UNITED PACIFIC INDUSTRIES LIMITED

(Incorporated in Bermuda with limited liability)

Directors:
Mr. Ho Che Kong *(Chairman and Group Managing Director)*
Mr. Leung Wai Chuen
Mr. Kan Yuk Chuen
Mr. Robert C. Stift* (resigned on 31 December, 2001)
Mr. Brian C. Beazer*
Mr. Peter F. Reilly* (appointed on 31 December, 2001)
Ms. Chan Lai Sha, Liza*
Mr. Ho Sui Kwong, Alan*
Mr. Simon N. Hsu*
Mr. Yang Kin Ping, John *(alternate director to Mr. Ho Sui Kwong, Alan)** (resigned on 28 April, 2002)
Mr. Ng Ching Wo**
Dr. Wong Ho Ching, Chris**

Principal Office:
Flat B, 19th Floor,
Chai Wan Industrial Centre,
20 Lee Chung Street,
Chai Wan, Hong Kong.

22 July 2002

* *Non-executive Director*

** *Independent Non-executive Director*

To all shareholders

Dear Sir or Madam,

EXPLANATORY STATEMENT

This is the explanatory statement required to be sent to the shareholders (the "Shareholders") of United Pacific Industries Limited (the "Company") under Rule 10.06 (1)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in connection with the proposed ordinary resolution set out in item 4B of the Notice of the Annual General Meeting which is to be held on 28 August 2002 (the "2002 Annual General Meeting") for the approval of the renewal of the general mandate for repurchase of shares (the "Shares") of the Company (the "Repurchase Mandate"). The Notice of the 2002 Annual General Meeting is contained in the accompanying annual report of the Company for the year ended 31 March 2002.

PROVISIONS OF THE LISTING RULES

The Listing Rules permit companies whose primary listings are on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to repurchase in cash their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(a) **Shareholders' approval**

All repurchase of shares on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of general mandate, or by specific approval in relation to specific transactions.

(b) **Source of funds**

Repurchases must be funded out of funds legally available for the purpose including profits otherwise available for distribution.

(c) **Trading restrictions**

The total number of shares which a company is authorised to repurchase on the Stock Exchange must be fully paid up shares representing up to a maximum of 10% of the issued share capital as at the date of the passing of the resolution authorising the Repurchase Mandate.

EXERCISE OF THE REPURCHASE MANDATE

It is proposed that up to 10% of the Shares in issue at the date of passing of the resolution at the 2002 Annual General Meeting to approve the Repurchase Mandate may be repurchased. As at 22 July 2002, being the latest practicable date for determining such figures prior to the printing of this circular (the "Latest Practicable Date"), the issued share capital of the Company was 557,538,400 Shares of HK$0.10 each. Subject to the passing of the ordinary resolution approving the Repurchase Mandate and assuming that no further Shares are issued or repurchased from the Latest Practicable Date up to the date of the 2002 Annual General Meeting, the directors of the Company (the "Directors") would be authorised under the Repurchase Mandate to repurchase a maximum of 55,753,840 Shares in the course of the period prior to the next annual general meeting of the Company in 2003 or the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held or the revocation or variation of the Repurchase Mandate by ordinary resolution of the shareholders in general meeting of the Company, whichever occurs first.

REASONS FOR REPURCHASES

Whilst the Directors have no present intention to repurchase any Shares they believe that the Repurchase Mandate will provide the flexibility to make such repurchases when appropriate and beneficial to the Company. Such repurchases may, depending on the market conditions and funding arrangement at the time, lead to an enhancement of the net asset value per Share of the Company and/or its earnings per Share.

FUNDING OF REPURCHASES

Repurchases pursuant to the Repurchase Mandate would be financed entirely from the Company's available cash flow or working capital facilities which shall be funds legally available for such purposes in accordance with the Company's Bye-laws and the laws of Bermuda. Any repurchases will be made out of funds of the Company legally permitted to be utilised in this connection, including profits otherwise available for distribution. There might be a material adverse impact on the working capital or gearing position of the Company in the event that the Repurchase Mandate is exercised in full as compared with the position disclosed in its latest published audited accounts for the year ended 31 March 2002. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

DIRECTORS AND THEIR ASSOCIATES

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquires, any of their associates has any present intention in the event that the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and all applicable laws of Bermuda.

TAKEOVERS CODE CONSEQUENCES

If as a result of a repurchase of Shares a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with the Takeovers Code.

As at the Latest Practicable Date, the substantial shareholders ("Substantial Shareholders") of the Company (other than the interest of directors as disclosed in the Company's annual report for the year ended 31 March 2002) are as follows:—

Name of shareholder	Number of shares currently held	Approximate Current Percentage	If Repurchase Mandate is exercised fully, approximate current percentage will increase to approximately:
Strategic Industries, LLC.*	130,000,800	23.32%	25.91
Electronic Convergence Technology Limited*	130,000,800	23.32%	25.91
Asian Corporate Finance Fund, L.P.**	65,000,400	11.66%	12.95
Payawal Capital Limited	65,000,400	11.66%	12.95
Investor AB***	74,836,000	13.42%	14.91
Investor (Guernsey) II Ltd.	74,836,000	13.42%	14.91

* Prior to 10th July, 2002, these shares were held indirectly by Strategic Industries, LLC. through its beneficial interest in the entire issued capital of Electronic Convergence Technology Limited. Effective from 10 July 2202, these shares were held indirectly by Strategic Industries, LLC., through its beneficial interest in the entire issued capital of SILLC Asia, LLC.

** These shares were held indirectly by Asian Corporate Finance Fund, L.P. through its beneficial holding of the entire issued capital of Payawal Capital Limited.

*** These shares were held indirectly by Investor AB through its beneficial holding of the entire issued capital of Investor (Guernsey) II Ltd..

Based on the above shareholding interest of the Substantial Shareholders, and in the event that the Directors exercise the power in full to repurchase Shares pursuant to the Repurchase Mandate, the interest of the Substantial Shareholders in the issued share capital of the Company would be increased respectively as shown above, and such an increase may or may not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code.

The Directors are not currently aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made under the Repurchase Mandate.

SHARE REPURCHASES MADE BY THE COMPANY

During the six months preceding the date of this circular, no Shares were repurchased by the Company.

MARKET PRICES

During each of the previous 12 months before the printing of this circular, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

	Per Share	
Month	**Highest**	**Lowest**
	HK$	*HK$*
2001		
July	0.60	0.56
August	0.66	0.485
September	0.55	0.52
October	0.53	0.45
November	0.54	0.42
December	0.58	0.44
2002		
January	0.60	0.425
February	0.50	0.445
March	0.51	0.455
April	0.50	0.43
May	0.54	0.42
June	0.49	0.42

RECOMMENDATION

The Directors are of the view that, subject to all applicable laws and the requirements of the Listing Rules, Resolution No. 4B in the Notice of the 2002 Annual General Meeting is in the interest of the Company and the Shareholders. It is, therefore, recommended by the Directors that the Shareholders vote in favour of and duly pass the said Resolution No. 4B at the 2002 Annual General Meeting.

Yours faithfully,
Ho Che Kong
Chairman and Group Managing Director