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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "Board") of directors (the "Directors") of United Pacific Industries Limited (the "Company") announces its consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with the comparative figures for the fifteen months ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	**Year ended 31 December 2016** *HK$'000*	Fifteen months ended 31 December 2015 *HK$'000*
Revenue	5	**141,267**	167,625
Cost of sales		**(122,268)**	(155,467)
Gross profit		**18,999**	12,158
Other income	6	**3,309**	5,259
Selling and distribution costs		**(4,045)**	(4,694)
Administrative costs		**(26,824)**	(40,099)
Finance costs	7	**(9)**	(3,675)
Gain on dilution of interest in an associate		**—**	1,152
Share of results of an associate	12	**16,333**	24,594
Profit/(loss) before tax	8	**7,763**	(5,305)
Income tax expense	9	**(4,277)**	(3,621)
Profit/(loss) for the year/period		**3,486**	(8,926)
Earnings/(loss) per share			
Basic and diluted	11	**HK cents 0.26**	HK cents (0.75)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**Year ended 31 December 2016** *HK$'000*	Fifteen months ended 31 December 2015 *HK$'000*
Profit/(loss) for the year/period		**3,486**	(8,926)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Investment revaluation reserve written-off		**209**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from the translation of foreign operations		**(662)**	(873)
Exchange differences arising from the translation of interest in a foreign associate	12	**2,926**	(7,517)
Change in fair value on available-for-sale financial assets		**—**	(160)
Share of other comprehensive income of an associate	12	**131**	—
Other comprehensive income for the year/period, net of tax		**2,604**	(8,550)
Total comprehensive income for the year/period, attributable to owners of the Company		**6,090**	(17,476)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,232**	3,957
Interest in an associate	12	**155,317**	152,383
Available-for-sale financial assets		**—**	77
		159,549	156,417
CURRENT ASSETS			
Inventories		**24,608**	12,599
Trade and other receivables	13	**35,990**	34,565
Cash and bank balances		**313,616**	306,669
		374,214	353,833
CURRENT LIABILITIES			
Trade and other payables	14	**53,362**	37,004
Interest-bearing bank borrowings		**641**	—
Tax payable		**8,010**	7,587
		62,013	44,591
NET CURRENT ASSETS		**312,201**	309,242
TOTAL ASSETS LESS CURRENT LIABILITIES		**471,750**	465,659
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,704**	1,703
NET ASSETS		**470,046**	463,956
CAPITAL AND RESERVES			
Share capital		**131,828**	133,171
Reserves		**338,218**	330,785
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**470,046**	463,956

Notes:

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is Unit 503C, 5/F Golden Centre, 188 Des Voeux Road Central, Hong Kong.

2. CHANGE OF FINANCIAL YEAR END DATE

On 5 November 2015, the Group announced to change its financial year end date from 30 September to 31 December so as to unify the financial year end date of the Company and its principal operating subsidiary which is incorporated in the People's Republic of China (the "PRC"). As a result of this, the comparative figures covered a period of fifteen months ended 31 December 2015.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

(a) Adoption of new/revised HKFRSs — effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Statement of Cash Flows[1]
Amendments to HKAS 12	Income Taxes[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2017

[2] Effective for annual periods beginning on or after 1 January 2018

[3] Effective for annual periods beginning on or after 1 January 2019

4. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for available-for-sale financial assets, which are measured at fair values as explained in the accounting policies set out in the Company's 2016 annual report.

(c) Functional and presentation currency

The functional currency and the reporting currency of the Company is Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. As the Company is listed on Main Board of the Stock Exchange, the Directors consider that it will be more appropriate to adopt HK$ as the Group's and the Company's presentation currency.

5. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the manufacture of consumer electronics products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Revenue represents the total invoiced value of goods supplied less discounts and returns.

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

	Year ended 31 December 2016 *HK$'000*	Fifteen months ended 31 December 2015 *HK$'000*
Reportable segment revenue	**141,267**	167,625
Reportable segment profit/(loss)	**5,545**	(5,274)
Gain on dilution of interest in an associate	**—**	1,152
Share of results of an associate	**16,333**	24,594
Unallocated corporate costs (note)	**(15,557)**	(25,664)
Unallocated corporate net finance credit/(charge)	**1,442**	(113)
Profit/(loss) before tax	**7,763**	(5,305)
Other information:		
Additions to segment non-current assets	**1,813**	1,341
Net finance credit	**(393)**	(342)
Depreciation of property, plant and equipment	**1,035**	1,273
Income tax charge/(credit)	**1,010**	(1,298)
Impairment loss/(reversal of impairment loss) on trade receivables	**174**	(92)
Reversal of impairment loss on inventories	**(1,778)**	(717)

Note:

The unallocated corporate costs mainly comprise staff cost (including directors' remuneration), legal and professional fee, exchange differences and office rental.

	2016 *HK$'000*	2015 *HK$'000*
Assets		
Reportable segment assets	**101,773**	83,765
Interest in an associate	**155,317**	152,383
Available-for-sale financial assets	**—**	77
Unallocated corporate assets (note)	**276,673**	274,025
Total assets	**533,763**	510,250

Note:

The unallocated corporate assets mainly represents cash and bank balances retained at corporate level.

	2016	2015
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**48,533**	34,397
Deferred tax liabilities	**1,704**	1,703
Unallocated corporate liabilities	**13,480**	10,194
Total liabilities	**63,717**	46,294

Geographical information

The following provides an analysis of the Group's revenue from external customers by geographical market, irrespective of the origin of the goods:

	Year ended 31 December 2016	Fifteen months ended 31 December 2015
	HK$'000	*HK$'000*
PRC		
Mainland China	**700**	243
Hong Kong (place of domicile)	**151**	271
	851	514
United States of America	**104,447**	102,485
United Kingdom	**16,586**	32,095
Europe	**13,055**	23,731
Others	**6,328**	8,800
	141,267	167,625

Information about major customers

For the year ended 31 December 2016, revenue from three customers (fifteen months ended 31 December 2015: two customers) with whom transactions have exceeded 10% of the Group's revenue for the year/period as detailed below:

	Year ended 31 December 2016	Fifteen months ended 31 December 2015
	HK$'000	*HK$'000*
Customer A	**54,641**	29,058
Customer B	**50,006**	117,756
Customer C	**23,202**	N/A
	127,849	146,814

6. OTHER INCOME

	Year ended 31 December 2016 *HK$'000*	Fifteen months ended 31 December 2015 *HK$'000*
Interest on bank deposit and balances	**1,844**	3,904
Gain on disposal of property, plant and equipment	**76**	384
Others	**1,389**	971
	3,309	5,259

7. FINANCE COSTS

	Year ended 31 December 2016 *HK$'000*	Fifteen months ended 31 December 2015 *HK$'000*
Interest on bank borrowings and bank overdrafts	**9**	42
Imputed interest on convertible bonds	**—**	3,633
	9	3,675

8. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging/(crediting):

	Year ended 31 December 2016 *HK$'000*	Fifteen months ended 31 December 2015 *HK$'000*
Staff costs including Directors' emoluments:		
Directors' emoluments	**3,060**	3,772
Staff salaries, allowance and welfare	**24,152**	34,438
Retirement benefit scheme contributions	**2,049**	2,830
Total employee costs	**29,261**	41,040
Auditors' remuneration	**922**	1,442
Cost of inventories recognised as expenses	**122,268**	155,467
Depreciation of property, plant and equipment	**1,327**	1,648
Exchange losses	**2,037**	6,393
Minimum lease payment in respect of rented premises	**2,666**	3,516
Impairment loss/(reversal of impairment loss) on trade receivables	**174**	(92)
Reversal of impairment loss on inventories	**(1,778)**	(717)

9. INCOME TAX EXPENSE

The income tax expense for the year/period comprises:

	Year ended 31 December 2016 *HK$'000*	Fifteen months ended 31 December 2015 *HK$'000*
Current income tax — Hong Kong:		
Provision for the year/period	**—**	—
Current income tax — Mainland China:		
Provision for the year/period	**1,010**	—
Over provision in prior years	**—**	(1,298)
	1,010	(1,298)
Withholding tax on dividend income from an associate in Taiwan	**3,298**	3,216
Deferred tax	**(31)**	1,703
	4,277	3,621

No Hong Kong profits tax has been provided for the year ended 31 December 2016 as the Group had no estimated assessable profits arising in or derived from Hong Kong (fifteen months ended 31 December 2015: nil).

PRC Enterprise Income tax has been provided on estimated assessable profits of the subsidiary operations in Mainland China at 25% (fifteen months ended 31 December 2015: 25%).

Taiwan withholding tax is levied on profit distribution upon declaration of the undistributed earnings of an associate for the year ended 31 December 2016 at the rate of 20% (fifteen months ended 31 December 2015: 20%).

10. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (fifteen months ended 31 December 2015: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the profit attributable to owners of the Company of HK$3,486,000 (fifteen months ended 31 December 2015: loss of HK$8,926,000) and the weighted average number of 1,318,279,590 (fifteen months ended 31 December 2015: 1,183,812,600) ordinary shares.

The calculation of weighted average number of ordinary shares is as follows:

	Year ended 31 December 2016	Fifteen months ended 31 December 2015
Issued ordinary shares at 1 January 2016/1 October 2014	**1,331,707,590**	1,160,871,287
Effect of share options exercised (note (i))	**—**	3,130,197
Effect of conversion rights	**—**	33,239,116
Treasury shares	**(9,942,590)**	(13,428,000)
Cancellation of treasury shares	**(3,485,410)**	—
Weighted average number of ordinary shares at 31 December	**1,318,279,590**	1,183,812,600
Basic and diluted earnings/(loss) per share (HK cents) (note (ii))	**0.26**	(0.75)

Notes:

(i) This is related to the share options exercised under the Company's share option scheme during the fifteen months ended 31 December 2015.

(ii) The basic and diluted earnings/(loss) per share are the same for the year ended 31 December 2016 and fifteen months ended 31 December 2015. For the year ended 31 December 2016, there were no potential dilutive shares outstanding. For the fifteen months ended 31 December 2015, the basic and diluted loss per share are the same as the effect of the share options outstanding and the effect of the conversion of outstanding convertible bonds were anti-dilutive.

12. INTEREST IN AN ASSOCIATE

	2016	2015
	HK$'000	*HK$'000*
Movements of interest in an associate are as follows:		
At 1 January 2016/1 October 2014	**152,383**	150,234
Gain on dilution of interest in an associate (note)	**—**	1,152
Share of profits and total comprehensive income of an associate	**16,496**	24,594
Dividend received	**(16,488)**	(16,080)
Currency realignment	**2,926**	(7,517)
At 31 December 2016/31 December 2015	**155,317**	152,383

Note:

During the fifteen months ended 31 December 2015, ordinary shares in issue of Yuji Development Corporation ("Yuji") were increased from 176,000,000 shares to 181,930,324 shares. The Group did not subscribe its proportionate share of the new ordinary shares which were issued at New Taiwan dollars ("TWD") 15 per share. Accordingly, the Group's equity interest in Yuji was diluted from 28.84% to 27.9%. As the Group's share of net asset value of Yuji immediately after the issuance of new shares was in excess of the Group's original share in net asset value of Yuji, a gain on dilution of interest in an associate of approximately HK$1,152,000 was recognised during the fifteen months ended 31 December 2015.

As at 31 December 2016, the Group had an interest in the following associate:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Nominal value of share capital TWD	Proportion of nominal value of share capital held by the Group	Principal activities
Yuji	Limited by shares	Taiwan	Taiwan	1,819,303,240	27.9%	Provision of funeral related services

The summarised financial information in respect of the Group's associate is set out below:

	2016	2015
	HK$'000	*HK$'000*
Non-current assets	**63,203**	35,848
Current assets	**635,855**	574,056
Total assets	**699,058**	609,904
Current liabilities	**(123,778)**	(45,400)
Non-current liabilities	**(2,836)**	(2,800)
Total liabilities	**(126,614)**	(48,200)
Non-controlling interests	**(15,751)**	(15,529)
Net assets	**556,693**	546,175
Share of an associate's net assets	**155,317**	152,383
Sales	**105,441**	151,813

	2016 *HK$'000*	2015 *HK$'000*
Profit for the year/period	**58,442**	87,984
Other comprehensive income	**11,077**	(26,948)
Total comprehensive income	**69,519**	61,036
Share of profits and total comprehensive income of an associate (net of tax)	**16,464**	24,594

13. TRADE AND OTHER RECEIVABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade receivables	**31,122**	31,342
Less: Impairment provisions	**(1,055)**	(881)
Trade receivables — net	**30,067**	30,461
Prepayments and other receivables	**5,923**	4,104
	35,990	34,565

At the reporting date, the ageing analysis of trade receivables, based on invoice date, is as follows:

	2016 *HK$'000*	2015 *HK$'000*
0 - 60 days	**18,952**	16,627
61 - 90 days	**3,502**	5,302
91 - 120 days	**6,337**	7,504
Greater than 120 days	**2,331**	1,909
	31,122	31,342

14. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**27,422**	19,021
Accruals and other payables	**25,940**	17,983
	53,362	37,004

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

	2016	2015
	HK$'000	*HK$'000*
0 - 60 days	**21,826**	12,962
61 - 90 days	**3,425**	2,099
Greater than 90 days	**2,171**	3,960
	27,422	19,021

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Board announced on 5 November 2015 that the financial year end date of the Group had been changed from 30 September to 31 December.

The above change was to align with the financial year end date of the Company's principal operating subsidiary which is incorporated in the People's Republic of China (the "PRC") and whose accounts are statutorily required to be closed at the financial year end date of 31 December. The Board considers that this change will facilitate the Company to prepare and update its financial statements for the preparation of its consolidated financial statements.

During the year ended 31 December 2016, the Group recorded revenue of approximately HK$141.3 million (fifteen months ended 31 December 2015: HK$167.6 million), representing a decrease of 15.7%. For the year ended 31 December 2016, the Group posted a profit of HK$3.5 million, compared to a loss of HK$8.9 million for the fifteen months ended 31 December 2015.

During the year, the gross margin improved to 13.4% from 7.3% for the fifteen months ended 31 December 2015. The improvement was mainly attributable to stringent cost controls and the expansion of higher-margin products.

Material costs and overhead expenditures remained steady owing to continuous process improvement. Administrative costs for the year decreased to HK$26.8 million, as compared to HK$40.1 million for the fifteen months ended 31 December 2015.

BUSINESS REVIEW

The Group operated in a challenging environment during the year. Amid slowing global market growth, particularly in some European countries, the Group's revenue continued to moderate. However, it was able to enhance its product portfolio through the development and introduction of more sophisticated models and higher-value-added products. Overall, the Group achieved a more balanced business mix.

Intense competition and currency fluctuations in key markets continued to pose threats to the consumer electronics industry, which has also been subject to the impact of the global macroeconomic slowdown. To counteract these trends, the constant improvement of the Group's competitive position in the industry remains a priority. To secure a more balanced growth prospect, the Group has also sought to broaden its business horizons by acquiring an interest in an after-life services business.

Consumer Electronics Division (the "Division")

Baby monitors continued to be the Division's principal product during the year, with sales revenues accounting for 75% of total sales. A gradual shift in the product mix away from the baby monitors line was witnessed during the year as product diversification was underway.

With the gradual phasing out of old baby monitor models, development of products with upgraded features has been actively in process. A new 'semi-product' series of beauty devices and a nursery Internet of Things ("IoT") product were put into production as a result of the Group's active development work over the past year.

Both product lines progressed well. The beauty devices series contributed 17% of total sales during the year, while the IoT line featuring Wi-Fi cloud connectivity for baby and infant applications contributed 5% of the total.

The Division continued to perform well in developed markets. The United States of America (the "US") remained the largest market segment generating 73.9% of total sales, with the United Kingdom coming second accounting for 11.7% of sales. While market sentiment in the US was better than that in Europe, the overall customer purchasing attitude was highly price-sensitive. The Division was therefore under intense pressure from clients to lower product prices. The Division had sought to constantly adjust, thus establishing a dynamic geographical market mix in order to strengthen its revenue base. Efforts had also been put into developing new markets.

Management continued with new business development in order to reduce the Division's customer concentration. Encouraging results had been achieved in this direction resulting in a more diverse customer portfolio for the year.

Costs remained a key area of focus for management. An approximately 6.6% depreciation of the Renminbi against the US dollars in 2016 helped offset part of the cost increases. The Division also maintained stringent cost control and prudent financial management in order to guard the Group against volatility in the macroeconomic environment.

Business Developments

The Group holds a 27.9% interest in Yuji Development Corporation ("Yuji"), an after-life services company based in Taiwan. Yuji currently has three columbarium towers and one outdoor cemetery in operation. Its revenue was mainly contributed by the sale of columbarium units and cemetery plots. During the year, Yuji contributed a profit of approximately HK$16.3 million (fifteen months ended 31 December 2015: HK$24.6 million) to the Group.

On 13 February 2017, the Group, being the purchaser, entered into a non-legally binding memorandum of understanding with an independent third party, being the vendor, to purchase the entire issued share capital of a company which entered into a sales and purchase agreement with the owner who holds the legal and beneficial ownership of a 16-storey serviced industrial building located at nos. 13-15 Wing Kei Road and nos. 20-22 Wing Lap Street, Kwai Chung, New Territories, Hong Kong (the "Target Properties"). An application form has been submitted to the Food and Environmental Hygiene Department for the operation of the private columbaria business to be carried out in the Target Properties.

This business development represents an effective strategy for the Group to achieve a better and more balanced earnings and geographical mix. The Group is constantly seeking other viable investment opportunities, with the aim of maximising shareholders' return.

OUTLOOK

The end-user devices sector has undergone a major wave of convergence over the past few years. This digital convergence has precipitated the introduction of a number of new technological standards, which greatly improved the quality and affordability of many equipment types, thus spurring consumer spending.

The Group is operating in the face of strong price pressure and an increasing fraction of the market being captive. Market growth is expected to be moderate in the medium term, but the situation will improve as the market continues to weed out its weakest players over the longer term. Economic growth rates will likely be modest and divergent across markets. In spite of these challenges, the Group will remain highly responsive to new business opportunities while focusing on strengthening its well-established distribution networks and market penetration channels.

Diversification of both products and customers is the Group's long-term goal. To this end, the Group has gained an advantage from the exit of some competitors amid the difficult operating environment over the last few years. However, competition is still intense as the remaining players are mostly large manufacturers who adopt very aggressive pricing strategies. The Group is encouraged to have been able to secure new customers against this competitive backdrop. On this solid client base, the Group will continue to nurture relationships with its customers in order to grow its order book in a balanced way.

Product development is a major factor driving business growth. The Group strives to constantly introduce new products to its portfolio in order to sustain growth momentum. This is made possible by the Group's consistent and market-driven product development efforts, careful evaluation of market preferences, and its ability to manage risks associated with new product introductions.

On the other hand, as part of its continuous efforts to improve productivity, the Group has incorporated a control mechanism to align purchase commitments and inventory levels with anticipated product demand. This control system helps the Group gain visibility in its availability of products in terms of quantity and cost, and alerts it of quality issues or deficiencies in the early stages of production.

Cost management is a key factor to success in such a harsh environment. In light of the keen competition, the Group will continue to exercise strict cost control measures and maintain a lean operating structure. In response to the continuing rising labour costs, automation in production has been taken further forward. Allocation of resources for automation will continue to be made in the years ahead. To effectively control material costs, the Group will also continue to source competitive and high-quality suppliers to keep the overall production cost in check.

The Group is confident of being on the right track to achieve its long-term goals. While actively serving its current customers with its existing products portfolio, the Group constantly reviews its business strategy against its market position and the macroeconomic environment. By leveraging its skill sets and strategic partnerships, the Group will continue to build a more balanced and dynamic earnings mix. The Group is dedicated to investing in strengthening its business fundamentals and potential to enhance shareholders' value in the long term.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group adopted a prudent funding and treasury policy with regard to its overall business operation. As at 31 December 2016, the Group had cash and cash equivalents of HK$313.6 million (31 December 2015: HK$306.7 million). Total net cash (i.e. cash and bank balances less other debt) amounted to HK$313.0 million (31 December 2015: HK$306.7million). The Group had borrowings of approximately HK$0.6 million as at 31 December 2016 (31 December 2015: nil). Borrowings were repayable on demand or within one year, and carried interest at floating interest rates. As at 31 December 2016, the Group had zero gearing ratio (31 December 2015: zero). This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing bank borrowings and obligations under finance leases less cash and cash equivalents. Most of the bank balances were in Hong Kong dollars. With the cash and bank balances available, the Group has sufficient financial resources to finance its operations and to meet the financial obligations of its business.

The Group had net asset value of HK$470.0 million (31 December 2015: HK$464.0 million), with a liquidity ratio (ratio of current assets to current liabilities) of 603.4% (31 December 2015: 793.5%).

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

At 31 December 2016, there were no charges on the Group's assets and the Group did not have any contingent liabilities (31 December 2015: nil).

FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, Renminbi, US dollars, Australian dollars and New Taiwan dollars. Considering the exchange rate between these currencies is relatively stable, the Group believed that the corresponding exposure to Renminbi, US dollars, Australian dollars and New Taiwan dollars exchange rate fluctuation was insignificant.

The Group does not undertake any derivative financial instruments or hedging instruments. The Group will constantly review the economic situation and its foreign currency risk profile, continue to actively monitor foreign exchange exposure to minimise the impact of any adverse currency movement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group employed approximately 300 employees (31 December 2015: 360 employees).

The remuneration of employees is determined by overall guidelines within the relevant industries. The Group has also adopted certain bonus programs, medical insurance and other welfare and benefit programs for its various categories of employees. The remuneration policy of the Group is reviewed regularly and is in line with the performance, qualification of individual employees and prevailing market condition.

EVENTS AFTER THE REPORTING DATE

On 13 February 2017, the Group, being the purchaser, entered into a non-legally binding memorandum of understanding with an independent third party, being the vendor, to purchase the entire issued share capital of a company which entered into a sales and purchase agreement with the owner who holds the legal and beneficial ownership of a 16-storey serviced industrial building located at nos. 13-15 Wing Kei Road and nos. 20-22 Wing Lap Street, Kwai Chung, New Territories, Hong Kong. Details please refer the Company's announcement dated 13 February 2017.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (fifteen months ended 31 December 2015: nil).

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

The Company has not purchased, sold or redeemed any of the Company's listed securities during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 have confirmed, following specific enquiry by the Company, that they had complied with the required standards set out in the Model Code throughout the year.

CORPORATE GOVERNANCE CODE

The Company has adopted all the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. Throughout the year, the Company complied with all applicable code provisions of the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three Independent Non-executive Directors, namely Ms. Hu Gin Ing (Chairman), Mr. Chiu Sze Wai Wilfred and Mr. Chow Wai Leung William.

The Audit Committee has, together with the Board reviewed and approved the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2016. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company and considers them to be effective and adequate.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's consolidated results for the year ended 31 December 2016 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the results announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.upi.com.hk). The Company's 2016 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
United Pacific Industries Limited
Yeung So Lai
Chairman

Hong Kong, 27 March 2017

As at the date of this announcement, the Board comprises two Executive Directors, namely Ms. Yeung So Lai and Mr. Lee Chi Shing Caesar; and three Independent Non-Executive Directors, namely Mr. Chiu Sze Wai Wilfred, Mr. Chow Wai Leung William and Ms. Hu Gin Ing.