its bargaining power in sourcing for materials.
- Enjoy a global position and specialty product lines that will provide growth opportunities.

- **Privatisation of Spear & Jackson to reduce compliance costs**

S&J will be privatized and will cease to be subject to costly reporting and other disclosure obligations under the US Securities Exchange Act of 1934 (as amended) and U.S. Sarbanes Oxley Act of 2002.

- **Reduce corporate overheads**

The Company will also be able to streamline its organisational structure and thus reduce its overall corporate overhead costs, resulting in a lower fixed cost base. In an increasingly globalised marketplace, such cost savings will help the Company to remain competitive.

- **Achieve operational efficiencies**

With the consolidation of control of S&J, the Company will be able to share engineering, and management expertise freely between its UK-based and Asia-based operations, and seek to achieve operational excellence with a more efficient management structure.

For the above reasons among others, the Company believes that the Merger could help to establish UPI as a worldwide business, better able to serve all its customers.

INFORMATION ON SPEAR & JACKSON

(A) Spear & Jackson, Inc.

Background

Spear & Jackson, Inc. is publicly traded in the US in the Over the Counter Market of NASD under the symbol “SJCK.PK”. The Company acquired a controlling stake of 61.8% in Spear & Jackson, Inc. on 28 July 2006.

The following table provides certain audited financial information of the S&J Group, prepared according to U.S. GAAP, in respect of each of its two financial years ended 30 September 2005 and 2006. The information is extracted from the most recent annual report filed in Form 10-K with the SEC in respect of its last financial year ended 30 September 2006.

	For year ended 30 September 2006 (except net asset value per share) US\$'000	For year ended 30 September 2005 (except net asset value per share) US\$'000
Net sales	96,993 (approximately HK\$758.5 million)	100,698 (approximately HK\$787.5 million)
Income/(Loss) from continuing operations before unusual or infrequent items and income taxes	(6,707) (approximately (HK\$52.4 million)	2,034 (approximately HK\$15.9 million)
Net income/(Loss) after taxation and extraordinary items	(6,479) (approximately (HK\$50.7 million)	3,095 (approximately HK\$24.2 million)
Net asset value	21,841 (approximately HK\$170.8 million)	26,203 (approximately HK\$204.9 million)
Net asset value per share (in dollars) (based on 5,735,561 S&J Shares issued and outstanding as at 30 September 2005 and 2006)	3.81 (approximately HK\$29.78)	4.57 (approximately HK\$35.74)

Notwithstanding the fact that S&J incurred a loss before unusual or infrequent items and income taxes and after taxation and extraordinary taxes for the year ended 30 September 2006, the Board believes that S&J management has put corrective strategies in place and consequently that the Merger should proceed as proposed. Certain plants have already been closed and the production moved to Asia, thus accelerating the trend towards greater cost efficiency. This, coupled with new products and a greatly improving balance sheet, support the Board's decision.

Board of Directors

There are currently three directors on the board of S&J. They are Mr Patrick Dyson, chairman of S&J and CFO of the UPI Group, Mr Lewis Ho Hon Ching, a general manager in the UPI Group, and Dr. Preston Jones, an independent director appointed on 17 April 2007

Dr. Jones is the sole member of the independent Finance Committee of the S&J Board to whom the S&J Board delegated authority to analyse, review, and negotiate the Agreement, and to make a recommendation to the S&J Board whether to accept or reject the proposal. The Finance Committee has recommended that the S&J Board recommend the Merger to S&J

Shareholders. **Shareholders and investors should note that the S&J Board is entitled, under the terms and conditions of the Agreement mentioned above, to change its recommendation to S&J Shareholders at any time prior to Closing, in which event the Merger could be aborted.**

The S&J Board is advised by independent financial advisers, Capitalink L.C., U.S. counsel, Arnstein & Lehr LLP, and special Nevada counsel, Kummer Kaempfer Bonner Renshaw & Ferrario, on the Merger

SEC Enforcement Proceedings and Shareholders' Litigation

On 15 April 2004, the SEC filed suit in the U.S. District Court for the Southern District of Florida court against S&J, its then Chairman/CEO, and others alleging violations of federal securities laws. On 15 February 2005, the court approved a negotiated settlement with the SEC, without any admission of liability by the parties. S&J consented to a permanent injunction from violation of various provisions under federal securities laws.

Following the SEC action, S&J was named as one of the defendants in actions in federal district court by certain shareholders of S&J. These actions were consolidated in a shareholders' class action in federal court in Florida ("Class Action"). The Class Action was settled by the Company and other defendants and a final order issued by the court on 11 May 2007 which permanently enjoins any further action against S&J and the settling defendants arising from the same set of circumstances.

On September 6, 2005, S&J was served with a Shareholder Derivative Complaint filed on June 1, 2004 in the Circuit Court for Palm Beach County, Florida (Case No. CA005068) ("Derivative Action") by certain shareholders in state court in Florida against certain former and current directors and officers of S&J, and naming S&J as a nominal defendant. The complaint alleges state law claims, and breaches of fiduciary duty, among others. The Derivative Action was settled by S&J and certain defendants and a final order issued by the court on 29 May 2007 which permanently enjoins any further action against S&J and the settling defendants arising from the same set of circumstances. However, as the action continues against a non-settling defendant, S&J remains involved as a defendant in name in this Derivative Action.

(B) Spear & Jackson UK

Business

S&J operates principally through the UK sub-holding companies, Spear & Jackson plc and Bowers Group plc. The business of S&J UK is broadly divided as follows:

1. **Tools** Neill Tools and Spear & Jackson Garden tools manufacture and market hacksaws, garden and hand tools under own brand names together with Robert Sorby which specializes in high quality woodworking equipment.
2. **Magnetics** Eclipse Magnetic's key products are magnetic tools, ranging from technically complex high value added systems to simple low-cost items.

3. **Metrology/M Measurement** Moore & Wright and Bowers Metrology offer core products which range from high specification metrology instruments to hand held gauges for checking the threads, diameters and tapers of machined components.

Pension

S&J UK offers a defined benefit pension plan to certain employees. The pension plan is currently underfunded. The Company, as controlling shareholder, assumes certain pension liabilities if the underfunding is not corrected. The Company believes that, under current UK pension law, any other person acquiring 30% or more of the equity in S&J, may also be required to contribute to the pension fund under certain circumstances.

At present, pension contributions from S&J UK are GBP1.9 million (approximately HK\$29.7 million) per annum which will rise to GBP3.0 million (approximately HK\$46.8 million) per annum as from 1 August 2007 unless an alternative arrangement is agreed between S&J and the Pension Trustees.

INFORMATION REGARDING THE GROUP

Business of the Group

The Company, through its Asia-based principal operating subsidiaries, is primarily engaged in the manufacture and sale of power supply products and electronic components, but additionally, also offers OEM (original equipment manufacturing) and EMS (electronic/electrical manufacturing) services. The business of Spear & Jackson and its potential operational synergies with the Group are described above. The Group has no intention to change its principal business activities.

THE DIRECTORS OF THE COMPANY

At the date of this announcement, the Executive Directors of the Company are: Mr Brian C Beazer, Mr David H Clarke and Mr Simon N Hsu; the Non-Executive Director is: Mr Teo Ek Tor; and the Independent Non-Executive Directors are: Dr Chris Ho Ching Wong, Mr Henry W Lim and Mr Ramon Sy Pascual.

Mr Brian Beazer and Mr Clarke are members of a sub-committee of four persons (Mr Simon Hsu and Ms Nila Ibrahim being the other two members) to whom the Board of the Company has delegated responsibility to take all actions in pursuit of the Merger. Mr Beazer and Mr Clarke conducted the extensive and arm's length negotiations on the Merger with S&J. Neither Mr Beazer nor Mr Clarke has a material interest, as defined in Rule 2.16 of the Listing Rules, in the Merger. Mr Beazer is neither a shareholder nor a director of S&J, and he is not in any position to influence the decision of the S&J board on the Merger. Mr Clarke does not sit on the board of S&J and the current market value of his interest in 28,350 shares of S&J, which represents only approximately 0.1% of his personal assets, is immaterial to Mr Clarke. In addition, the Merger is independent from the Company's prior acquisition of 61.8% interest in S&J in July 2006 which constituted a very substantial acquisition for the Company.

GENERAL

The Merger constitutes a major acquisition for the Company pursuant to Rule 14.06(3) of the Listing Rules. The Company will convene a Special General Meeting of Shareholders to consider and vote on the Merger. No UPI Shareholders are required to abstain from voting at the special general meeting as none of them has a material interest in the Merger.

A circular containing, among others, notice of the SGM, information in respect of the Merger, an accountant's report of the S&J Group in accordance with the Listing Rules, and other information as required under the Listing Rules will be despatched to the Shareholders in due course.

As the Agreement is subject to a number of conditions precedent, including adoption by S&J Shareholders and approval by the Company's Shareholders at separate general meetings, there is no certainty that all or any of the conditions precedent to the Agreement will be satisfied or waived, or that the Merger, which is unsolicited by S&J, will be concluded by 31 December 2007 or at all. Shareholders and potential investors are advised to exercise caution in dealing in UPI Shares.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in UPI Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 25 June 2007 pending release of this announcement. Application has been made by the Company for resumption of trading in UPI Shares from 9:30 a.m. on 6 July 2007.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless otherwise defined, the following terms shall have the following meanings:

“Agreement”	the agreement and plan of merger dated 22 June 2007 (U.S. time) between the Company, PGHL and PGAC of the first part, and S&J of the second part, in relation to the Merger
“Board”	the Board of Directors of the Company for the time being
“Cash Consideration”	the price of US\$1.96 (approximately HK\$15.33) payable in cash for each Minority Share
“Closing”	the closing of the Merger
“Closing Date”	a date not later than 31 December 2007, or such other date to be mutually agreed
“Company” or “UPI”	United Pacific Industries Limited, a company incorporated in Bermuda with limited liability, and listed on The Stock Exchange of Hong Kong Limited (Stock Code: 176)

“Directors”	the Directors of the Company for the time being
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong, Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Merger”	Statutory merger under Nevada law of S&J with and into PGAC, pursuant to the Agreement
“Minority Shares”	2,192,280 S&J Shares, representing approximately 38.2% of S&J Shares which are not held directly or indirectly by the Company
“Mr Clarke”	David H Clarke, a Vice Chairman and substantial shareholder of the Company
“Pantene”	Pantene Industrial Co. Limited, a wholly-owned subsidiary of the Company
“PGAC” or “Merger Sub”	Pantene Global Acquisition Corporation, a company incorporated in Nevada with limited liability, and a wholly-owned direct subsidiary of PGHL
“PGHL”	Pantene Global Holdings Ltd, a company incorporated in Hong Kong with limited liability, and a wholly-owned direct subsidiary of the Company, which is the registered owner of approximately 61.8% of S&J Shares
“PRC” or “China”	the People’s Republic of China
“S&J”	Spear & Jackson, Inc., a company incorporated in Nevada in which the Company holds approximately 61.8% through PGHL
“S&J Group”	S&J and its subsidiaries
“S&J Shareholders”	the shareholders of S&J
“S&J Shares”	common stock of S&J of US\$0.001 par value per share
“S & J UK”	Spear & Jackson plc & Bowers Group plc and their subsidiaries
“S&J 2006 Form 10-K”	the annual report of S&K in respect of its financial year ended 30 September 2006, filed on Form 10-K with the SEC on 15 January 2007

“SEC”	the U.S. Securities and Exchange Commission
“SGM”	Special General Meeting of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UPI Group”	UPI, its subsidiaries and associates
“UPI Shareholders”	the shareholders of the Company
“UPI Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“GBP”	Great Britain pound, being the lawful currency of England
“HK\$” or “HKD”	Hong Kong dollar, being the lawful currency of Hong Kong Special Administrative Region, PRC
“US\$” or “USD”	United States dollar, being the lawful currency of the United States of America

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

5 July 2007, Hong Kong

In this announcement, except as otherwise indicated, for reference purpose only, the following exchange rates have been used:

US\$1.00 = HK\$7.82
GBP1.00 = HK\$15.61