Interim Report 2001

DVN (Holdings) Limited

天地數碼(控股)有限公司

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The directors are pleased to present the Group's Interim Report and condensed accounts for the six-month period ended 30 June 2001. The consolidated profit and loss account and cash flow statement for the six months ended 30 June 2001, and the consolidated balance sheet as at 30 June 2001 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 13 to 20 of this report.

BUSINESS REVIEW

DVN has spent the last six months working to accomplish its mission of being a leading developer of digital video broadcasting systems providing the support and services necessary to make digital Pay TV a reality in China. DVN is also exploring opportunities in Hong Kong, Taiwan and other international markets.

Suzhou

DVN, in conjunction with its partner, Suzhou Cable TV Network Company ("SCTV"), has rolled out services in Suzhou municipality to both the expatriate and local communities. The expatriate focused service receives satellite broadcasts in addition to on-line data content whereas local subscribers only receive data content. Data content includes on-line news and financial plus stock information. DVN continues to receive its portion of subscription fees collected for digital transmissions in Suzhou, which it began collecting in December 2000.

Hebei and Shandong

In March of this year, Hebei Provincial TV Station ("Hebei TV"), one of DVN's leasing partners, received formal approval from China's State Administration of Radio, Film and TV ("SARFT") to provide digital Pay TV services in Hebei Province. Then in May, Shandong Cable Network (Holdings) Limited ("SCNL"), another one of DVN's leasing partners, received the second license to be issued by SARFT for Pay TV services. Together Shandong and Hebei Provinces have over 9 million analog cable subscribers. Once these licenses were secured, DVN in conjunction with its partners together have worked hard to implement the necessary technology and operating infrastructure that would support the Pay TV services. This includes marketing plans, points of sale, final testing of the system, building up of sales and marketing teams and attaining approvals from the various authorities for the pricing and content of the service, to name a few.

The Pay TV service was officially launched in August in Hebei Province and before the service even began, DVN had received a 10,000 unit order for its set top boxes from a Hebei government unit. Hebei TV has named its Pay TV service, Station 5. Station 5 provides, in addition to the local analog channels, 13 channels of premium content that include multiple movie channels, on-line stock information and news, documentaries and cultural programs. Station 5 was launched amid great publicity and fanfare, receiving national coverage in most of China's major publications. Station 5 is perceived as a pilot service that serves as a role model for other operations throughout the country. Station 5's rollout, currently in phase one, has been limited to three cities, Baoding, Shijiazhuang and Qinghuangdao. The Pay TV service is expected to be launched within a few months in Shandong Province and DVN has already received a 5,000 unit set top box order from Shandong Broadcasting Bureau.

DVN is also working with the Shanghai Broadcasting Bureau to develop interactive TV services to be broadcast over DVN's digital platform that the Shanghai Broadcasting Bureau bought last year. Preliminary digital services will be offered in September to the participants of the APEC meeting in Shanghai.

For the rest of the year, DVN in conjunction with its various partners will continue to focus on the roll out of services in Hebei and Shandong Provinces and Suzhou. Concentration will be on establishing more points of sale, providing attractive content and services and signing on as many subscribers as possible before year-end. DVN will also continue to work with the Shanghai Broadcasting Bureau to develop their Pay TV and value-added services. As of 31 August 2001, DVN's set top box order book was over 20,000 units.

Prospects

In August, the digital broadcasting technology utilized by DVN received top level accreditation from China's Ministry of Science and Technology ("MST"). Under China's "863 State Hi-Tech Plan" as put forth by the MST in 1986, which serves as a blueprint for the development of its technology related industries, the Chinese Academy of Science was responsible for the development of various communication technologies, including digital broadcasting. A subsidiary of the Academy of Science in 1999 teamed up with DVN and its leasing partner in Suzhou, SCTV to develop a digital broadcasting system, including the software for set top boxes, specifically for the China market. In July of this year, the MST sent a team of specialists, including those from the SARFT, to SCTV to examine and evaluate its digital broadcasting system. Not only did the MST award the technology the highest rating within the communication category of the 863 State Hi-Tech Plan but it also recommended that it should be promoted and distributed throughout China as soon as practical. Such an accreditation encourages cable operators to use DVN's technology to upgrade their transmissions from analog to digital, thus accelerating the migration to all digital broadcasts.

DVN is in the process of digitizing all of SCTV's existing analog channels, which will allow for additional transmissions of satellite programs from other parts of China. As such SCTV will more quickly be able to increase the number of digital subscribers resulting in increased sales of DVN's set top boxes. Furthermore, DVN expects that such a migration to digital services will also hasten the take-up of Pay TV services, which include video on demand, on-line stock information, education and t-commerce.

In following its mission to become a leading developer of digital video broadcasting systems providing the support and services necessary to make Pay TV a reality in China, DVN spent most of year 2000 installing headend systems and as a result investing heavily in capital equipment. However, with numerous headend systems installed and a solid business model in place, DVN is now, in conjunction with its partners, developing, adjusting and rolling out digital Pay TV services that meet the demands of the Chinese consumers. The focus has now shifted to marketing, operational and technical support of the cable TV stations as well as continuous research and development to provide modern and flexible technology. To take advantage of its first mover position, DVN and its partners will step up their marketing efforts to sign on as many new subscribers as possible. DVN may consider alternative capital financing sources if beneficial opportunities were to arise to cater for the expansion of DVN's business operations.

Conclusion

The infotainment industry, in bringing about the convergence of interactive data, video and audio creates unlimited opportunities and potential. Although this industry is still in its infancy, DVN has positioned itself to take advantage of this potential with minimal risks and maximum upside. It has implemented a flexible business model that permits and rewards both proactive initiative as well as defensive maneuvers to changes in the industry as it matures. DVN feels confident about its future and provides its shareholders the ability to get in on ground level in the immensely interesting and potentially lucrative infotainment industry.

FINANCIAL REVIEW

Financial Results

Turnover of the Group for the six months ended 30 June 2001 increased from HK$31.6 million for the same period in year 2000 to HK$38.9 million. Its loss from operations decreased from HK$23.5 million for the first half of 2000 to a net loss of HK$12.3 million. The increase in turnover was primarily the result of DVN's growing trade in digital broadcasting equipment and related products, such as set top boxes. The reduction in operating loss was largely due to a higher gross profit margin. Looking forward DVN expects to see growth in revenues as Pay TV services are rolled out in Hebei and Shandong Provinces leading to higher sales of set top boxes as well as increases in DVN's portion of subscription fees.

Revenues derived from the digital transmission business accounted for 80% (2000: 74%) of the total revenues for the first six months of 2001 and revenues from the provision of financial and consumer data accounted for 20% (2000: 26%). Being its core business, DVN foresees that revenues from the digital transmission business will continue in the foreseeable future to account for a significant portion of its turnover.

Cost of Sales & Gross Profit

Cost of sales for the first six months of 2001 decreased slightly from HK$16.55 million in first half 2000 to HK$16.50 million. Gross profit for the first six months of 2001 increased by 49% over that of the same period the year before, increasing from HK$15.0 million to approximately HK$22.4 million. The gross profit margin for the first half of year 2001 was 58% as compared to 48% for the same period of 2000. The large increase in gross profit was due to the recognition of headend sales that carry larger gross profit margins. Looking forward, as DVN's services are rolled out in China, DVN will derive more of its revenues from subscriptions and the sales of set top boxes, whilst sales of headends will be reduced.

Expenses

Despite the expansion of business operations in China resulting in a larger number of offices and employees, through effective cost control, selling and administrative expenses decreased by 2% from HK$33.5 million in 2000 to HK$32.8 million in 2001 during the comparable first six months. DVN expects selling and administrative expenses to increase in the second half of 2001 due to increased marketing efforts to further penetrate the Shandong and Hebei markets as well as the commencement of depreciation charges for installed headend systems where Pay TV services have begun. DVN will continue to exercise management controls to achieve a cost effective operation.

Other operating expenses increased from HK$8.1 million over the first six months of 2000 to HK$15.0 million for the comparable period in 2001. This was primarily due to amortization charges against deferred development costs and film rights as well as a provision for impairment of goodwill in a group company.

Liquidity and Capital Resources

DVN has financed its growth primarily through internally generated funds and short-term bank loans charging market interest rates.

As of 30 June 2001, its current ratio was 2.0 and its cash and bank balances amounted to HK$56.6 million. This is compared to a current ratio of 3.8 and cash and bank balances amounting to HK$51.1 million as of 31 December 2000. The lower current ratio was due to the increase in current liabilities that stem from higher trade payables connected to the increase in purchases of set top boxes and headend equipment to finance expansion in China. DVN had no long term debt outstanding, no bank overdrafts, nor any contingent liabilities outstanding as at 30 June 2001.

Investment

During the first half of 2001, DVN increased its investment holdings through an acquisition of HK$20.28 million worth of convertible redeemable preference shares issued by a company with which DVN maintains a strategic business relationship. DVN's increased holding in this company will allow DVN to leverage its resources to accelerate the expansion of DVN's China-based operations and expedite the rollout of digital broadcasts throughout China.

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

Including the directors of the Group, as at 30 June 2001, the Group employed a total of 367 full-time employees, including 125 engineering and product development. Employees are offered discretionary year-end bonuses based on individual merit. Details of share option scheme were disclosed in the 2000 annual report.

Charges on Group assets

US dollar bank deposits with an aggregate carrying value of HK$23 million have been pledged to secure Renminbi ("RMB") denominated bank loans used to fund operations in China. This back to back arrangement limits the Group's exposure to RMB fluctuations.

Contingent Liabilities

The Group did not have material contingent liabilities as at 30 June 2001.

Exposure to fluctuations in exchange rates and related hedges

The Group borrowings are primarily denominated in RMB. The Group has no significant exposure to foreign exchange fluctuations.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

The interests of the directors and their associates in the share capital of the Company and its associated corporations, as required to be recorded in the Register of Directors' Interests maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") at 30 June 2001, are set out below:

(A) The Company

Ordinary shares of HK$1.50 each

		Number of ordinary shares held and nature of interest				Number of shares over which options have been granted which remain
Director	Notes	Personal	Family	Corporate	Total	outstanding
Mr. Ko Chun Shun, Johnson	(i)	343,000	—	143,557,940	143,900,940	2,450,000
Ms. Cheung Sum Yu, Fiona	(ii)	3,316,000	—	10,001,140	13,317,140	1,634,000
Mr. Lui Pan, Terry		198,000	—	—	198,000	5,250,000
Mr. Ronald Richard Budacz		—	—	—	—	800,000

Convertible non-voting cumulative preference shares of HK$1.50 each

		Number of preference shares held and nature of interest			
Director	Notes	Personal	Family	Corporate	Total
Mr. Ko Chun Shun, Johnson	(iii)	—	2,000,000	—	2,000,000

(B) Universal Appliances Limited (ultimate holding company) ("UAL")

Ordinary shares of HK$0.18 each

		Number of ordinary shares held and nature of interest				Number of shares over which options have been granted which remain
Director	Notes	Personal	Family	Corporate	Total	outstanding
Mr. Ko Chun Shun, Johnson	(iv)	18,640,000	—	1,000,437,150	1,019,077,150	18,000,000
Ms. Cheung Sum Yu, Fiona		—	—	—	—	4,000,000
Mr. Lui Pan, Terry		—	—	—	—	34,000,000

Notes:

(i) 103,603,418 ordinary shares in the Company 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 Holdings Limited ("Kwan Wing"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Ko Chun Shun, Johnson ("Mr. Ko").

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

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

1,600,000 and 1,222,000 ordinary shares in the Company are held by Peninsula Resources Limited and First Gain International Limited respectively. Both companies are wholly-owned by Mr. Ko.

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

2,956,000 ordinary shares in the Company are held by All Mark Limited, a wholly-owned subsidiary of UAL.

(ii) These shares are held by Gallium International Limited, which in turn is wholly-owned by Creative World International Limited, a company wholly-owned by Ms. Cheung Sum Yu, Fiona.

(iii) 2,000,000 non-voting cumulative preference shares of the Company are held by Ms. Cheung Yat Kwan, who is the spouse of Mr. Ko.

(iv) Kwan Wing and Techral Holdings Limited ("Techral") beneficially owned 360,399,000 and 640,038,150 ordinary shares of UAL, respectively.

(v) Million Way Enterprises Limited, a wholly-owned subsidiary of UAL, also holds US$15,000,000 preference shares issued by DVN (Group) Limited, a wholly-owned subsidiary of the Company. These preference shares are exchangeable to approximately 24,218,750 ordinary shares of the Company upon conversion and are subject to adjustments.

(vi) During the six months ended 30 June 2001, no share option of the Company and of UAL has been granted to or exercised by the directors of the Company.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in any securities of the Company, or any of its holding companies and associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

	Number of shares held		
Name	**Direct interest**	**Indirect interest**	**Shareholding**
Gold Pagoda Incorporated	—	103,603,418	38.2%
Kwan Wing Holdings Limited	3,144,000	137,591,940	51.9%
Prime Gold International Limited	—	103,603,418	38.2%
Prime Pacific International Limited	103,603,418	—	38.2%
Universal Appliances Limited	31,032,522	106,559,419	50.7%

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

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 30 June 2001.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2001 with the directors.

On behalf of the Board
Lui Pan
Chief Executive Officer

Hong Kong, 21 September 2001

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2001

	Notes	Unaudited Six months ended 30 June **2001** ***HK$'000***	 2000 *HK$'000*
Turnover	*2*	**38,885**	31,558
Cost of sales		**(16,501)**	(16,548)
Gross profit		**22,384**	15,010
Other revenues		**13,131**	3,162
Selling and distribution costs		**(2,427)**	(1,220)
Administrative expenses		**(30,370)**	(32,327)
Other operating expenses		**(14,985)**	(8,075)
Operating loss	*3*	**(12,267)**	(23,450)
Finance costs		**(336)**	(74)
Share of results of an associate		**—**	(8,818)
Loss before taxation		**(12,603)**	(32,342)
Taxation	*4*	**—**	—
Loss after taxation		**(12,603)**	(32,342)
Minority interests		**1,631**	2,706
Loss attributable to shareholders		**(10,972)**	(29,636)
Dividends on preference shares	*5*	**(4,681)**	(3,602)
Net loss attributable to shareholders		**(15,653)**	(33,238)
Basic loss per share	*6*	**(HK$0.06)**	(HK$0.13)

As the only component of a statement of recognised gains and losses is the net loss attributable to shareholders for the period, a separate statement of recognised gains and losses has not been prepared.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2001

	Notes	Unaudited 30 June 2001 HK$'000	Audited 31 December 2000 HK$'000
Non-current assets			
Fixed assets	8	**51,382**	24,061
Intangible assets	9	**15,200**	31,496
Deposits		**64,810**	64,922
Investments		**55,280**	35,000
		186,672	155,479
Current assets			
Pledged bank deposits		**23,173**	6,337
Due from fellow subsidiaries		**300**	269
Inventories		**77,053**	70,803
Trade receivables, other receivables and prepayments	*10*	**69,083**	84,710
Cash and bank balances		**33,467**	44,847
		203,076	206,966
Current liabilities			
Trade payables, other payables and accruals	*11*	**70,272**	43,213
Bank loans, secured		**26,224**	6,075
Due to ultimate holding company		**1,067**	2,102
Due to fellow subsidiaries		**2,207**	3,793
		99,770	55,183
Net current assets		**103,306**	151,783
Total assets less current liabilities		**289,978**	307,262
Minority interests		**(124,163)**	(125,794)
		165,815	181,468
Capital and reserves			
Share capital	*12*	**477,784**	477,784
Share premium		**225,439**	225,439
Reserves	*13*	**(537,408)**	(521,755)
Shareholders' funds		**165,815**	181,468

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2001

	Unaudited Six months ended 30 June 2001 HK$'000
Net cash outflow from operating activities	(18,085)
Net cash inflow from returns on investments and servicing of finance	2,304
Total tax paid	—
Net cash outflow from investing activities	(6,405)
Net cash inflow from financing	7,535
Decrease in cash and cash equivalents	(14,651)
Cash and cash equivalents at 1 January	44,847
Cash and cash equivalents at 30 June	30,196
Analysis of balances of cash and cash equivalents:	
Bank balances and cash	33,467
Short term bank loan	(3,271)
	30,196

The rules governing the listing of securities on The Stock Exchange of Hong Kong Limited permit the omission of comparative figures for the cash flow statement in the first interim report relating to accounting period ended on or after 1 July 2000.

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2000 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 26: Segment reporting

In Note 2 to these condensed interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

(b) SSAP 29: Intangible assets

Expenditure on development costs of digital broadcasting equipment and related products and film rights is capitalised and amortised using the straight-line method and sum-of-digit method, respectively, over their useful lives, but not exceeding 20 years.

Intangible assets are not revalued.

(c) SSAP 30: Business combinations

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 20 years. For all other acquisitions goodwill is generally amortised over 5 years.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

2. Segment information

The Group is principally engaged in trading of digital broadcasting equipment and related products and provision of international financial market information and selective consumer data services.

Analyses of the Group's revenue and results for the period by principal activity and by geographical area are as follows:

	Revenue Six months ended 30 June		Segment Results Six months ended 30 June	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(i) By principal activity:				
Trading of digital broadcasting equipment and related products	**30,937**	23,300	**(1,012)**	(7,785)
Provision of international financial market information and selective consumer data	**7,948**	8,258	**(430)**	(1,125)
	38,885	31,558	**(1,442)**	(8,910)
Unallocated corporate expenses			**(10,825)**	(14,540)
OPERATING LOSS			**(12,267)**	(23,450)
(ii) By geographical area:				
People's Republic of China ("PRC")				
— Hong Kong	**5,745**	5,700	**(482)**	(1,714)
— Other parts of PRC	**30,937**	23,300	**(1,012)**	(7,785)
Other parts of Asia	**2,203**	2,558	**52**	589
	38,885	31,558	**(1,442)**	(8,910)
Unallocated corporate expenses			**(10,825)**	(14,540)
OPERATING LOSS			**(12,267)**	(23,450)

3. Operating loss

Operating loss is stated after crediting and charging the following:

	Six months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
Crediting		
Guaranteed profit *(note 9)*	**10,145**	—
Charging		
Cost of inventories sold	**14,495**	15,392
Depreciation:		
Owned fixed assets	**3,365**	779
Leased fixed assets	**20**	20
Amortisation of goodwill	**200**	2,181
Amortisation of deferred development costs and film rights	**4,322**	940
Loss on disposal of investment securities	**—**	4,674
Impairment of goodwill *(note 9)*	**7,800**	—

4. Taxation

No profits tax has been provided for as the Group did not generate any assessable profits in Hong Kong or overseas during the six-month period ended 30 June 2001 (2000: Nil).

5. Dividends on preference shares

	Six months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
The Company		
Payable at HK3.75 cents (2000: HK3.75 cents) per share on 47,336,091 (2000: 47,336,091) convertible preference shares *(note)*	**1,775**	1,775
Write back of prior years' provision upon conversion *(note)*	**—**	(1,079)
	1,775	696
DVN (Group) Limited		
Payable at HK19.375 cents (2000: HK19.375 cents) per share on 15,000,000 (2000: 15,000,000) exchangeable preference shares	**2,906**	2,906
	4,681	3,602

Note

Pursuant to section 54 of the Companies Act 1981 of Bermuda (the "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 realisable 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. The preference share dividends, which accrue at the fixed rate of 5% per annum pursuant to the terms of the preference shares, amounted for the period ended 30 June 2001 to HK$1,775,000 (2000: HK$ 1,775,000). The preference share dividends will only be paid upon fulfilment of the aforementioned conditions of the Act. An amount of dividend of HK$1,079,000 was written back upon conversion of these preference shares during the period ended 30 June 2000.

6. Loss per share

The calculation of basic loss per share is based on the Group's net loss attributable to shareholders of HK$15,653,000 (2000: HK$33,238,000).

The basic loss per share is based on the weighted average of 271,186,431 (2000: 259,202,064) ordinary shares in issue during the period.

No diluted loss per share is shown for the two six-month periods ended 30 June 2001 and 2000 because the share options and convertible preference shares outstanding had an anti-dilutive effect on the basic loss per share for both periods.

7. Dividend

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2001 (2000: Nil).

8. Fixed assets

	Owned Assets *HK$'000*	Leased Assets *HK$'000*	Total *HK$'000*
Six months ended 30 June 2001			
Opening net book amount	24,018	43	24,061
Additions/Transfers	30,746	—	30,746
Disposals	(40)	—	(40)
Depreciation/amortisation	(3,365)	(20)	(3,385)
Closing net book amount	51,359	23	51,382

9. Intangible assets

	Goodwill *HK$'000*	Deferred development costs *HK$'000*	Films rights *HK$'000*	Total *HK$'000*
Six months ended 30 June 2001				
Opening net book amount	8,000	15,700	7,796	31,496
Intangibles recognised as an asset	—	743	167	910
Disposals/ Impairment	(7,800)	(4,884)	—	(12,684)
Amortisation charge (Note 3)	(200)	(1,737)	(2,585)	(4,522)
Closing net book amount	—	9,822	5,378	15,200
At 30 June 2001				
Cost	4,354	15,737	15,335	35,426
Accumulated amortisation	(4,354)	(5,915)	(9,957)	(20,226)
Net book amount	—	9,822	5,378	15,200
At 31 December 2000				
Cost	12,154	19,878	15,168	47,200
Accumulated amortisation	(4,154)	(4,178)	(7,372)	(15,704)
Net book amount	8,000	15,700	7,796	31,496

As fully described in the Group's 2000 annual report, Dynamic Networks Limited ("Dynamic"), a subsidiary of the Company has been unable to meet the guaranteed profit. Accordingly, the Group recognised a compensation income of HKD10,145,000 and made an impairment of goodwill amounting to HK$7,800,000.

10. Trade receivables, other receivables and prepayments

Included in trade receivables, other receivables and prepayments are trade debtors and their ageing analysis is as follows:

	30 June 2001 *HK$'000*	31 December 2000 *HK$'000*
0—30 days	**23,951**	25,209
31—60 days	**8,205**	—
61—90 days	**—**	—
Over 90 days	**11,979**	2,449
	44,135	27,658

The majority of the Group's sales are on credit. For sales of equipment and systems, customers are granted credit terms and settle in accordance with the contract terms. For all other sales, the Group normally grants credit periods of 30-180 days to its trade debtors.

11. Trade payables, other payables and accruals

Included in trade payables, other payables and accruals are trade creditors and their ageing analysis is as follows:

	30 June 2001 *HK$'000*	31 December 2000 *HK$'000*
0—30 days	**10,291**	2,509
31—60 days	**1,135**	10
61—90 days	**9,047**	10
Over 90 days	**4,053**	492
	24,526	3,021

12. Share capital

There was no movement in share capital during the current period.

13. Reserves

	Contributed surplus *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2001	86,726	(608,481)	(521,755)
Net loss for the period	—	(15,653)	(15,653)
At 30 June 2001	86,726	(624,134)	(537,408)

14. Contingent liabilities

The Group had no significant contingent liabilities as at the date of the balance sheet.

15. Commitments

(a) Commitments under operating leases

At 30 June 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 June 2001	(Restated) 31 December 2000
	HK$'000	*HK$'000*
Within one year	**5,079**	2,780
In the second to fifth years, inclusive	**2,273**	3,073
	7,352	5,853

(b) At the balance sheet date, the Group had uncontributed registered capital commitments in two PRC subsidiaries of an aggregate amount of RMB15,980,000 (approximately HK$14,935,000). Out of which, RMB13,905,328 (approximately HK$12,995,634) was paid before the balance sheet date. The capital verification process has not completed and accordingly, the corresponding amount was disclosed as a commitment to the Group.

(c) There is no material capital commitments for property, plant and equipment as at 30 June 2001 (as at 31 December 2000: HK$1,441,000).

(d) At the balance sheet date, the Group had commitments of US$250,000 (approximately HK$1,914,250) in relation to a licensing agreement entered into between the Group and UAL (as at 31 December 2000: US$333,000 (approximately HK$2,581,000)).

16. Related party transactions

	6 months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
Guaranteed profit from ultimate holding company *(Note 9)*	**10,145**	—
Corporate management fee paid to a fellow subsidiary	**—**	750

17. Subsequent events

On 14 August 2001, DVN Technology (Shenzhen) Limited ("DVNT SZ"), a wholly-owned subsidiary in the PRC, was incorporated. The registered capital of DVNT SZ is HK$3,000,000. The principal activities of DVNT SZ will be the development of hardware and software in relation to digital broadcasting.

On 4 September 2001, Digital Video Networks Company Limited, a wholly-owned subsidiary in the PRC, increased its registered capital by US$1,000,000.

18. Comparative figures

Certain comparative figures have been reclassified to conform to current period's presentation.