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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Universal Appliances Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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UNIVERSAL APPLIANCES LIMITED

(Incorporated in Hong Kong with limited liability)

DISCLOSEABLE TRANSACTION

Investment in a Joint Venture Company

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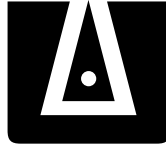
DEFINITIONS

In this document, the following expressions have the following meanings unless the context requires otherwise:

“Company” or “UAL”	Universal Appliances Limited, a company incorporated in Hong Kong with limited liability and the ordinary shares of which are listed on the Stock Exchange. UAL is the holding company of DVN
“DVN”	DVN (Holdings) Limited, a company incorporated in Bermuda with limited liability and the ordinary shares of which are listed on the Stock Exchange. DVN is also a 40.45% owned subsidiary company of UAL
“DVN (China)”	Digital Video Networks Company Limited (天柏寬帶網絡科技(蘇州)有限公司), a foreign owned enterprise in the PRC wholly-owned by DVN
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hongtu”	Jiangsu Hongtu High Technology Co., Ltd (江蘇宏圖高科技股份有限公司), a Company incorporated in the PRC and the ordinary shares of which are listed in Shanghai Stock Exchange
“JV”	Jiangsu Hongtian Broad Communication Co. Ltd (江蘇宏天寬頻視訊有限公司), the joint venture company to be established by Hongtu and DVN
“JV Agreement”	The joint venture agreement and the memorandum of association entered by Hongtu and DVN on 18 April 2002
“Latest Practicable Date”	means 6 May 2002, being the latest practical date prior to the printing of this Circular for ascertaining certain information contained herein
“Listing Rule”	The rules governing the listing of securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China

* Exchange rate used herein is RMB 1.07 = HK\$1.00

LETTER FROM THE BOARD



UNIVERSAL APPLIANCES LIMITED

(Incorporated in Hong Kong with limited liability)

Directors:

Mr. Ko Chun Shun, Johnson (*Chairman*)

Mr. Lui Pan, Terry

Mr. Cheung Chow Yin[#]

Mr. Wilton Timothy Carr Ingram^{*}

Dr. Wong Yau Kar, David^{*}

Registered office:

Room 6301-06, The Center

99 Queen's Road Central

Central, Hong Kong

[#] Non-executive Director

^{*} Independent non-executive Director

9 May 2002

To shareholders of the Company and

holders of preference shares of the Company (for information only)

Dear Sirs,

DISCLOSEABLE TRANSACTION

INTRODUCTION

The Board of the Company announced that on 18 April 2002, DVN and Hongtu have entered into the JV Agreement to set up the JV. The aggregate investments in the JV will be approximately RMB90 million and each party will share 50% interests in shareholding and profit sharing. Hongtu and DVN will each invest cash of RMB45 million equivalent to approximately HK\$42 million.

The transaction constitutes a discloseable transaction for the Company under the Listing Rules.

THE JOINT VENTURE COMPANY

On 18 April 2002, DVN and Hongtu have entered into the JV Agreement to establish an equity joint venture company in the PRC. Pursuant to the Agreement, the total registered capital and the total investment of the JV will be RMB90 million, and each party holds a 50% interest in the shareholding and profit sharing. DVN and Hongtu will inject RMB45 million each in cash

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(equivalent to approximately HK\$42 million). DVN will use its internal resources to fund the investment. The 15-year term JV will have 7 directors, of which 3 directors will be nominated by DVN, and 4 directors will be nominated by Hongtu. The JV will focus in developing the digital broadcasting business and related business in the PRC, initially focusing on areas where DVN has already installed its digital broadcasting platforms. The JV will provide both the headend platform and the end-user cable receivers as well as marketing and technical services to Chinese cable TV networks and their subscribers. The platform will include all the necessary components required by the cable operators to operate digital TV services, including but not limited to the headend equipment, subscriber management and conditional access systems, the middleware and a specially designed cable receiver. The total registered capital of RMB90 million is agreed upon based on the business and operational forecasts of the JV and will be used for marketing of digital broadcasting services and equipment and for the purchase of relevant equipment from DVN. As of the present structure, the interests in the JV will be accounted for under equity method of accounting in the consolidated financial statements of UAL and DVN.

INFORMATION OF HONGTU

Hongtu, a company listed on the Shanghai Stock Exchange, with its controlling shareholders and their beneficial owners are independent of and not connected with the Directors, chief executive and substantial shareholders of UAL or DVN, nor any of their subsidiaries or any of their respective associates, thus is not a connected party to both UAL and DVN under the Listing Rules. Hongtu is mainly engaged in the development, manufacturing and distribution of computers, software, network equipment, DVD players and other communication and consumer electronic products. Hongtu derives its revenue from sales both within China and abroad with year 2001 revenues amounting to RMB 2 billion. Total assets as of 31 December 2001 amounted to RMB 2.4 billion. Hongtu has over 20 sales outlets and service centres throughout China and about 3,000 employees. Hongtu also ranks among China's top 30 listed companies in terms of operational growth.

EXISTING BUSINESS OF THE DVN

DVN has been continuing to develop its digital broadcasting business in the PRC areas and digital TV services are currently offered in 9 locations throughout China over DVN's platforms. The directors of DVN believe that DVN's collaboration with Hongtu will create a stronger market player that is able to leverage Hongtu's consumer product expertise, extensive sales network throughout China and strong government backing. The JV's cash will be used to purchase head-end equipment from DVN (China) as well as to expedite the rollouts of digital TV services in high potential locations where digital TV services have yet to commence operation. Furthermore, as Hongtu will manufacture all the set top boxes for the JV's territories, Hongtu will provide favorable set top box financing terms to the JV. The JV will allow DVN to further penetrate the Chinese market and broaden its geographic scope, as well as limit its

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downside exposure and cash requirements. Furthermore, DVN will complete its set top box supply chain through the formation of the JV. DVN will become the first digital media service provider to enter into a strategic alliance with a large consumer electronics manufacturer. The collaboration will offer Chinese consumers high quality, tailor made, multi-functional and cost competitive set top boxes, as well as unrivalled manufacturing excellence and fast response times to changes in the market and in consumers' taste and demands.

EXISTING BUSINESSES OF UAL GROUP

UAL is an investment holdings company with its subsidiaries engaged in the (i) trading of digital broadcasting equipment and related software and products; (ii) distribution of home audio and video equipment; (iii) provision financial market information and consumer data services; (iv) design and sales of electronic banking and payment solutions and (v) provision of long distance calls and related services via Internet. The entering into the JV Agreement will enable DVN, being an subsidiary of UAL, to further penetrate the Chinese market and in turn, make a remarkable contribution to UAL's financial results.

GENERAL

Your attention is drawn to the additional information set out in the appendix to the Circular.

By Order of the Board
Universal Appliances Limited
Ko Chun Shun, Johnson
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date the interests of the Directors and chief executive of UAL in the securities of UAL and its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to UAL and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which any such Director were taken or deemed to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which were required to be entered into the register maintained by UAL under Section 29 of the SDI Ordinance or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to UAL and the Stock Exchange were as follows:

(A) The Company

Number of ordinary shares of HK\$0.18 each					
Names	Note	Personal interests	Family interests	Corporate interests	Outstanding share options
Mr. Ko Chun Shun, Johnson (“Mr. Ko”)	(i)	18,640,000	—	1,000,437,150	18,000,000
Mr. Lui Pan, Terry (“Mr. Lui”)		—	—	—	34,000,000

(B) DVN

Names	Note	Number of ordinary shares of HK\$0.10 each			
		Personal interests	Family interests	Corporate interests	Outstanding share options
Mr. Ko	(ii)	343,000	2,040,816	158,357,940	2,450,000
Mr. Lui		198,000	—	—	5,250,000

Notes:

- (i) Kwan Wing Holdings Limited (“Kwan Wing”) and Techral Holdings Limited (“Techral”), a subsidiary of Kwan Wing, beneficially owned 360,399,000 and 640,038,150 ordinary shares in the Company, respectively. Mr. Ko has 100% direct interest in Kwan Wing and approximately 96% beneficial interest in Techral.
- (ii) 118,403,418 ordinary shares in DVN are directly held by Prime Pacific International Limited (“Prime Pacific”), which is owned as to 67% and 33% by Gold Pagoda Incorporated (“Gold Pagoda”) and Prime Gold International Limited (“Prime Gold”), respectively.

Prime Gold is owned as to 82.45% by Kwan Wing.

Gold Pagoda is a wholly-owned subsidiary of the Company which in turn is controlled by Mr. Ko.

31,032,522 ordinary shares in DVN are held directly by the Company.

2,956,000 ordinary shares in DVN are held by All Mark Limited, which is wholly owned by the Company.

1,600,000 ordinary shares in DVN are held by Peninsula Resources Limited, which is wholly-owned by Mr. Ko.

3,144,000 ordinary shares in DVN are held by Kwan Wing.

1,222,000 ordinary shares in DVN are held by First Gain International Limited, which is wholly-owned by Mr. Ko.

Million Way Enterprises Limited, a wholly-owned subsidiary of the Company, also holds US\$15,000,000 preference shares issued by DVN (Group) Limited, a wholly-owned subsidiary of DVN. These preference shares are exchangeable to approximately 24,786,780 ordinary shares of DVN upon conversion and are subject to adjustments.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, at the Latest Practical Date, none of the directors, the chief executive or their associates had any personal, family, corporate or other interests in any securities of the Company, its holding company or any of its associated corporations which were recorded in the Register as defined in the SDI Ordinance.

3. SUBSTANTIAL SHAREHOLDERS

At Latest Practical Date, save as disclosed in Directors' Interests in equity or debt securities above, no other person had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

4. PENDING LITIGATION

- (a) On 24th August 1997, Smoothline Limited ("Smoothline"), a wholly-owned subsidiary of the Company, received a Demand for Arbitration from a customer (the "Customer") for resolution of dispute which relates to the sale of certain cordless telephones by certain suppliers (collectively referred to as the "Suppliers") to the Customer under an agreement dated 31st March 1993 in which Smoothline had certain secondary obligations as one of the guarantors for the Suppliers' performance.

As the dispute at issue is primarily between the Customer and the Suppliers, a finding of liability on the part of Smoothline is necessarily dependent upon a prior finding of liability on the part of the Suppliers' and, further, upon the failure of the Suppliers to satisfy such a judgement.

Counsel for both parties have agreed to wait for the outcome of other issues mentioned in paragraph (c) below before proceeding to arbitration. The directors believe that the Group has substantial legal and factual defences against the claim and hence consider that provision for the claim is not necessary.

- (b) On 9th September 1998, Smoothline was notified that the Customer and a party holding certain patents had agreed to settle a patent infringement dispute relating to the distribution of certain products, including certain cordless telephones manufactured by Smoothline, by payment by the Customer of US\$1.25 million (equivalent to approximately HK\$9.7 million) and the granting by such party to the Customer and its suppliers (including Smoothline) of a licence for such products. Smoothline has been requested by the Customer to contribute a portion of the above costs of approximately US\$800,000 (equivalent to approximately HK\$6.2 million). The directors believe that the Group has valid defences against the claim and consider that a provision for the claim is not necessary as this matter has been dormant for over three years.
- (c) On 21st December 1999, in relation to the Customer referred to in note (a) above, two subsidiaries of the Group sought to clarify their obligations relating to the Customer through proceedings in The Princely District Court of Liechtenstein

against both the Customer and FHA Handelsanstalt (“FHA”). On 14th March 2000, in connection with Liechtenstein proceedings the two subsidiaries petitioned The District Court of The Southern District of New York for a discovery order pursuant to 28 U.S. C. 1782 against the Customer. The petition has been opposed by the Customer who also seeks to refer some of the matters raised in the Liechtenstein action to arbitration under AAA in New York.

On 7th May 2001, the United States Court of Appeals for the second Circuit reversed a 21st July 2000, District Court decision denying the Customer’s arbitration demand. Pursuant to this, Smoothline must arbitrate its disputes with the Customer. A decision regarding the obligation of another subsidiary of the Group in this respect is pending. In the Liechtenstein proceedings the two subsidiaries claimed damages of US\$14.78 million and the directors believe that there exist valid and substantial defences against any potential counter claims. Accordingly, the directors do not consider any provisions necessary.

- (d) On 12th October 1999, Cybiotronics Limited (“Cybiotronics”), a Hong Kong company commenced litigation in the United States District Court, Central District of California, claiming that, inter alia, Smoothline had infringed certain patents relating to telephones and consequential damages, and injunctive relief. On 12th February 2001, Smoothline obtained a summary judgement against Cybiotronics on the claim for patent infringement. On 30th January 2002, The Federal Circuit dismissed a Cybiotronics appeal, closing the case.

As at the Latest Practicable Date, save as disclosed herein, no member of the Group was engaged in any litigation or arbitration of material importance and the Directors were not aware of any litigation or claim of material importance pending or threatened against any member of Group.

5. MISCELLANEOUS

- (a) None of the Directors has a contract of service with UAL or any of its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensation).
- (b) Mr. Ho Te Hwai, Cecil is the secretary of UAL. Mr Ho is a member of the Canadian Institute of Chartered Accountants and is an associate member of the Hong Kong Society of Accountants.