

**INTERIM RESULTS**

The Board of Directors of Universal Appliances Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended June 30, 2000 were as follows:—

	<i>Notes</i>	Six months ended June 30	
		2000 <i>(HK\$'000)</i>	1999 <i>(HK\$'000)</i>
Turnover		62,741	536,698
Operating loss			
before exceptional item		(190,512)	(104,054)
Exceptional item	<i>1</i>	—	70,524
Operating loss			
from ordinary activities		(190,512)	(33,530)
Share of loss of associated companies		(9,580)	(34,040)
Loss before minority interest		(200,092)	(67,570)
Minority interest		2,706	43,104
		(197,386)	(24,466)
Accrued preference dividend	<i>2</i>	(3,602)	(3,039)
Net loss attributable to shareholders		(200,988)	(27,505)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	<i>3</i>	(7.61)	(1.39)

Notes:

- Exceptional item represents net deferred consideration on the disposal of subsidiaries in 1998.
- This dividend related to the Preference Shares issued by a subsidiary which is incorporated in Bermuda. Pursuant to section 54 of the Companies Act 1981 of Bermuda (“Act”), a company incorporated in Bermuda is not permitted to pay dividends while there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due; or the releasable value of the company’s assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account. Preference Shares Dividend accrued at the fixed rate 5% per annum pursuant to the terms of the Preference Share for the period ended June 30, 2000 amounted to HK\$3,602,000. As the payment of dividends (including preferential dividends) is subject to the aforesaid restrictions, the Preference Shares Dividend thus accrued will only be paid upon fulfillment of the conditions of the Act.

- The calculation of loss per share is based on the net loss attributable to shareholders for the period of HK\$200,988,000 (1999: net loss of HK\$27,505,000) and the weighted average of 2,642,116,509 ordinary shares in issue during the period (1999: 1,983,689,157).
- No profits tax has been provided as the Group did not generate any assessable profits during the period.

INTERIM DIVIDEND

The Board of Directors has resolved that no interim dividend will be paid on the ordinary shares for this period (1999: nil).

BUSINESS REVIEW AND PROSPECTS

The Group is engaged in the business of manufacturing, trading and retailing of telecommunication, audio and video-media products, digital media transmission (“DMT”) business, engineering services and in the disseminating of real time financial market and consumer data information.

During the period under review, the Group recorded a consolidated turnover of HK\$62,741,000 as compared to HK\$536,698,000 for the corresponding period in 1999, and a loss of approximately HK\$200,988,000 as compared to a loss of approximately HK\$27,505,000 for the corresponding period of 1999.

The decrease in turnover was mainly due to the discontinuation of certain cordless telephone product lines and the computer monitor business. The loss incurred by the Group for the six month period was mainly attributable to the unrealised loss on the decrease in market price of its investment in a former subsidiary, netalone.com Limited, costs in establishing a new DMT business, and continuing losses from manufacturing operations.

Electronic Payment/Collection System

The Group’s subsidiary company, Beijing Jiya Telecommunications Engineering Co., Limited (“Jiya”) has successfully developed an integrated payment collection system for major banks and telecommunication companies in China. This application system can be used for collecting payments for other services in the PRC, including our DMT services for our subsidiary DVN (Holdings) Limited (“DVN”).

OEM Manufacturing

The Group’s manufacturing subsidiaries are implementing strategies to streamline its manufacturing operations. The Group is also seeking strategic technology partners to help develop this business further.

Digital Media Transmission Business

During the period under review, the focus is on building the core DMT business, which is the provision of DVB (Digital Video Broadcasting) technology platforms and value-added services. Strategic alliances have been formed with internationally renowned content providers to build up a network of content ranging from sports, news, entertainment, finance etcetera.

DVB technology platforms have been sold and installed in the provinces of Henan and Shaanxi, and the community of Shandong Shen Li Oil field by our subsidiary, DVN. Agreements to supply the technology platforms and value added services either directly or indirectly via our strategic alliance partners have been concluded with various provincial and city cable television stations in China. Outside the PRC, negotiations are underway to supply DVN’s technology platform and set top boxes to countries in South East Asia, Europe and USA.

Pending Litigation

As previously reported, the Group’s subsidiaries continue to be involved in litigations. There has been no material development since our last annual report. We will keep the market informed of any material changes when and if they occur.

Prospects

The Group has changed its primary focus from an OEM manufacturer to a technology and multi-media platform provider. The Group’s internal software engineering team are continuously working with major software houses in Europe and the USA to develop middle-ware software specifically for the Chinese language market worldwide and DVN.

The Group has divested certain consumer products lines and continues to eliminate loss making operations. Going forward, the Group will concentrate on technology related businesses, and manufacturing of technology products. The Group will continue its effort to optimize its resources and operations, to seek investment and business opportunities that complement the Group’s business strategy, and to strengthen the capital base of the Group.

DIRECTORS’ INTERESTS IN SHARES

As at June 30, 2000, the interests of the Directors in the shares and the right to subscribe for shares of the Company and its associated corporations as recorded in the register maintained

under Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

(A) The Company

Name	<i>Notes</i>	Nature of Interest	Number of	Number of	Number of
			ordinary shares held	preference shares held	share options outstanding
Mr. Ko Chun Shun, Johnson (“Mr. Ko”)		Personal	18,640,000	—	18,000,000
Mr. Ko	<i>(i)</i>	Corporate	1,000,437,150	—	—
Mr. Wu Zheng, Bruno (“Mr. Wu”)		Family	82,654,000	240,760,000	—
Mr. Wo		Personal	—	—	15,000,000
Ms Patty Chang (“Ms. Chang”)		Personal	—	—	9,000,000
Mr. Lui Pan (“Mr. Lui”)		Personal	—	—	34,000,000

(B) DVN (Holdings) Limited

Name	<i>Notes</i>	Nature of Interest	Number of	Number of	Number of
			ordinary shares held	preference shares held	share options outstanding
Mr. Ko	<i>(iii)</i>	Family	—	2,000,000	—
Mr. Ko	<i>(iv)</i>	Corporate	103,603,418	—	—
Mr. Ko	<i>(v)</i>	Corporate	31,032,522	—	—
Mr. Ko	<i>(vi)</i>	Corporate	1,600,000	—	—
Mr. Ko	<i>(vii)</i>	Corporate	1,817,000	—	—
Mr. Ko		Personal	—	—	2,450,000
Mr. Wu		Personal	—	—	2,450,000
Ms Chang		Personal	—	—	1,650,000
Mr. Lui		Personal	200,000	—	5,250,000

Notes:

- Kwan Wing Holdings Limited (“Kwan Wing”) and Techral Holdings Limited beneficially own 360,399,000 and 640,038,150 Shares respectively. Mr. Ko has a 100% direct interest in Kwan Wing and Kwan Wing has a 96% beneficial interest in Techral Holdings Limited.
- These Shares and preference shares of UAL are held by Blue World Investments Limited which is wholly-owned by Mr. Wu and Ms. Yang Lan, the spouse of Mr. Wu.
- These preference shares of DVN are held by Ms. Cheung Yat Kwan, the spouse of Mr. Ko.
- These ordinary shares of DVN are held by Prime Pacific International Limited (“Prime Pacific”) which is owned as to 67% by Fifth Dimension Limited, a wholly-owned subsidiary of UAL which in turn is controlled by Mr. Ko and as to 33% by Prime Gold International Limited in which Mr. Ko has a 68% beneficial interest.

- These ordinary shares of DVN are held by UAL which in turn is controlled by Mr. Ko. UAL also owns 15,000,000 preference shares of US\$1 each issued by a wholly-owned subsidiary of DVN. These preference shares are exchangeable to 24,218,750 ordinary shares of DVN, subject to adjustment.

- These ordinary shares of DVN are held by Peninsula Resources Limited, which is wholly-owned by Mr. Ko.

- These ordinary shares of DVN are held by Kwan Wing which is wholly-owned by Mr. Ko.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, at June 30, 2000, none of the directors or their associates had any personal, family, corporate or other interests in any securities of the Company, its holding companies or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the period was the Company, its holding companies, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable a director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDER

At June 30, 2000, save as disclosed in Directors’ Interests in Shares above, no other person was recorded in the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance, as having an interest in 10% or more of the issued share capital of the Company.

THE YEAR 2000 ISSUE

The Group did not encounter any problems caused by the Y2K issue during the period.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, save that independent non-executive directors have not been appointed for specific terms and are subject to retirement by rotation at annual general meetings in accordance with the Company’s Articles of Association. The Company has set up an Audit Committee

comprising of the independent non-executive directors with reference to “A Guide for the Formation of an Audit Committee” issued by the Hong Kong Society of Accountants in December 1997.

ARRANGEMENTS TO PURCHASE OWN SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s securities during the period under review.

By order of the Board
Cecil Ho
Company Secretary

Hong Kong, August 31, 2000