



# United Pacific Industries

United Pacific Industries Limited  
(Incorporated in Bermuda with limited liability)

## 2002/2003 Interim Results Announcement

### RESULTS

The Board of Directors (the “Board”) of United Pacific Industries Limited (“United Pacific Industries” or the “Company”) has instructed our auditors, Deloitte Touche Tohmatsu, to review the interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2002 and the relevant notes thereof, in accordance with the Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the Hong Kong Society of Accountants for the purpose of our 2002/2003 Interim Results Announcement. The details of review work performed and review conclusion are as follows:-

#### Review work performed

Our auditors’ review consists principally of making enquiries of group management and applying analytical procedures to the interim financial statements and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit, and as such, our auditors do not express an audit opinion on the interim financial statements.

#### Review conclusion

On the basis of the aforesaid review which does not constitute an audit, our auditors are not aware of any material modifications that should be made to the interim financial statements for the six months ended 30th September, 2002.

Accordingly, the Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30th September, 2002, together with the corresponding unaudited comparative figures for the six months ended 30th September, 2001 as follows:-

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002**

	<i>Notes</i>	<b>1.4.2002 to 30.9.2002</b> <i>HK\$</i> <i>(unaudited)</i>	<b>1.4.2001 to 30.9.2001</b> <i>HK\$</i> <i>(unaudited)</i>
Turnover	2	177,816,853	202,635,382
Cost of sales		<u>(157,241,898)</u>	<u>(179,114,164)</u>
Gross profit		20,574,955	23,521,218
Other income		1,751,867	1,968,695
Administrative expenses		(19,262,429)	(21,789,500)
Distribution costs		(1,105,614)	(296,743)
Factory relocation and closure expenses		<u>—</u>	<u>(882,974)</u>
Profit from operations		1,958,779	2,520,696
Finance costs		(9,169)	(36,697)
Share of results of associates		<u>(352,706)</u>	<u>(1,160,959)</u>
Profit before taxation		1,596,904	1,323,040
Taxation	4	<u>—</u>	<u>(692,454)</u>
Profit before minority interests		1,596,904	630,586
Minority interests		<u>—</u>	<u>(59,653)</u>
Net profit for the period		<u>1,596,904</u>	<u>570,933</u>
Dividend	5	<u>22,282,336</u>	<u>44,603,072</u>
Earnings per share			
- Basic	6	<u>0.29 cents</u>	<u>0.10 cents</u>
- Diluted	6	<u>N/A</u>	<u>0.10 cents</u>

*Notes:*

**1. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required and the comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

## 2. SEGMENT INFORMATION

### Business Segments

The Group's principal activities are manufacture and trading of voltage converters and coils and rechargeable battery products. These two business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

	<b>Voltage converters and coils HK\$</b>	<b>Rechargeable battery products HK\$</b>	<b>Elimination HK\$</b>	<b>Consolidated HK\$</b>
For the six months ended 30th September, 2002				
<b>Turnover</b>				
External sales	163,208,325	14,608,528	—	177,816,853
Inter-segment sales	<u>4,639,551</u>	<u>—</u>	<u>(4,639,551)</u>	<u>—</u>
	<u>167,847,876</u>	<u>14,608,528</u>	<u>(4,639,551)</u>	<u>177,816,853</u>

Inter-segment sales are carried out at cost.

<b>Result</b>			
Segment result	<u>6,188,961</u>	<u>(1,176,141)</u>	5,012,820
Unallocated corporate expenses			(3,210,937)
Interest income			156,896
Finance costs			(9,169)
Share of results of associates			<u>(352,706)</u>
Net profit for the period			<u>1,596,904</u>

	<b>Voltage converters and coils</b> <i>HK\$</i>	<b>Rechargeable battery products</b> <i>HK\$</i>	<b>Consolidated</b> <i>HK\$</i>
For the six months ended 30th September, 2001			
<b>Turnover</b>			
External sales	<u>190,576,556</u>	<u>12,058,826</u>	<u>202,635,382</u>
<b>Result</b>			
Segment result	<u>9,472,813</u>	<u>(4,167,738)</u>	5,305,075
Unallocated corporate expenses			(3,352,098)
Factory relocation and closure expenses	—	(882,974)	(882,974)
Interest income			1,450,693
Finance costs			(36,697)
Share of results of associates			<u>(1,160,959)</u>
Profit before taxation			1,323,040
Taxation			<u>(692,454)</u>
Profit before minority interests			630,586
Minority interests			<u>(59,653)</u>
Net profit for the period			<u>570,933</u>

#### **Geographical Segments**

The Group's operations are located in Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	<b>Turnover by geographical market</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$</i>	<i>HK\$</i>
The PRC		
Hong Kong	42,628,931	42,838,933
Mainland China	<u>19,969,866</u>	<u>17,535,582</u>
	62,598,797	60,374,515
United States of America, South America and Canada	45,235,316	46,548,902
Europe	41,322,685	35,472,950
Malaysia	18,882,720	19,011,056
Asia Pacific (excluding the PRC and Malaysia)	<u>9,777,335</u>	<u>41,227,959</u>
	<u>177,816,853</u>	<u>202,635,382</u>

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall group ratio of profit to turnover.

### 3. DEPRECIATION AND LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

During the period, depreciation on property, plant and equipment and loss on disposal of property, plant and equipment of approximately HK\$7,773,000 and HK\$642,000 (HK\$9,917,000 and HK\$689,000 for the six months ended 30th September, 2001) respectively were charged to the consolidated income statement.

### 4. TAXATION

No tax is payable on the profit for the period arising in Hong Kong since the estimated assessable profit was wholly absorbed by the tax losses brought forward. The charge for the previous period represented Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for that period.

In the opinion of the directors of the Company, a substantial portion of the Group's profit neither arises in, nor is derived from, Hong Kong and, accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Furthermore, the subsidiaries of the Company that are operating in the PRC are currently not subject to income tax of the PRC as these companies either operate under assembly and processing arrangements in the PRC or are exempted from income tax for the first two profitable years of operations and, thereafter, are entitled to 50% relief from income tax for the next three years under the tax laws of the PRC.

### 5. DIVIDEND

	<b>1.4.2002 to 30.9.2002</b>	<b>1.4.2001 to 30.9.2001</b>
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend, proposed — 4 cents (8 cents per share for the six months ended 30th September, 2001)	<u>22,282,336</u>	<u>44,603,072</u>

### 6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the periods ended 30th September, 2002 and 2001 is computed based on the following data:

	<b>1.4.2002 to 30.9.2002</b>	<b>1.4.2001 to 30.9.2001</b>
	<i>HK\$</i>	<i>HK\$</i>
Earnings:		
Net profit for the period and earnings for the purposes of basic and diluted earnings per share	<u>1,596,904</u>	<u>570,933</u>
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	<u>557,524,519</u>	557,538,400
Effect of dilutive potential shares:		
Share options		<u>53,656</u>
Weighted average number of shares for the purpose of diluted earnings per share		<u>557,592,056</u>

The share options have no dilutive effect for the six months ended 30th September, 2002 as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares for the period.

## **INTERIM CASH DIVIDEND**

The Board had resolved to declare an interim cash dividend for the six months ended 30th September, 2002 of HK\$0.04 per share that will be distributed to our shareholders on or before 31st January, 2003.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 20th January, 2003 to 23rd January, 2003, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to any dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong not later than 4:00p.m. on 20th January, 2003.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30th September, 2002, the Company repurchased a total of 480,000 shares on the Stock Exchange at an aggregate price of HK\$ 93,100.

## **CORPORATE GOVERNANCE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not, for any part of the six months ended 30th September, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that non-executive directors are not appointed for specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Bye-laws.

## **FULL DETAILS OF FINANCIAL INFORMATION**

The 2002/2003 Interim Report of the Company containing all the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

## BUSINESS REVIEW AND PROSPECTS

The following sets out the financial highlights for the six-month period ended 30th September, 2002 with the comparative figures for the corresponding period in 2001

	<b>2002</b> <i>HK\$'</i> <i>million</i>	<b>2001</b> <i>HK\$'</i> <i>million</i>	<b>Change</b> <i>HK\$'</i> <i>million</i>	<b>Change</b> <i>%</i>
Turnover	<u>177.8</u>	<u>202.6</u>	(24.8)	12%
Earning before interest, taxation, depreciation and amortization	10.2	12.0	(1.8)	15%
Depreciation and amortisation	(7.8)	(9.9)	2.1	21%
Net interest income	0.2	1.4	(1.2)	86%
Share of results of associates	(0.4)	(1.2)	0.8	67%
Other non-operating items	<u>(0.6)</u>	<u>(0.9)</u>	0.3	33%
Profit before taxation	1.6	1.4	0.2	14%
Taxation & minority interests	<u>—</u>	<u>(0.8)</u>	0.8	100%
Net profit for the period	<u>1.6</u>	<u>0.6</u>	1.0	167%
Dividend	<u>22.3</u>	<u>44.6</u>	(22.3)	50%

### Group Overview

- For the Group's existing core business, turnover for the six-month period under review was decreased to HK\$177.8 million but net profit for the period (after taxation and minority interests) was increased to HK\$1.6 million.
- The Group's earnings before interest, taxation, depreciation and amortization ("EBITDA") for the period under review amounted to HK\$10.2 million.
- The financial position of the Group is still constant despite harsh economic conditions. On 30th September, 2002, the Group had a bank and cash balance of HK\$40.2 million, with a total bank debt of HK\$1.9 million (net cash of HK\$38.3 million with a net bank debt of nil balance), while the Group's net asset value was HK\$232.7 million, with a relatively healthy current ratio of 367.3% and a gearing ratio of nil balance (ratio of net bank debt to net asset value).
- The Board had resolved to declare an interim cash dividend of HK\$0.04 per share or HK\$22,282,336 that will be distributed to our shareholders on or before 31st January, 2003.

### Financial and Operations Review

#### Voltage Converter and Rechargeable Battery Business Segment

- The financial performance of the Group has improved for the half-year period ended 30th September, 2002 compared to our results for the half-year period ended 30th September, 2001.

- For the six months ended 30th September, 2002, our turnover was uninspiring and represented a decrease of 12%. However, the Group's net profit increased to HK\$1.6 million for the period under review, an increase of 167% from our net profit for the same period last year. This was mainly due to your management's cost-cutting efforts and the operational restructuring exercise, both of which helped us improve the Group's profitability. The reasons for the decrease in turnover can be summarized as follows:-
  - (a) the continued worldwide economic recession;
  - (b) a substantial drop in worldwide demand for our traditional linear adaptors and other traditional products; and
  - (c) pressure from our customers to reduce prices substantially.
- The worldwide economic recession had seen some of our largest telecommunications customers sell their manufacturing operations to cut costs. This has resulted in a drastic drop in our profit margins as customers increasingly began to transfer overheads to suppliers like ourselves.
- As previously reported, the global electronics and telecommunications industry has experienced a changing trend in product demand. For the period under review, more and more customers have changed from linear to switch-mode power supply products. We are progressively enhancing our competitiveness in the field of switch-mode power supply products and are quite positive that we can effectively compete with the main suppliers of switch-mode power supply products in the near future.
- Expansion of our manufacturing scope to OEM manufacturing of electronic home and personal appliances for customers in Japan and increasing sales volume of our power-tools chargers and related products in the U.S., are also progressing positively.
- Despite the relatively gloomy business climate, your management has been able to keep the Group above water due to on-going cost-cutting and financial control measures, e.g. we have consolidated our key manufacturing operations in two main PRC centers, Songgang in Guangdong Province and Shanghai. We have also trimmed our staff and administrative overheads substantially by relocating almost all of our operations from Hong Kong to the PRC.
- As previously reported in FY 2002, we had embarked on a shift in business focus to electrical/electronic manufacturing services ("EMS") and your management is pleased to say that we have recently been appointed by a major Japanese household brand to manufacture, assemble and supply their range of beauty/cosmetic and personal electrical appliances such as electric shavers, hair-straighteners and hair-brushes. This is definitely a positive step closer to our goal of eventually becoming a leading EMS provider for the international market.

- We are also pleased to add that, with our comprehensive engineering capabilities in the areas of tooling, moulding, plastic-mould injection, cable and fuse-making, and coil-winding, we are well-equipped to offer our customers a one-stop, complete manufacturing package that would enable our customers to have all components of their electrical/electronic products designed, assembled, quality-checked and packaged at our facilities, and then shipped directly to them.

### **Investment in Climax International Company Limited (“Climax”)**

Regarding our remaining 1.8% equity interest in Climax which we had written off completely in 1998, there was no impact on the Group from Climax’s results from the accounting point of view, and your management will continue to monitor disposal opportunities as and when they arise.

### **The Year Forward**

- We will continue to focus on cost-cutting and financial control measures to ride out the effects of the global recession.
- We will also continue to expand our manufacturing scope and invest prudently on R&D technology to remain competitive in the long term.
- We do not foresee a rapid or substantial increase in profitability in the next financial year but your management will tirelessly try to minimize the impact of the global recession on the Group and our shareholders.
- We are confident that the Group will remain viable despite the dismal global economic climate and we expect to enter a new era of growth when the recovery of the world economy resumes.

### **CHANGES TO THE BOARD OF DIRECTORS**

The Company further announces that Mr. Ramon Pascual (“RP”) has been appointed as non-executive director of the Company with effect from 1st January, 2003. The Company extends a very warm welcome and its heartiest congratulations to RP on his appointment.

By Order of the Board  
**Ho Che Kong**  
*Chairman & Group Managing Director*

Hong Kong, 16th December, 2002

Please also refer to the published version of this announcement in The Standard.