UNIVERSAL APPLIANCES LIMITED

友利電訊工業有限公司

(incorporated in Hong Kong with limited liability)

INTERIM RESULT

The directors present the unaudited Interim Results of the Company and its subsidiaries (collectively the "Group") for the six-months ended 30th June 2002 together with the comparative figures

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the Six months ended 30th June 2002

	Notes	Six months ended 30th June 2002 HK$'000 (Unaudited)	2001 HK$'000 (Unaudited)
Turnover		**42,563**	69,220
Cost of sales		**(27,685)**	(39,750)
Gross profit		**14,878**	29,470
Other revenues		**22,082**	4,920
Distribution expenses		**(10,212)**	(5,697)
Administrative expenses		**(42,916)**	(80,155)
Unrealised holding gain/(loss) on short term investment		**(4,468)**	4,468
Other operating expenses		**(6,302)**	(6,985)
Operating loss	3	**(26,938)**	(53,979)
Finance costs		**(1,049)**	(851)
Share of losses of controlled entity		**(212)**	(483)
Loss before taxation		**(28,199)**	(55,313)
Taxation	5	**—**	—
Loss after taxation		**(28,199)**	(55,313)
Minority interests		**21,515**	13,953
Loss for the period		**(6,684)**	(41,360)
Loss per share	6	**HKCents 0.24**	HKCents 1.50

Notes

1. **Segment information**

By Business Segments:

Six months ended 30th June 2002

	Broadcasting Equipment HK$'000	Home Audio HK$'000	Financial Market Information HK$'000	IP Telephony HK$'000	Group HK$'000
Revenues	31,751	1,439	6,155	3,218	42,563
Segment results	(4,924)	(672)	(2,179)	(4,845)	(12,620)
Unallocated costs					(14,318)
Operating loss					(26,938)

Six months ended 30th June 2001

	Broadcasting Equipment HK$'000	Home Audio HK$'000	Financial Market Information HK$'000	IP Telephony HK$'000	Group HK$'000
Revenues	30,937	26,013	7,948	4,322	69,220
Segment results	(18,663)	(6,265)	(430)	(8,295)	(33,653)
Unallocated costs					(20,326)
Operating loss					(53,979)

By Geographical Segments:

Six months ended 30th June 2002

	Hong Kong HK$'000	Mainland China HK$'000	USA HK$'000	Other Southeast Asia HK$'000	Group HK$'000
Revenues	5,947	30,779	3,120	2,717	42,563
Segment results	15,670	(26,859)	135	(1,566)	(12,620)
Unallocated costs					(14,318)
Operating loss					(26,938)

Six months ended 30th June 2001

	Hong Kong HK$'000	Mainland China HK$'000	USA HK$'000	Other Southeast Asia HK$'000	Group HK$'000
Revenues	31,779	31,504	3,734	2,203	69,220
Segment results	(28,749)	(4,699)	(257)	52	(33,653)
Unallocated costs					(20,326)
Operating loss					(53,979)

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

3. **Operating loss**

Operating loss is stated after charging the following:

	Six months ended 30th June 2002 HK$'000	2001 HK$'000
Charging		
Depreciation:		
Owned fixed assets	**9,382**	6,091
Leased fixed assets	**61**	20
Amortisation of goodwill	**994**	1,252
Amortisation of development costs, patents and trademarks	**4,251**	4,322
Provision for inventory	**—**	4,000
Provision for doubtful debts	**225**	10,149

4. **Staff costs**

	Six months ended 30th June 2002 HK$'000	2001 HK$'000
Salaries	**18,191**	18,410
MPF Contributions	**1,121**	973
	19,312	19,383

5. **Taxation**

Hong Kong profits tax has not been provided (2001: nil) as the Group did not generate any assessable profits arising in Hong Kong for the period. Overseas profits tax has not been provided (2001: nil) as the foreign subsidiaries did not generate any assessable profits attributable to their operations in their operations in their respective countries of operation or are still exempted from income tax during the period.

No deferred tax has been provided for the Company and the Group because there were no significant timing differences at the balance sheet date.

6. **Loss per share**

The calculation of basic loss per share for the period ended 30th June 2002 is based on the net loss attributable to shareholders of HK$6,684,000 (2001: net loss of HK$41,360,000) and the weighted average number of 2,774,293,157 (2001: 2,774,293,157) ordinary shares deemed to have been in issue during the period.

There were no dilutive potential ordinary shares in 2001 and 2002 and therefore, no diluted loss per share for the period is shown.

7. **Dividend**

The directors do not recommend any payment of interim dividends for the period (2001: Nil).

BUSINESS REVIEW

The Group's loss attributable to shareholders for the six months ended 30th June 2002 is HK$6,684,000 representing a 84% decrease from the last corresponding period. The Group's consolidated turnover for the period is HK$42,563,000, a decrease of 39% from the last corresponding period.

During the first half of the year, the economic performance of Hong Kong was rather weak with high unemployment and deflation. The retail sector continued to be stagnant and the demand for its products and services was sluggish resulting in a further fall of the Group's turnover.

OUR BUSINESS

Digital Broadcasting Division

Our subsidiary, DVN (Holdings) Limited ("DVN"), continues to develop the digital broadcasting business in the mainland China. DVN has devoted considerable effort over the last six months in conjunction with its Chinese partners to optimize the digital TV service packages offered to Chinese consumers over its digital broadcasting platforms. DVN has concentrated a majority of its resources on the successful roll outs of digital TV services in three areas: Suzhou Municipality, Wuxi Municipality, and Zhongshan Municipality. In these three areas, where DVN's platforms are leased to local CATV operators and DVN receives a percentage of the subscription fees collected from the digital TV services offered, DVN provides marketing and operational support, content arrangement, channel mix and pricing advisory, to name some of the more important business aspects. As of 31st August 2002, over 28,000 households were receiving digital TV services over DVN's digital platforms, an increase of 122% as compared to year end 2001. In Suzhou, around 4.2% of the population in the area in which DVN rolled out, has subscribed to DVN's digital TV services. Likewise, in Zhongshan, DVN has achieved a penetration rate of about 6% in less than one year.

Having successfully rolled out in three locations over the past half year, DVN has demonstrated that its business model will work in China. The next step is for DVN to take this model and roll out into other locations, such as in Hebei and Shandong Provinces. DVN's business model and technology is successful because it not only provides entry into the households of Chinese consumers at a basic level, but also minimises its exposure to political sensitivities. As such it is well positioned to provide the higher value added, broader range of digital services that will be demanded in the future. DVN has focused and will continue to focus on positioning itself at various levels throughout the industry and aligning itself with not only the world's best technology partners but also cost effective manufacturers and government related entities to ensure it maintains its market leadership and that it will be able to take advantage of the opportunities that arise as the Pay TV market develops in China. It is this option on the future of China's Pay TV industry that DVN offers its investors, which it is navigating responsibly and with its shareholders best interests in mind.

Communication Division

Our telecommunication businesses is mainly operated in China through Beijing Jiya Telecommunications Engineering Co. Limited ("Jiya").

Jiya's phone banking and other computer telephone integration solutions are well received by the major banks including our major customer, the Bank of China. During the period, Jiya has developed a new modular call center solution for medium size enterprises. This scalable, cost effective system provides an affordable solution for enterprises to improve on customer care. Despite the intense competition in this area, the Group believes that this is the right product for China's growing domestic consumer market.

Outside China, our calling card business has encountered intense competition. Management is currently formulating strategies to improve the operation.

The High-end Audio Distribution Division

Our high-end audio distribution business has been affected dramatically by the down turn in the Hong Kong economy. The luxury market is continues to decline as overall consumer spending weakens in these difficult environment. The Group is re-evaluating this business segment in view of the current consumer environment.

Prospect

The digital broadcasting business is a mature business in China with significant potential in revenue and profits. With an excellent engineering and marketing team as well as focused management, the digital broadcasting business of DVN is best positioned to take advantage of any new challenges and opportunities in the second half of this year.

The Group has continually implemented the diversification strategy to expand its business and strengthen its income and asset base. The Group will continue to explore any business opportunities in strategic acquisition of equity interests in Hong Kong or abroad.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30th June 2002, the Group held cash deposits including pledged deposit totalling HK$61.8 million, a decrease of HK$59.0 million compared with that of 31st December 2001, which was mainly for the settlement of its short-term bank borrowings and current liabilities. A current ratio of 1.81 and a gearing ratio, representing long term liabilities to net worth, of 0.24 as at 30th June 2002 were slightly improved as compared to 1.59 and 0.24 as at 31st December 2001.

In additional to the internal generated cash flows, the Group also made use of import banking facilities to finance its operations during the period. To deal with the temporary foreign currency exposure to Renmibi, the Group borrowed Renmibi loans with US dollar pledged deposits. Other than the Renmibi loan, most of the other bank borrowings as at 30th June 2002 were denominated in US dollars, there were no significant exposure to foreign currency fluctuations.

Significant investments held

On 18th April 2002, our major subsidiary, DVN, and Jiangsu Hongtu High Technology Co., Limited ("Hongtu"), an independent third party company incorporated in the PRC and listed on the Shanghai Stock Exchange, entered into a joint venture agreement ("JV Agreement") to establish a joint venture ("JV") company in the PRC. Pursuant to the JV Agreement, the total registered capital of the JV will be RMB90 million and each party holds 50% interest and profit sharing. Both DVN and Hongtu will each contribute in total RMB45 million (approximately HK$42.7 million) into the JV. The JV has a 15-year term and will focus on developing digital broadcasting and related businesses in the PRC. DVN has already contributed HK$14.2 million into the JV in the first round of funding and the capital verification process of the JV has already been completed.

Other than the aforesaid, there was no change in significant investments held during the period. Details of significant investment held were disclosed in the 2001 annual report.

Number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes

As at 30th June 2002, the Group employed a total of 390 full-time employees in Hong Kong and a work force of about 300 in the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel including engineering and product development staff are remunerated by monthly salary which are reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group and depending on the performance of the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30th June 2002.

PURCHASE, SALE OR REDEMTPION OF SHARES

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of in the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th June 2002.

AUDIT COMMITTEE

The Audit Committee has reviewed with the directors and management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2002.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE WEBSITE

The Company will submit a CD ROM to the Stock Exchange before 30th September 2002 containing all the information required by paragraphs 46(2) to 46(6) of Appendix 16 of the Listing Rules for publication on the Stock Exchange's website.

By order of the Board
Ko Chun Shun, Johnson
Chairman

Hong Kong, 27th September, 2002