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(Stock Code: 176)

Websites: www.upi.com.hk

www.irasia.com/listco/hk/upi

ISSUANCE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

Issuance of Convertible Bonds under General Mandate

On 28 July 2014 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe in cash for the Convertible Bonds of the principal amount of HK\$77,000,000.

Based on the initial conversion price of HK\$0.47142 per Conversion Share, 163,336,303 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent (i) approximately 14.14% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 12.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares will be issued under the General Mandate.

The net proceeds from the Bond Issue (after deducting related expenses) are estimated to be of approximately HK\$76,500,000 and the Company intends to use such net proceeds for future investment opportunities as and when such opportunities arise and/or general working capital of the Group.

Completion of the Subscription Agreement is subject to the satisfaction of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed “The Subscription Agreement” below for further information.

WARNING: As the Subscription Agreement may or may not be completed, the Convertible Bonds or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ISSUANCE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

THE SUBSCRIPTION AGREEMENT

Date

28 July 2014 (after trading hours)

Parties

Issuer: The Company

Subscriber: Kingage International Limited

Subject matter

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$77,000,000.

Conditions Precedent

Completion of the Bond Issue is conditional upon the satisfaction of, among others, the following conditions precedent:

- (i) listing of and permission to deal in the Conversion Shares having been granted by the Stock Exchange, either conditionally or subject to conditions to which the Company shall not unreasonably object (and such grant not having been subsequently revoked or withdrawn prior to the Completion);

- (ii) approval having been obtained from the Bermuda Monetary Authority on the issue of the Convertible Bonds and the issue of the Conversion Shares, if required (and such approval not having been subsequently revoked or withdrawn prior to the Completion); and
- (iii) all other approvals, consents or authorisations necessary pursuant to the Listing Rules, the Takeovers Code or otherwise as required by the Stock Exchange and the SFC and any applicable law for the consummation of the transactions contemplated in the Subscription Agreement having been obtained by the Company (and such approvals, consents and authorisations not having been subsequently revoked or withdrawn prior to the Completion).

None of the conditions precedent can be waived. If the conditions set out above have not been fulfilled on or before 31 August 2014 or such later date as may be agreed between the Subscriber and the Company, the Subscription Agreement will lapse and the parties to the Subscription Agreement will be released from all obligations under the Subscription Agreement, save for liabilities for any antecedent breaches thereof.

Completion

Completion of the Bond Issue shall take place within five Business Days after all the conditions precedent set out in the Subscription Agreement have been satisfied.

At Completion, the Subscriber shall pay the subscription amount to the Company. If, for any reason not attributable to the Company, Completion cannot take place, the Company shall have the right to:

- (i) postpone the date of Completion to the nearest possible Business Day on which Completion may take place; or
- (ii) terminate the Subscription Agreement such that the parties to the Subscription Agreement will be released from all obligations under the Subscription Agreement, save for liabilities for any antecedent breach thereof.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

- Principal amount** : The principal amount of the Convertible Bonds will be HK\$77,000,000.
- Issue price** : 100% of the principal amount of the Convertible Bonds.
- Interest** : Subject to payment of interest as mentioned in sub-heading “Redemption or Conversion by the Company on Maturity” below, the Convertible Bonds do not carry any interest.
- Maturity Date** : The second anniversary of the issue of the Convertible Bonds or such other date as may be extended as mentioned in the sub-heading “Redemption or Conversion by the Company on Maturity” below.
- Conversion rights** : The Bondholder shall have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds in amounts of not less than HK\$1,000,000 (save that if at any time the outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of such outstanding principal amount of the Convertible Bonds may be converted) during the period commencing six months from the date of issue of the Convertible Bonds and expiring on the date which is five Business Days preceding the Maturity Date.

The Bondholder shall have the above conversion rights provided that no conversion of the Convertible Bonds shall be made to the extent that if immediately upon such conversion, the Company will fail to comply with the public float requirement of the Shares under the Listing Rules. Furthermore, the Bondholder shall exercise the conversion rights only to the extent that any conversion of the Convertible Bonds does not trigger a mandatory offer obligation under rule 26.1 of the Takeovers Code on the part of the Bondholder and parties acting in concert with it.

- Redemption or Conversion by the Company on Maturity** : No earlier than forty five days but in any event no later than one month prior to Maturity Date, the Company shall notify the Bondholder in writing as to whether on Maturity Date the Company will at its option:
- (i) redeem any Convertible Bonds which remain outstanding and not previously redeemed or converted into Conversion Shares by paying to the Bondholder 100% of the outstanding principal amount thereof plus interest at the rate of 2% per annum on the outstanding principal amount of the Convertible Bonds which shall accrue daily on a 365-day basis; or
 - (ii) convert the entire outstanding principal amount of the Convertible Bonds into Conversion Shares. However, there will not be any such conversion if the conversion will result in (A) the Company failing to comply with the public float requirement of the Shares under the Listing Rules, or (B) triggering a mandatory offer obligation under rule 26.1 of the Takeovers Code on the part of the Bondholder and parties acting in concert with it. Under such circumstances, the Company may postpone the Maturity Date for up to six months from the then effective Maturity Date or redeem pursuant to (i) above the outstanding Convertible Bonds.
- Conversion Price** : HK\$0.47142, being the initial conversion price per Conversion Share. The Conversion Price will be subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, modification of rights of conversion, exchange or subscription attaching to the securities of the Company, issue of new Shares at less than current market price and other dilutive events.

The initial Conversion Price of HK\$0.47142 per Share represents:

- (i) a discount of approximately 17.29% over the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 19% over the average closing price of approximately HK\$0.582 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 19.14% over the average closing price of approximately HK\$0.583 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The initial Conversion Price of HK\$0.47142 per Conversion Share was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent market price of the Shares.

**Status of the
Convertible
Bonds**

- : The Convertible Bonds constitute direct, unconditional and unsubordinated obligations of the Company and shall at all times rank pari passu and rateably without any preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) with all other unsecured and unsubordinated obligations of the Company. The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange.

- Conversion Shares** : Assuming the conversion rights attaching to the Convertible Bonds have been exercised in full at the initial Conversion Price of HK\$0.47142 per Conversion Share, a maximum of 163,336,303 Conversion Shares will be issued, representing approximately 14.14% of the issued share capital of the Company as at the date of this announcement and approximately 12.39% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares (assuming no other change in the issued share capital of the Company).
- The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of conversion.
- Early redemption at the option of the Company** : The Convertible Bonds are redeemable by the Company in whole or in part at 100% of the outstanding principal amount before the Maturity Date.
- Redemption at the option of the Bondholder for events of default** : Following the occurrence of events of default as set out in the terms and conditions of the Bonds, the Bondholder shall be entitled to require the Company to redeem all or some only of the outstanding principal amount of the Bonds registered in its name at a redemption amount which is equal to 100% of the outstanding principal amount of the Bonds being redeemed without interest within 30 days after the date of the redemption notice given by the Bondholder to the Company.
- Transferability** : The Bondholder shall not have the right to transfer, dispose of or encumber the Convertible Bonds after its issue.
- Voting** : The Convertible Bonds shall not confer on the Bondholder the right to attend and/or vote at general meetings of the Company.
- Dividends** : Bondholder shall not be entitled to receive any dividends, distribution in specie or issue of Shares in lieu of cash dividends declared by the Company.

Nomination Rights

Subject to applicable laws and regulations, the bye-laws of the Company and the approval of the Stock Exchange, the Company agrees that, after Completion, the Subscriber shall have the right to nominate one person to be appointed as a non-executive Director by giving notice in writing to the Company. Such director shall hold office as a Director until the next following annual general meeting of the Company and shall be eligible for re-election at that meeting.

APPLICATION FOR LISTING

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on any stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

GENERAL MANDATE

At the annual general meeting of the Company held on 12 February 2014, a general mandate was granted to the Directors by the Shareholders pursuant to an ordinary resolution to exercise the powers of the Company to allot, issue and deal with up to 201,488,630 Shares, being 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of such resolution. The General Mandate has not been utilised prior to the date of this announcement. The Conversion Shares, being a maximum of 163,336,303 Shares to be issued upon the exercise in full of the conversion rights attaching to the Convertible Bonds based on the initial Conversion Price, will be issued under the General Mandate. Accordingly, the issue of the Convertible Bonds is not subject to the approval of the Shareholders.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares at the initial Conversion Price upon exercise of the conversion rights in full under the Convertible Bonds.

Shareholders	As at the date of this announcement		Assuming the Convertible Bonds are fully converted into Shares at the initial Conversion Price of HK\$0.47142 each	
	No. of Shares	Approximate % of issued share capital of the Company	No. of Shares	Approximate % of issued share capital of the Company
Substantial Shareholder(s)				
Best Service Holdings Limited	281,313,309	24.36%	281,313,309	21.34%
Subscriber	0	0.00%	163,336,303	12.39%
Public shareholders	<u>873,557,978</u>	<u>75.64%</u>	<u>873,557,978</u>	<u>66.27%</u>
Total	<u>1,154,871,287</u>	<u>100.00%</u>	<u>1,318,207,590</u>	<u>100.00%</u>

INFORMATION ON THE SUBSCRIBER

The Subscriber is a limited liability company incorporated in the British Virgin Islands and is principally engaged in investment activities.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS AND USE OF NET PROCEEDS

The Group is principally engaged in design and manufacture of sophisticated consumer electronic and wireless products which are principally audio and video baby monitors. These products sold as OEM/ODM products.

The Directors consider that the Bond Issue represents a good opportunity to broaden the Group's investor base and to strengthen the financial position of the Company so as to provide working capital for the business development and investment opportunities of the Group. The Directors also consider the Bond Issue will provide the Company with immediate funding without immediate dilution to the shareholding of the existing Shareholders and, if the conversion rights attached to the Convertible Bonds are exercised, the capital base of the Company will be enlarged.

The gross proceeds from the Bond Issue will be HK\$77,000,000. The net proceeds from the Bond Issue is expected to be approximately HK\$76,500,000 which will be used for future investment opportunities as and when such opportunities arise and/or general working capital of the Group.

The Directors consider that the terms of the Subscription Agreement (including the terms of the Convertible Bonds) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and that the Subscription Agreement is entered into on normal commercial terms following arm's length negotiations between the parties thereto.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The equity fund raising activities conducted by the Company in the past twelve months prior to the date of this announcement are set out below:

Date of announcement	Event	Net Proceeds	Intended use of proceeds	Actual use of proceeds
9 February 2014; 12 February 2014; and 8 April 2014	147,428,134 new Shares were allotted and issued to 40 third parties independent of the Company and its connected persons at a subscription price of approximately HK\$0.887 per Share	approximately HK\$130.7 million	repay the loan obtained to satisfy the consideration for the acquisition of approximately 28.84% of the issued share capital in 宇錡建設股份有限公司 (Yuji Development Corporation*)	repaid the loan obtained to satisfy the consideration for the acquisition of approximately 28.84% of the issued share capital in 宇錡建設股份有限公司 (Yuji Development Corporation*)

Completion of the Subscription Agreement is subject to the satisfaction of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed “The Subscription Agreement” above for further information.

WARNING: As the Subscription Agreement may or may not be completed, the Convertible Bonds or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITION

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

“Board”	the board of Directors
“Bondholder”	holder of the Convertible Bonds
“Bond Issue”	the subscription and issue of the Convertible Bonds pursuant to the Subscription Agreement
“Business Day(s)”	a day (excluding Saturdays, Sundays and statutory holidays in Hong Kong) on which licensed banks are generally open for business in Hong Kong
“Company”	United Pacific Industries Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 00176)
“Completion”	completion of the Subscription Agreement
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$77,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Conversion Price”	the price per Share at which the Convertible Bonds may be converted into Shares from time to time
“Conversion Share(s)”	new Share(s) to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 February 2014 to allot and issue up to 201,488,630 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue as the date of passing of such resolution

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	25 July 2014, being the last trading day of the Shares immediately prior to the date of the publication of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date which falls on the second anniversary of the issue of the Convertible Bonds or if such date is not a Business Day, the Business Day immediately following such date as extended pursuant to the terms of the Subscription Agreement
“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Kingage International Limited
“Subscription Agreement”	the subscription agreement dated 28 July 2014 entered into between the Company as the issuer and Subscriber as the subscriber in respect of the subscription for and issue of the Convertible Bonds
“subsidiaries”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs in Hong Kong

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
% per cent.

* *for identification purpose only*

By order of the Board
United Pacific Industries Limited
David Howard Clarke
Chairman

Hong Kong, 28 July 2014

At the date of this announcement, the Board comprises three Executive Directors, namely Mr. David Howard Clarke, Mr. Henry Woon-Hoe Lim, and Ms. Kelly Lee; one Non-Executive Director, namely, Mr. Anthony Lee and four Independent Non-Executive Directors, namely, Mr. Ramon Sy Pascual, Dr. Wong Ho Ching, Mr. Lan Yen-Po and Ms. Hu Gin Ing.