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If you have sold all your shares in **Universal Appliances Limited** (the “Company”), you should at once hand this document with the accompanying proxy form 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

友利電訊工業有限公司

(incorporated in Hong Kong with limited liability)

**PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME AND
ADOPTION OF NEW SHARE OPTION SCHEME
BY DVN (HOLDINGS) LIMITED
GENERAL MANDATES TO REPURCHASE SHARES AND
TO ISSUE NEW SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting of **Universal Appliances Limited** to be held at Harmony Room I, the Hong Kong Bankers Club, 43/F., Gloucester Tower, The Landmark, Central, Hong Kong on 26 June 2002 at 10:20 a.m., or so soon after the annual general meeting of the Company to be held at the same place and on the same date shall have been concluded or adjourned, is set out on pages 22 to 25 of this document. Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's registrar in Hong Kong, Tengis Limited, at 4/F Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of a proxy form will not preclude shareholders from attending and voting at the extraordinary general meeting if they so wish.

11 June 2002

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RESPONSIBILITY STATEMENT

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

DEFINITIONS

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

“Associated Company”	a company, not being a subsidiary, in which DVN or the Company (so long as DVN remains a subsidiary of the Company) directly or indirectly holds more than 20% of its issued share capital or the voting power at general meetings or in which an equity interest is held by DVN or the Company (so long as DVN remains a subsidiary of the Company) for long term purpose and a significant influence is exercised over its management
“Board”	the board of Directors
“Company”	Universal Appliances Limited, a company incorporated in Hong Kong with limited liability, whose ordinary shares are listed on the Main Board of the Stock Exchange or such other company the shares of which will be listed on the Stock Exchange replacing the listing status of Universal Appliances Limited by way of introduction under a scheme of arrangement pursuant to section 166 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Director(s)”	the director(s) of the Company
“DVN”	DVN (Holdings) Limited, a company incorporated in Bermuda with limited liability, whose ordinary shares are listed on the Main Board of the Stock Exchange, an approximately 40.45% owned subsidiary of the Company
“DVN Board”	the board of DVN Directors
“DVN Director(s)”	the director(s) of DVN
“DVN Group”	DVN and its subsidiaries
“DVN Shares”	ordinary shares of HK\$0.10 each in the share capital of DVN
“DVN Shareholder(s)”	holder(s) of DVN Share(s)
“Existing Share Option Scheme”	the existing share option scheme of DVN adopted on 12 May 1999

DEFINITIONS

“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on 26 June 2002, notice of which is set out on pages 22 to 25 of this circular
“Group”	the UAL Group and the DVN Group
“Latest Practicable Date”	6 June 2002, being the latest practicable date prior to the printing of this document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Share Option Scheme”	the proposed new share option scheme of DVN to be approved at the Extraordinary General Meeting, the principal terms of which are set out in Appendix I to this circular
“Repurchase Code”	the Hong Kong Code on Share Repurchases
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase, during the period as set out in the Repurchase Resolution, the Shares up to a maximum of 10% of the issued ordinary share capital of the Company as at the date of passing the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution III of the notice of the Extraordinary General Meeting
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.18 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“UAL Group”	the Company and its subsidiaries (excluding members of the DVN Group)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the People’s Republic of China
“%”	per cent.



UNIVERSAL APPLIANCES LIMITED
友利電訊工業有限公司

(incorporated in Hong Kong with limited liability)

Directors:

Mr. Ko Chun Shun, Johnson (*Chairman*)
Mr. Lui Pan, Terry
Mr. Cheong 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

11 June 2002

*To Shareholders and
preference shareholder (for information only)*

Dear Sir or Madam,

**PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME AND
ADOPTION OF NEW SHARE OPTION SCHEME
BY DVN (HOLDINGS) LIMITED
GENERAL MANDATES TO REPURCHASE SHARES AND
TO ISSUE NEW SHARES**

INTRODUCTION

As announced on 28 May 2002, the Directors and the DVN Directors intend to put forward a proposal to their respective shareholders at their respective general meetings to be convened on 26 June 2002 that the New Share Option Scheme be adopted and the Existing Share Option Scheme be terminated. The Directors would also like to put forward to the Shareholders ordinary resolutions to approve the granting of new general mandates to the Directors to exercise the powers of the Company to repurchase Shares and to issue new Shares at the Extraordinary General Meeting.

The purpose of this document is provide you with further information in respect of the New Share Option Scheme and to convene the Extraordinary General Meeting.

LETTER FROM THE BOARD

NEW SHARE OPTION SCHEME

As discussed in the 2001 annual report of DVN, the DVN Directors intend to adopt the New Share Option Scheme in accordance with Chapter 17 of the Listing Rules, which was amended by the Stock Exchange with effect from 1 September 2001, and to terminate the Existing Share Option Scheme. DVN is a subsidiary of the Company. Pursuant to Rule 17.02(1)(a) of the Listing Rules, the New Share Option Scheme must be approved by the Shareholders and the DVN Shareholders in their respective general meetings.

The Directors and the DVN Directors consider that the New Share Option Scheme will assist in recruiting and retaining high-calibre staff for the DVN Group by providing additional incentives to its directors, officers and employees by giving them the opportunity to participate in the long-term growth of the DVN Group. The New Share Option Scheme will also enable the DVN Group to forge strategic ties and enhance its relationships with, amongst others, its suppliers and customers. The Directors and the DVN Directors believe that the New Share Option Scheme will contribute to the continued development of the DVN Group's business. The Directors believe that a healthy development of the DVN Group will in turn benefit the Company and the Shareholders as a whole. Accordingly, the Directors propose that ordinary resolution be put forward to the Shareholders at the Extraordinary General Meeting to be convened on 26 June 2002 to approve the New Share Option Scheme.

CONDITIONS OF THE NEW SHARE OPTION SCHEME

Adoption of the New Share Option Scheme is conditional upon:

1. the passing of ordinary resolutions respectively by the Shareholders and the DVN Shareholders at their respective general meetings approving the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme by the Company; and
2. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any new DVN Shares which may fall to be issued upon the exercise of the subscription rights attaching to the options that may be granted under the New Share Option Scheme.

Such approval for the listing of, and permission to deal in, new DVN Shares which may fall to be issued upon the exercise of the subscription rights attaching to such options will be limited to 10% of the issued share capital of DVN as at the date when the New Share Option Scheme is approved by the DVN Shareholders and the Shareholders.

VALUE OF THE OPTIONS

The Directors and the DVN Directors consider it inappropriate to value the options that can be granted under the New Share Option Scheme on the assumption that they had been granted at

LETTER FROM THE BOARD

the Latest Practicable Date, as various determining factors, such as, among other things, the exercise price of the relevant option and the underlying market share price, the timing of the grant of such options, the period during which the relevant options may be exercised and volatility, which are crucial for the calculation of such value cannot be reasonably ascertained at this stage. Given a scheme life of ten years, the Directors believe it would be premature to state whether or not options will be granted under the New Share Option Scheme and if so, the number of options and the likely exercise prices. It would not be meaningful and to certain extent would be misleading to the Shareholders if the value of the options were to be attempted to be calculated based on a set of speculated assumptions.

EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted by DVN on 12 May 1999. Upon termination of the Existing Share Option Scheme, no further options will be granted thereunder but in all other aspects, the provisions of the Existing Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. As at the Latest Practicable Date, DVN had granted 32,550,000 share options to certain directors and employees of the DVN Group pursuant to the Existing Share Option Scheme, out of which 2,316,000 had been exercised, 9,200,000 had lapsed and 21,034,000 were still outstanding in accordance with the terms of the Existing Share Option Scheme. Among such outstanding options, 2,500,000 share options are held by Mr. Lui Pan, a Director and a DVN Director. As agreed between DVN and Mr. Lui Pan, such 2,500,000 share options will be cancelled immediately prior to the adoption of the New Share Option Scheme by DVN. The cancellation of such share options does not contravene any term of the Existing Share Option Scheme and is not required to be subject to DVN Shareholders' approval. The exercise price of such share options, HK\$9.89 per share, are significantly higher than the recent market price of the DVN Shares. The Directors and the DVN Directors believe that such share options no longer provide meaningful incentives to the option-holder.

APPLICATION FOR LISTING

DVN has made an application to the Stock Exchange for the listing of, and permission to deal in, the DVN Shares to be issued pursuant to the exercise of the subscription rights attaching to options which may be granted under the New Share Option Scheme. Such DVN Shares must in aggregate, not exceed 10% of the ordinary shares of DVN in issue on the date when the Shareholders and the DVN Shareholders approve the New Share Option Scheme.

TERMS OF THE NEW SHARE OPTION SCHEME

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved by the Shareholders at the Extraordinary General Meeting is set out in Appendix I to this circular.

LETTER FROM THE BOARD

A copy of the New Share Option Scheme will be available for inspection at (i) the Company's principal office in Hong Kong at Room 6301-06, The Center, 99 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including the conclusion of the Extraordinary General Meeting; and (ii) the Extraordinary General Meeting.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

On 27 June 2001, general mandates were given to the Directors to exercise the powers of the Company to issue and to repurchase its own Shares which will lapse on the date of the annual general meeting of the Company to be held on 26 June 2002 before the Extraordinary General Meeting. The Directors therefore propose ordinary resolutions at the Extraordinary General Meeting to seek new general mandates to exercise the powers of the Company: (i) to allot and issue the new Shares up to a maximum of 20% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the effective day of the resolution; and (ii) to repurchase on the Stock Exchange the Shares up to a maximum of 10% of the aggregate nominal amount of the issued ordinary share capital of the Company at the effective date of the Repurchase Resolution.

If the new general mandates are passed at the Extraordinary General Meeting, they would continue to be in force until the conclusion of the next annual general meeting of the Company after the Extraordinary General Meeting unless they are renewed at such meeting or until the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held or until revoked or varied by ordinary resolutions of the Shareholders in general meeting before the next annual general meeting.

A separate resolution will also be proposed at the Extraordinary General Meeting that the aggregate nominal amounts of any Shares repurchased by the Company following the granting of the general mandate to repurchase Shares will be added to the aggregate nominal amounts of the Shares which may be issued under the general mandate to issue new Shares.

RECOMMENDATION

The Directors believe that the termination of the Existing Share Option Scheme, the adoption of the New Share Option Scheme by DVN, and the granting of general mandates to issue new Shares and to repurchase Shares to be proposed at the Extraordinary General Meeting are in the best interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions set out in the notice of the Extraordinary General Meeting.

Yours faithfully,
For and on behalf of
Universal Appliances Limited
Ko Chun Shun, Johnson
Chairman

NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the New Share Option Scheme to be approved by the Shareholders at the Extraordinary General Meeting:

(a) Who may join

The DVN Board may at its discretion grant options to (i) any part-time or full time employee or officer of any member of the DVN Group or of the UAL Group (so long as DVN remains a subsidiary of the Company) or of any Associated Company (collectively, the “Employee”); (ii) the chief executive or director (executive or non-executive or independent non-executive) of any member of the DVN Group or of any member of the UAL Group (so long as DVN remains a subsidiary of the Company) or of any Associated Company; or (iii) any supplier, agent, customer, distributor, business associate or partner, professional or other adviser of, or consultant or contractor to, any member of the DVN Group or of the UAL Group (so long as DVN remains a subsidiary of the Company) or of any Associated Company; or (iv) any shareholder of any member of the DVN Group or of any member of the UAL Group (so long as DVN remains a subsidiary of the Company) or of any Associated Company. which in the opinion of the DVN Board, has made or will make contributions which are or may be beneficial to the DVN Group as a whole (collectively, “Qualified Persons”).

(b) The purpose of the New Share Option Scheme

The New Share Option Scheme seeks to recognise and acknowledge the contributions or potential contributions made or to be made by the Qualified Persons to the DVN Group, to motivate the Qualified Persons to optimise their performance and efficiency for the benefit of the DVN Group, and to maintain or attract business relationship with the Qualified Persons whose contributions are or may be beneficial to the growth of the DVN Group.

(c) Subscription Price

The subscription price (“Subscription Price”) in relation to each option under the New Share Option Scheme shall be a price notified by the DVN Board to the respective Qualified Person. Such price shall be not less than the higher of (i) the closing price of the DVN Shares as stated in the Stock Exchange’s daily quotation sheets on the date on which the option is offered to an Qualified Person (“Offer Date”) (which must be a business day as defined in the Listing Rules); or (ii) the average of the closing prices of the DVN Shares as stated in the Stock Exchange’s daily quotation sheets for the 5 trading days immediately preceding the Offer Date.

(d) Grant of Option

An offer of the grant of an option shall be made to a Qualified Person by letter (“Offer Letter”) in such form as the DVN Board may from time to time determine specifying the terms and subject to the conditions on which the option is to be granted. Subject to the terms of the Offer Letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options.

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate Offer Letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of DVN of HK\$1.00 by way of consideration for the grant thereof shall have been received by DVN on or before the last day for acceptance as set out in the Offer Letter.

(e) Maximum number of the DVN Shares**(i) General Mandate**

The maximum number of the DVN Shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes of DVN shall not exceed such number of the DVN Shares as shall represent 10% (“General Mandate”) of the total number of the DVN Shares in issue as at the date when the New Share Option Scheme is approved by the Shareholders and the DVN Shareholders. For the purpose of calculating the General Mandate, options which have been lapsed in accordance with the terms of the New Share Option Scheme/its applicable rules shall not be counted.

(ii) Refreshment of the General Mandate

DVN may seek approvals by the DVN Shareholders and the Shareholders (so long as (i) the ordinary shares of the Company are listed on the Stock Exchange; and (ii) DVN is a subsidiary of the Company) in their respective general meetings for refreshing the General Mandate provided that the total number of the DVN Shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes of DVN under the General Mandate as being refreshed must not in aggregate exceed 10% of the total number of the DVN Shares in issue as at the date when such refreshment of the General Mandate is approved by the DVN Shareholders and the Shareholders (if necessary). For the foregoing purpose, options previously granted under the New Share Option Scheme and any other share option schemes of DVN, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted.

(iii) Grant of options to specifically identified Qualified Persons

DVN may seek separate approval by the DVN Shareholders and the Shareholders (so long as (i) the ordinary shares of the Company are listed on the Stock Exchange; and (ii) DVN is a subsidiary of the Company) in their respective general meetings for granting options beyond the General Mandate provided the options in excess of the General Mandate are granted only to Qualified Persons specifically identified before such approval is sought. A circular containing the identity of the Qualified Persons, the number and the terms of the options to be granted (and options previously granted to such Qualified Persons) and any other information required under the Listing Rules will be sent by DVN and the Company (if necessary) to their respective shareholders in accordance with the Listing Rules in such circumstance.

(iv) Overriding Limit

Notwithstanding any provisions to the contrary, the limit on the number of the DVN Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of DVN must not exceed such number of the DVN Shares as shall represent 30% of the DVN Shares in issue from time to time.

(v) Maximum entitlement of each Qualified Person

Unless separately approved by the DVN Shareholders and the Shareholders (so long as (i) the ordinary shares of the Company are listed on the Stock Exchange; and (ii) DVN is a subsidiary of the Company) in their respective general meetings in the manner as prescribed in the Listing Rules, the total number of the DVN Shares issued and to be issued upon exercise of options granted to each Qualified Person (including both exercised, cancelled and outstanding options) under the New Share Option Scheme or any other share option schemes of DVN in any 12-month period must not exceed 1% of the DVN Shares then in issue.

(f) Timing for exercise options

The period during which an option may be exercised in accordance with the terms of the New Share Option Scheme (“Option Period”) shall be the period set out in the Offer Letter as determined by the DVN Board provided that such period must expire no later than the tenth anniversary of the Offer Date.

(g) Rights personal to option-holder

An option shall not be sold, transferred, charged, mortgaged, encumbered or created with any interest (legal or beneficial) in favour of any third party or assigned and shall be personal to the option-holder (save that the Qualified Person may nominate a nominee to hold the DVN Shares to be issued pursuant to the exercise of options granted under the New Share Option Scheme on trust for the sole benefit of such option-holder provided that evidence of such trust arrangement between the option-holder and the nominee shall be provided to the satisfaction of DVN).

(h) Rights on ceasing employment

If the option-holder (being an Employee) ceases to be a Qualified Person for any reason other than his or her death or termination of his or her employment or appointment on one or more of the grounds specified in sub-paragraph (v) of paragraph (p) below or retirement in accordance with the terms of his or her contract of employment or appointment or by virtue of any statutory requirement, such option-holder may exercise the option up to his or her entitlement at the date of cessation (to the extent not already exercised) within the period of 1 month following the date of such cessation, which date shall be the last actual working day with DVN or its relevant subsidiary or the relevant member of the UAL Group or the relevant Associated Company (as the case may be) whether salary is paid in lieu of notice or not.

(i) Rights on death

If the option-holder (being an individual) ceases to be a Qualified Person by reason of his or her death and, in the case of such option-holder is an Employee, none of the events which would be a ground for termination of his or her employment or appointment as specified in sub-paragraph (v) of paragraph (p) below has arisen, the legal personal representative(s) of the option-holder shall be entitled within a period of 12 months from the date of death (or such other period as the DVN Board may determine) to exercise the option in full (to the extent not already exercised).

(j) Rights on retirement

If the option-holder (being an Employee) ceases to be a Qualified Person by reason of retirement in accordance with the terms of his or her contract of employment or appointment or by virtue of any statutory requirement and none of the events which would be a ground for termination of his or her employment or appointment as specified in sub-paragraph (v) of paragraph (p) below has arisen, the option-holder shall be entitled within a period of 12 months from the date of retirement (or such other period as the DVN Board may determine) to exercise the option up to his or her entitlement (to the extent not already exercised).

(k) Rights on termination of business relation

If the option-holder being a non-Employee in the absolute opinion of the DVN Board ceases to be qualified as a Qualified Person by reason of termination of its business relation with the relevant member of the DVN Group or member of the UAL Group or any Associated Company or otherwise (as the case may be), any outstanding option held by such option-holder shall lapse with immediate effect on the date when the Company notifies such option-holder of the relevant termination.

(l) Rights on a compromise or arrangement

In the event of a compromise or arrangement between DVN and the DVN Shareholders or its creditors being proposed in connection with a scheme for the reconstruction or amalgamation of DVN, DVN shall give notice thereof to the option-holder (or his or her legal representative(s)) on the same day as it gives notice of the meeting to its shareholders or creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable on such date and the option-holder may at any time thereafter until the earlier of (i) two calendar months after that date or (ii) the date on which such compromise or arrangement is sanctioned by court, exercise any of the option whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the New Share Option Scheme. DVN may require the option-holder (or his or her personal representative(s)) to transfer or otherwise deal with the DVN Shares issued as a result of the exercise of options in these circumstances so as to place the option-holder in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(m) Effect of capital alteration

In the event of any alteration in the capital structure of DVN whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, share consolidation, share sub-division or reduction of the share capital of DVN (other than an issue of the DVN Shares as consideration in respect of a transaction to which DVN is a party), the DVN Board shall make (and shall notify to the option-holder) such corresponding alterations (if any) in:

- (i) the number or nominal amount of the DVN Shares subject to any option so far as such option remains unexercised; and/or
- (ii) the Subscription Price,

as the auditors shall certify in writing to the DVN Board to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of DVN to which a option-holder is entitled after such alteration shall remain the same as that to which he was entitled before such alteration, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value.

(n) Rights on voluntary winding up

In the event of an effective resolution being passed for the voluntary winding-up of DVN, the option-holder (or his or her legal personal representative(s)) may by notice in writing to DVN within 21 days after the date of such resolution elect to be treated as if the option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the Subscription Price for the DVN Shares in respect of which the notice is given, whereupon the option-holder will be entitled to receive out of the assets available in the liquidation *pari passu* with the DVN Shareholders such sum as would have been received in respect of the DVN Shares the subject of such election.

(o) Rights on general offer

If a general offer is made to all DVN Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional during the Option Period, the option-holder (or his or her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional notwithstanding that the Option Period in respect of the relevant option may not have commenced.

(p) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (h), (i), (j), (k), (n) and (o);
- (iii) subject to paragraph (n), the date of the commencement of the winding-up of DVN;

- (iv) subject to the scheme of arrangement or compromise becoming effective, the expiry of the period referred to in paragraph (l);
 - (v) the date on which the option-holder (being an Employee) ceases to be a Qualified Person by reason of the termination of his or her employment or appointment on any one or more of the grounds that he or she has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment or appointment at common law or pursuant to any applicable laws or under the option-holder's service contract with DVN or its relevant subsidiary or the relevant member of the UAL Group or the relevant Associated Company (as the case may be);
 - (vi) the date on which the option-holder commits a breach of paragraph (g);
 - (vii) if an option was granted subject to certain conditions, restrictions or limitations, the date on which the DVN Board resolves that the option-holder has failed to satisfy or comply with such conditions, restrictions or limitations;
 - (viii) in respect of the option-holder being a consultant or adviser (whether individual or corporation), the date on which the DVN Board resolves that the consultant or adviser fails to comply with any provisions of the relevant contract, or breaches its fiduciary duty under the common law; or
 - (ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.
- (q) Ranking of the DVN Shares**

The DVN Shares to be allotted upon the exercise of an option will be subject to all provisions of the memorandum of association and the bye-laws of DVN for the time being in force and will rank *pari passu* in all respects with the fully paid DVN Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

(r) Life of the New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the New Share Option Scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects.

(s) Alterations of the New Share Option Scheme

The New Share Option Scheme may be altered by the DVN Board except that any material alteration to its terms and conditions or any change to the terms of options granted (except where such alterations take effect automatically under the existing terms of the New Share Option Scheme) shall first be approved by the DVN Shareholders and the Shareholders (so long as (i) the ordinary shares of the Company are listed on the Stock Exchange; and (ii) DVN is a subsidiary of the Company) in their respective general meetings and the provisions of the New Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the option-holders except with the prior sanction of a resolution of DVN and the Company (so long as (i) the ordinary shares of the Company are listed on the Stock Exchange; and (ii) DVN is a subsidiary of the Company) in respective general meetings. Any amended terms of the New Share Option Scheme shall comply with Chapter 17 of the Listing Rules.

(t) Administration

The New Share Option Scheme shall be subject to the administration of the DVN Board or a duly authorised committee thereof whose decision as to all matters relating to the New Share Option Scheme or its interpretation or effect (save as otherwise provided) shall be final and binding on all parties affected thereby.

Without prejudice to any of the provisions of the New Share Option Scheme, the DVN Board may from time to time adopt such operational rules as it may deem fit for the purpose of giving effect to or implementing the New Share Option Scheme including without limitation rules which may restrict the exercise of the options granted or to be granted in any way or otherwise impose restrictions whatsoever on the part of the option-holder provided always that such operational rules shall not contravene the applicable provisions of the Listing Rules.

Any change to the authority of the DVN Board or the administrators of the New Share Option Scheme in relation to any alteration of the terms of the New Share Option Scheme shall be approved by the DVN Shareholders and the Shareholders (so long as (i) the ordinary shares of the Company are listed on the Stock Exchange; and (ii) DVN is a subsidiary of the Company) in the respective general meetings.

(u) Options to Related Persons

- (i) Any grant of options to a director, chief executive or substantial shareholder of DVN or any of their respective associates (“DVN Related Person”) must be approved by the independent non-executive directors of DVN and the Company (so long as (i) the ordinary shares of the Company are listed on the Stock Exchange and (ii) DVN is a subsidiary of the Company) (excluding independent non-executive director who is the option-holder of such options).
- (ii) Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (“UAL Related Person”) (so long as (i) the ordinary shares of the Company are listed on the Stock Exchange; and (ii) DVN is a subsidiary of the Company) must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the option-holder of such options).
- (iii) Any grant of options to a substantial shareholder or an independent non-executive director of DVN or of the Company (so long as (i) the ordinary share of the Company are listed on the Stock Exchange; and (ii) DVN is a subsidiary of the Company) or any of their respective associates shall comply with paragraphs (iv) and (v) below if such proposed grant of options, when aggregated with all options (whether exercised, cancelled or outstanding) already granted to that DVN Related Person or UAL Related Person under the New Share Option scheme or any other share option schemes of DVN during the 12-month period up to and including the date of such grant of options, would (a) entitle him or her to receive more than 0.1% of the total issued DVN Shares for the time being; and (b) represent an aggregate value in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time) based on the closing price of the DVN Shares on the Stock Exchange at the date of each grant.
- (iv) Any grant of options referred to in paragraph (iii) to a substantial shareholder or an independent non-executive director of DVN or any of their respective associates must, in addition to obtaining the approval of the independent non-executive directors of DVN and the Company (if necessary) pursuant to paragraph (i), be approved by the DVN Shareholders and the Shareholders (so long as (i) the ordinary shares of the Company are listed on the Stock Exchange; and (ii) DVN is a subsidiary of the Company) in the respective general meetings where all their respective connected persons must abstain from voting in the relevant meeting save and except any connected person may vote against the proposed grant in the general meetings provided that his intention so to do has been stated in a circular to be despatched to the DVN Shareholders and the Shareholders (as the case may be) in accordance with the Listing Rules.

- (v) Any grant of options, referred to in paragraph (iii) to a substantial shareholder or an non-executive director of the Company (so long as (i) the ordinary shares of the Company are listed on the Stock Exchange; and (ii) DVN is a subsidiary of the Company), in addition to obtaining the approval from the independent non-executive directors of the Company pursuant to paragraph (ii), be approved by the shareholders of the Company in a general meeting where all the connected persons of the Company must abstain from voting in the meeting save and except any connected person may vote against the proposed grant in the general meeting provided that his intention so to do has been stated in a circular to be despatched to the shareholders of the Company in accordance with the Listing Rules.
- (vi) Any vote taken at such general meeting to approve the grant of such options must be taken on a poll.

(v) Restrictions on grant of options

No grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. Without prejudice to the foregoing, no option shall be granted during any period specified in the Listing Rules as being a period which no option may be granted.

(w) Cancellation of options

Subject to the consent from the relevant option-holder, the DVN Board may in its discretion cancel options previously granted to, and yet to be exercised by, such option-holder for the purpose of re-issuing new options to such option-holder provided that there are sufficient available unissued options (excluding such cancelled options) for such re-issuance under the General Mandate.

(x) Termination

DVN by resolution in general meeting or the DVN Board may at any time terminate the operation of the New Share Option Scheme and in such event no further options will be offered but the provisions of the New Share Option Scheme shall remain in force in all other respects.

PRESENT STATUS OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the DVN Shares to be issued pursuant to the exercise of any options which may be granted under the New Share Option Scheme. DVN has made an application to the Listing Committee of the Stock Exchange for obtaining the approval abovementioned.

Such approval for the listing of, and permission to deal in, new DVN Shares which may fall to be issued upon the exercise of the subscription rights attaching to such options will be limited to 10% of the issued share capital of DVN as at the date when the New Share Option Scheme is approved by the Shareholders and the DVN Shareholders.

This appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the ordinary issued share capital of the Company as at the date of passing the Repurchase Resolution.

1. SHARE REPURCHASE RULES

The Share Repurchase Rules permit companies whose primary listing are on the Stock Exchange to repurchase their fully paid up shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:—

(a) Shareholders' approval

The Share Repurchase Rules provide that all on-market share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a specific approval in relation to specific transactions or by a general mandate to the directors of the company to make such repurchase.

(b) Source of funds

Repurchase must be made out of funds which are legally available for the purpose and in accordance with the company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,774,293,157 Shares and 240,760,000 non-voting convertible preference shares of HK\$0.18 each which are convertible to 240,760,000 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the Extraordinary General Meeting, the Company would be allowed under the Repurchase Resolution to repurchase a maximum of 277,429,315 Shares representing not more than 10% of the issued share capital of the Company at the Latest Practicable Date.

3. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Proposal is in the best interest of the Company and the Shareholders as a whole. Such purchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders as a whole.

4. FUNDING OF REPURCHASES

In repurchasing any shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and applicable laws of Hong Kong. Such repurchases may only be effected out of the capital paid up on the repurchased shares or out of the funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a repurchase of shares must be provided out of funds of the Company otherwise available for dividend or distribution or out of the Company's shares premium account.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2001 in the event that the power to repurchase shares of the Company pursuant to the Repurchase Proposal were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase shares of the Company pursuant to the Repurchase Proposal 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.

5. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date are as follows:—

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
June	0.106	0.095
July	0.096	0.071
August	0.080	0.060
September	0.062	0.040
October	0.064	0.043
November	0.064	0.050
December	0.075	0.056
2002		
January	0.065	0.052
February	0.057	0.048
March	0.057	0.050
April	0.075	0.054
May	0.103	0.069
June (up to the Latest Practicable Date)	0.075	0.071

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Hong Kong.

None of the Directors nor, to the best of their knowledge and belief and having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the Shareholders.

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

7. TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, 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 Rule 32 of the Takeovers Code. As a result, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Ko Chun Shun, Johnson together with his associates were beneficially interested in 1,019,077,150 Shares representing 36.73% of the issued ordinary share capital of the Company. Should the power to repurchase Shares pursuant to the Repurchase Proposal be exercised in full, Mr. Ko Chun Shun, Johnson together with his associates would be beneficially interested in approximately 40.81% of the issued ordinary share capital of the Company. The Directors consider that such an increase may give rise to an obligation on Mr. Ko Chun Shun, Johnson and his concert parties to make a mandatory general offer for the Company under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the repurchase mandate in part or in full which may lead to any Shareholder triggering a mandatory general offer obligation under the Takeovers Code. In the event that the power to repurchase Shares pursuant to the Repurchase Proposal is exercised in full, the number of Shares held by the public would not fall below 25%.

8. SHARE PURCHASE MADE BY THE COMPANY

The Company had not purchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

NOTICE OF EXTRAORDINARY GENERAL MEETING



UNIVERSAL APPLIANCES LIMITED 友利電訊工業有限公司

(incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Universal Appliances Limited (the “Company”) will be held at Harmony Room I, the Hong Kong Bankers Club, 43/F., Gloucester Tower, The Landmark, Central, Hong Kong on 26 June 2002, at 10:20 a.m., or so soon after the annual general meeting of the Company to be held at the same place and on the same date shall have been concluded or adjourned, for the following purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

- I. **“THAT** subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing of, and the permission to deal in, the ordinary shares of DVN (Holdings) Limited (“DVN”), being a non wholly-owned subsidiary of the Company as at the date of this notice (“Notice”), falling to be issued pursuant to the exercise of any options which may be granted under the share option scheme (the “New Share Option Scheme”) referred to in the circular of the Company despatched to the ordinary shareholders of the Company on the same day as this Notice (up to 10% of the issued share capital of DVN at the date when the New Share Option Scheme is approved), the terms of which are set out in the printed document marked “A” now produced to the Meeting and for the purpose of identification signed by the Chairman of the Meeting; and (ii) approval of the ordinary shareholders of DVN for the New Share Option Scheme in a general meeting, the New Share Option Scheme be and is hereby approved and adopted to be the share option scheme of DVN and that the directors of DVN, be and are hereby authorised to grant options to subscribe for shares thereunder and take all such steps as may be necessary or desirable to implement the same and to issue and allot ordinary shares of DVN on terms therein mentioned.”

- II. **“THAT** subject to the passing of the ordinary resolution numbered I in this Notice being passed and becoming unconditional, the existing share option scheme of DVN (the “Existing Scheme”) which was adopted by DVN on 12 May 1999 be terminated with effect from the date on which such resolution shall become unconditional but in all

NOTICE OF EXTRAORDINARY GENERAL MEETING

other respects the provisions of the Existing Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Existing Scheme and options granted prior to such termination shall continue to be valid the exercisable in accordance with the Existing Scheme.”

III. “**THAT:**—

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own shares (the “Shares”) on the Stock Exchange or on any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which the Directors are authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the fully paid Shares in the capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:—
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; and
 - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

IV. “**THAT:**—

- (a) subject to paragraphs (b) and (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements

NOTICE OF EXTRAORDINARY GENERAL MEETING

and options (including bonds, warrants and debentures convertible into the Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into the Shares) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares; (iii) an issue of Shares as scrip dividends pursuant to the articles of association of the Company from time to time; or (iv) an issue of Shares upon the exercise of rights of subscription under any options which may be granted pursuant to any share option scheme or similar arrangement of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval in paragraph (a) shall be limited accordingly; and
- (d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:—

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to the holders of the Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date

NOTICE OF EXTRAORDINARY GENERAL MEETING

(subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

- V. “**THAT** subject to the passing of the ordinary resolutions numbered III and IV set out in this Notice convening the meeting, the general mandate granted to the Directors to allot and deal with additional Shares pursuant to resolution numbered IV set out in this Notice be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to resolution numbered III set out in this Notice, provided that such amount of shares of the Company so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said resolution.”

By Order of the Board
Universal Appliances Limited
Cecil Ho
Company Secretary

Hong Kong, 11 June 2002.

Notes:—

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed or notorially certified copy of such power or authority must be deposited at the Company’s Registrars in Hong Kong, Tengis Limited, at 4/F Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.