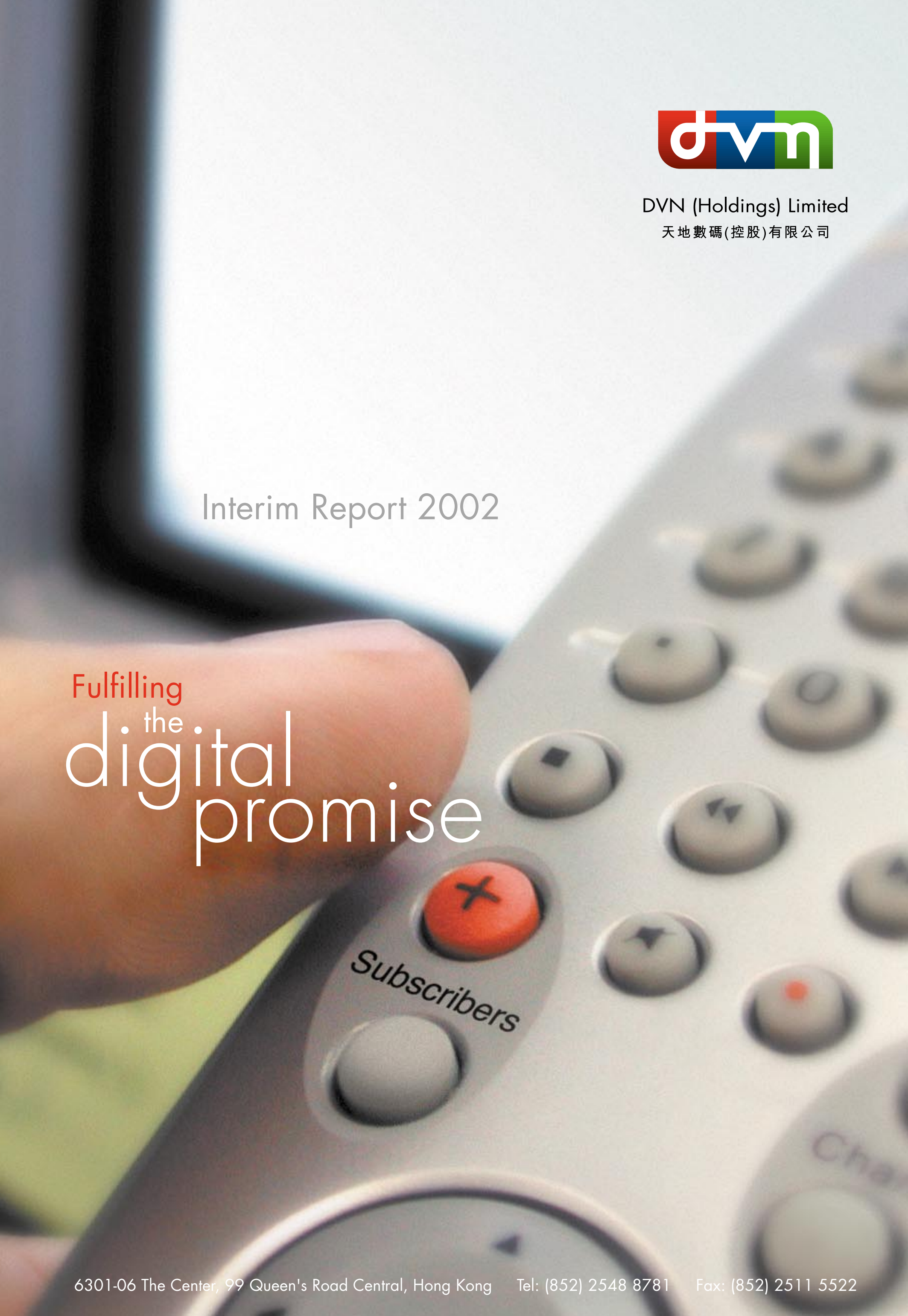


DVN (Holdings) Limited
天地數碼(控股)有限公司

Interim Report 2002

Fulfilling the digital promise

6301-06 The Center, 99 Queen's Road Central, Hong Kong Tel: (852) 2548 8781 Fax: (852) 2511 5522

CONTENT

Pages

The directors are pleased to present the Group's Interim Report and condensed accounts for the six months ended 30th June 2002. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th June 2002, and the consolidated balance sheet as at 30th June 2002 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 15 to 26 of this report.

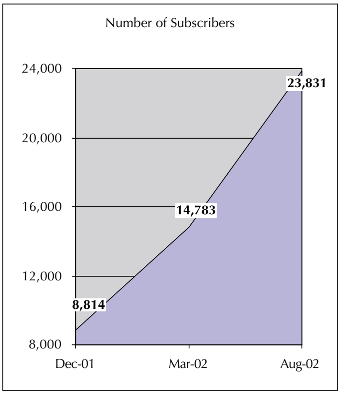
BUSINESS REVIEW

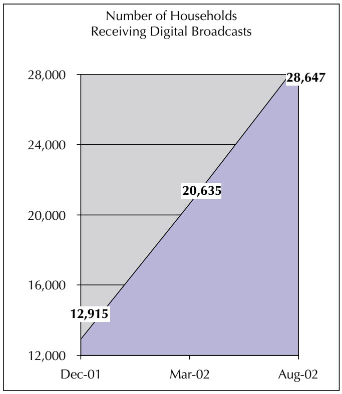
DVN has devoted considerable effort over the last six months in conjunction with its Chinese partners to optimize the digital TV service packages offered to Chinese consumers over its digital broadcasting platforms. DVN has concentrated a majority of its resources on the successful roll outs of digital 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 has rolled out, now subscribe to DVN's digital TV services. Likewise, in Zhongshan, DVN has achieved a penetration rate of about 6% in less than one year.

DVN in conjunction with its CATV partners are among the first in China to significantly roll out digital TV services. DVN has concentrated on optimizing the digital TV service business model offered to Chinese consumers so that it may be duplicated quickly and efficiently in other locations throughout China without wasting financial resources and time. Having successfully rolled out digital services in three areas, DVN now intends to increase the number of subscribers substantially by rolling out digital services in additional areas in the second half 2002 and in 2003. DVN continues to strive to be a leading developer of digital video broadcasting systems providing the support, technology and services necessary to make digital Pay TV a reality in China. DVN is also exploring opportunities in Korea, Indonesia, Hong Kong, Taiwan and other international markets.

Paying subscriber numbers have grown substantially in percentage terms over the previous year and subscription fees received by DVN have significantly increased by more than eight times. Going forward, DVN will continue to focus on enlarging its recurring revenue base by attaining a critical mass of subscribers, which will drive the Company to profitability. DVN, through increasing its subscriber numbers, will also benefit from the falling set top box manufacturing costs, which will increase the Company's overall gross profit margins. DVN will concurrently move away from one-off headend sales.

DVN going forward in order to accelerate the take up of digital TV services will place more effort on educating the consumer on the benefits of digital Pay TV over analog TV as well as provide better content to give Chinese consumers incentive to pay for digital TV services. DVN is actively working to source new and a broader range of content for broadcast over its platforms; however it has been limited by the strict content regulations put in place by the Chinese government. With China's entry into the WTO, regulations regarding content importation are expected to be relaxed in the near future, which will allow DVN to offer Chinese consumers richer and broader digital services. Furthermore, lower set top box manufacturing prices will enable DVN to offer consumers the next generation boxes at lower prices. These factors combined with the industry transitioning from a start up phase to a growth phase and receiving more government support will hasten the take up of digital services. Once DVN is satisfied with the channel mix, content available and pricing of digital TV services, efforts will be made to duplicate the success in multiple locations beyond the current three areas on which it has focused most of its efforts.





Described below are the five areas in which DVN receives a percentage of subscription fee collected for digital TV services on offer.

Suzhou

In November of 2001, DVN in conjunction with its local CATV partner began offering 70 digital channels, currently charging subscribers RMB24 per month. The subscriber is also required to purchase a basic model set top box. As of 30th June 2002, around 4.2% of Suzhou's catchment area population subscribed to digital TV services. DVN is working with its local partner to expand marketing and promotional efforts as well as create a more attractive channel mix to capture a larger base of subscribers.

Wuxi

Unlike in Suzhou, where the entire range of analog channels were digitized enabling a larger number of digital channels to be broadcast, in Wuxi, the digital service offers only 20 new digital channels. Additionally, the monthly subscription fee is higher at RMB30 per month. As in Suzhou, Wuxi subscribers are required to purchase a basic model of the set top box. Digital services began in February and had achieved a 1% penetration rate of Wuxi's analog cable subscribers as of 30th June 2002. DVN is working with its local partner to modify the digital TV services to accelerate subscriber take up rates.

Zhongshan

In Zhongshan, the business model is different. Instead of selling the set top boxes outright and charging a monthly subscription fee on top, set top boxes are subsidized and the monthly subscription fees are higher, around RMB50 per month. This service, introduced in December has been relatively successful, having already achieved a penetration rate of 6%. The digital service in Zhongshan offers 29 digital channels.

Hebei and Shandong

The rollouts in Hebei and Shandong are still only in the trial stage. Take up of digital services in Hebei and Shandong has therefore been slow, but is expected to increase once full rollouts with extensive marketing campaigns begin in earnest in 2003. Even during the current trial stage, revamped channel mixes, improved and a broader range of content and increased promotional efforts have led to increased subscription growth. The monthly subscription fees have been reduced to around RMB15 to RMB20 per month and the price of the set top box has come down. Once DVN and its partners are satisfied that the service offered is optimal for the particular locations and at the right price levels, full roll outs of the digital TV services will commence throughout the provinces.

Prospects

Guangzhou, one of China's wealthiest and most prosperous cities will be one of the primary areas of focus for the roll out of digital services over a DVN platform. The city currently has 1.2 million cable subscribers. DVN, in April 2002, entered into a RMB90 million, 50:50 joint venture agreement with Jiangsu Hongtu High Technology Co., Ltd. ("Hongtu"), an independent third party company incorporated in the PRC and listed on the Shanghai Stock Exchange, to jointly develop and commence digital TV services in high potential locations. The joint venture chose the Guangzhou market as the site of its first digital TV services roll out. Installation of the digital broadcasting headend has already been completed in Guangzhou with the system currently undergoing testing and digital TV services expected to be launched before the end of 2002.

In March, DVN received a HK$39 million investment from Zoran Corporation, a Nasdaq listed chip supplier specializing in consumer electronic products. DVN and its new technical partner are now working to develop an improved cost effective and multi-functional set top box based on Zoran's chip technology.

DVN is working to identify other strategic partners to further solidify its position within the China market and expedite the roll out of digital services. One strategic cooperation agreement has been signed with a local Chinese partner to develop the Fujian market with the expectation of expanding to other locations upon successful roll out. The installation of the headend system in Fujian has already been completed.

With regard to other international markets, DVN has sold one demo system to a technology company in Korea to aid in the marketing and promotion of DVN's platform and technology in Korea.

Conclusion

The digital Pay TV industry, in bringing about the convergence of interactive data, video and audio, creates unlimited opportunities and potential. However until recently this industry has been in its infancy and is now transitioning into a growth phase. With a technology as new and revolutionary as digital broadcasting, it is difficult to predict the exact form of the digital broadcasting industry and its accompanying products in the next five years. China's Pay TV industry offers unlimited potential for those able to access the end-users and provide a value-added service for which subscribers are willing to pay. But this is also a highly regulated industry, which is fraught with complexities and political sensitivities.

Having successfully rolled out in three locations over the past half year, DVN has demonstrated that its business model works 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.

FINANCIAL REVIEW

Financial Results

Turnover of the Company for the six months ended 30th June 2002 slightly decreased from HK$38.9 million over the same period in year 2001 to HK$37.9 million. Its loss from operations increased from HK$12.3 million for the first half of 2001 to a net loss of HK$26.0 million. The decreased in turnover was primarily the result of only one large headend sale in the first six months of 2002 as compared to two in the first half of 2001. However, offsetting the reduction in revenue from headend sales was the significant increase in subscription revenue from HK$0.2 million in the first half of 2001 to HK$1.85 million in the first half of 2002, an eight fold increase.

The increase in operating loss for the first half of 2002 as compared to the same period in 2001 was due to a combination of lower gross profit margins resulting from a different sales mix as well as the absence of a one time compensation payment from UAL of HK$10.1 million booked in other operating income in 2001. As a larger portion of the revenue in first half 2002 was derived from sales of set top boxes due to the higher number of subscribers signing on for digital services, the gross profit was affected by the high manufacturing costs of the set top boxes in inventory expensed in cost of goods sold. These older set top boxes, now almost cleared from inventory, carry a higher manufacturing cost than the current generation of set top boxes. Going forward as the lower cost set top boxes are expensed against revenues, gross profit margins are expected to improve. Losses from operations in the first half of 2002 were minimized however by lower operating expenses in the first six months of 2002 as compared to those incurred in the same period in 2001.

Looking forward over the next twelve months, DVN expects growth in revenues as more subscribers sign on for digital TV services and several potential headend sales contracts are finalized. It also expects that recurring revenues from subscription income will account for a more significant portion of its revenues going forward. DVN further expects that gross profit margins will improve once the older generation of set top boxes are cleared from inventory and the new generation of set top boxes are expensed against sales.

Revenues derived from the digital broadcasting business accounted for 84% (2001: 80%) of the total revenues for the first six months of 2002 and revenues from the provision of financial and consumer data accounted for 16% (2001: 20%).

Cost of Sales and Gross Profit

Cost of sales for the first six months of 2002 increased from HK$16.5 million in first half 2001 to HK$23.7 million. Gross profit for the first six months of 2002 decreased by 36% over that of the same period the year before, from approximately HK$22.4 million to approximately HK$14.2 million. The gross profit margin for the first half of year 2002 was 38% as compared to 58% for the same period of 2001 due to a change in the sales mix. The decrease in gross profit was due to only one large headend being sold in the first six months of 2002 as compared to two large headends in the first six months of 2001, which carry large gross profit margins; but also to the larger number of old generation set top boxes sold which as a result of high manufacturing costs carry a negative gross profit margin. 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.

Other Revenue and Other Operating Income

Other revenue and other operating income decreased from HK$13.1 million in the first half of 2001 to HK$397,000 for the comparable period in 2002. This decrease is primarily due to the one off HK$10.1 million compensation received by DVN from UAL in 2001 to make good on UAL's profit guarantee of Dynamic Networks Limited ("Dynamic").

Selling and Marketing Expenses

Selling and marketing expenses increased by 226% from HK$2.4 million in 2001 to HK$7.9 million in 2002 during the comparable first six months. The increase is due to increased focus on sales and marketing of set top boxes, which require larger sales teams and more after sales service personnel. DVN expects selling and marketing expenses to further increase in the second half of 2002 due to further expansion of its marketing efforts as well as the establishment of new offices needed to support operations in new locations.

Administrative Expenses

Administrative expenses decreased by 5% from HK$30.4 million in 2001 to HK$28.8 million in 2002 during the comparable first six months in spite of increased operational activities. This is a result of tight control over administrative expenditures.

Other Operating Expenses

Other operating expenses decreased from approximately HK$15.0 million in first six months of 2001 to HK$3.9 million for the comparable period in 2002. This was due primarily to the provision of HK$7.8 million taken for impairment of goodwill against DVN's purchase of Dynamic taken in 2001. A HK$4.3 million amortization charge against deferred development costs and film rights was also recognized in 2001 as compared to amortization charges of HK$3.9 million recognized in 2002.

Liquidity and Capital Resources

DVN has financed its growth primarily through the issuance of new shares and internally generated cash. As of 30th June 2002, its current ratio was 3.0 and its cash and bank balances amounted to HK$32.9 million. This is compared to a current ratio of 2.2 and cash and bank balances amounting to HK$51.2 million as of 31st December 2001. The higher current ratio in 2002 was due to the reduction in current liabilities resulting from DVN paying off part of its outstanding dividend payable during the first half of 2002. DVN had one long term debt liability outstanding that amounted to HK$333,000 to a hire purchase creditor. However it had no bank overdrafts, nor any contingent liabilities outstanding as at 30th June 2002.

Capital Structure of the Company

On 18th March 2002, the Company had issued 18.6 million new ordinary shares of HK$0.1 each at HK$2.1 per share. In the first six months of 2002, 46.7 million preference shares were converted into 47.7 million ordinary shares of the Company. The Company redeemed the remaining 0.4 million preference shares at HK$1.5 each on 4th February 2002.

Investment

On 18th April 2002, DVN and Hongtu 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.

Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes

Including directors of the Group, as at 30th June 2002, the Group employed a total of 353 full-time employees, including 179 engineering and product development staff. Employees are offered discretionary year-end bonuses based on individual merit. Details of the share option scheme were recently changed and were adopted in June 2002 and approved in a Special General Meeting.

Share Options

The Company has terminated the old share option scheme and has adopted a new share option scheme ("New Scheme") in a Special General Meeting held on 26th June 2002 ("SGM") in order to comply with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The purpose of the New Scheme is to recognize and acknowledge the contributions of the Qualified Persons (as defined in the New Scheme, including but not limit to, the directors, employees, partners, associates & etc. of the Group and its holding company group) to the Group.

Pursuant to this 10-year term New Scheme, the Company can grant options to Qualified Persons for a consideration of HK$1.00 for each grant payable by the Qualified Persons to the Company. The total number of the shares issued and to be issued upon exercise of options granted to each Qualified Person (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. The maximum number of options shares can be granted under the New Scheme shall not exceed 37,673,482 shares, which is 10% of the total number of shares in issue at the date of the SGM. Subscription price in relation to each option pursuant the New Scheme shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered to an Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of directors of the Company. No share options have been granted under the New Scheme for the period ended 30th June 2002.

Share Options — *continued*

Share options granted pursuant to the old option scheme remain effective and the details of movements of the outstanding share options are as follows:

Date of share options granted	10th September 1999
Exercise price	HK$2.25
Exercise period	1st January 2000 - 31st December 2002

	Outstanding options as at 1st January 2002	Options exercised during the period	Options lapsed during the period	Outstanding options as at 30th June 2002
Held by directors				
Mr. Ko Chun Shun, Johnson	2,450,000	—	—	2,450,000
Mr. Lui Pan, Terry	2,750,000	—	—	2,750,000
Ms. Cheung Sum Yu, Fiona	1,634,000	—	—	1,634,000
Mr. Ronald Richard Budacz	800,000	—	—	800,000
Total held by directors	7,634,000	—	—	7,634,000
Total held by employees	2,700,000	—	—	2,700,000
Total	10,334,000	—	—	10,334,000

Date of share options granted	6th March 2000
Exercise price	HK$9.89
Exercise period	7th March 2000 - 6th March 2003

	Outstanding options as at 1st January 2002	Options exercised during the period	Options cancelled during the period	Outstanding options as at 30th June 2002
Held by a director				
Mr. Lui Pan, Terry	2,500,000	—	2,500,000	—
Held by employees	—	—	—	—
Total	2,500,000	—	2,500,000	—

Share Options — *continued*

Date of share options granted	1st September 2000
Exercise price	HK$2.62
Exercise period	1st January 2001 - 31st December 2003

	Outstanding options as at 1st January 2002	Options exercised during the period	Options lapsed during the period	Outstanding options as at 30th June 2002
Held by directors	—	—	—	—
Held by employees	2,300,000	—	—	2,300,000
Total	2,300,000	—	—	2,300,000

Date of share options granted	2nd November 2000
Exercise price	HK$1.50
Exercise period	1st January 2001 - 31st December 2003

	Outstanding options as at 1st January 2002	Options exercised during the period	Options lapsed during the period	Outstanding options as at 30th June 2002
Held by directors	—	—	—	—
Held by employees	5,900,000	—	—	5,900,000
Total	5,900,000	—	—	5,900,000

Charges on Group Assets

US dollar bank deposits with an aggregate carrying value of HK$22.5 million have been pledged to secure RMB denominated bank loans used to fund operations in China. This back to back arrangement limits the Group's exposure to RMB fluctuations. However, this arrangement is being scaled back due to the expected appreciation of the RMB against the US dollar.

Contingent Liabilities

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

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.

Purchase, Sale or Redemption of Shares

The Company redeemed 416,262 preference shares at HK$1.50 each on 4th February 2002. Other than that, 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.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 30th June 2002, the interests of the directors and chief executive in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

(a) Ordinary shares of HK$0.10 each in the Company

		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	2,040,816	158,357,940	160,741,756	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	2,750,000
Mr. Ronald Richard Budacz		—	—	—	—	800,000

(b) Ordinary shares of HK$0.18 each in Universal Appliances Limited ("UAL"), an intermediate holding company

		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	(iii)	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) 118,403,418 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.

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

2,040,816 ordinary shares in the Company are held by Ms. Cheung Yat Kwan, who is the spouse of Mr. Ko.

(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) Kwan Wing and Techral Holdings Limited ("Techral") beneficially owned 360,399,000 and 640,038,150 ordinary shares of UAL, respectively. Kwan Wing has 96% beneficial interest in Techral.

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

Save as disclosed above, at no time during the period was the Company, its subsidiaries and fellow subsidiaries, and its holding companies a party to any arrangement to enable the Company's directors to acquire benefit by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the period, the directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted or exercised, any rights to subscribe for shares in the Company and its associated corporations (within the meaning of the SDI Ordinance).

SUBSTANTIAL SHAREHOLDERS

At 30th June 2002, save as disclosed under the section "Directors' interests in equity or debt securities" above, no other person had registered an interest of 10% or more in the issued share capital of the Company that would be required to be recorded under Section 16(1) of the SDI Ordinance.

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 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 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 30th June 2002 with the directors.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

		Unaudited	
		Six months ended 30th June	
	Notes	**2002**	2001
		HK$'000	*HK$'000*
Turnover	*2*	**37,906**	38,885
Cost of sales		**(23,680)**	(16,501)
Gross profit		**14,226**	22,384
Other revenues and other operating income		**397**	13,131
Selling and marketing expenses		**(7,919)**	(2,427)
Administrative expenses		**(28,812)**	(30,370)
Other operating expenses		**(3,927)**	(14,985)
Operating loss	*3*	**(26,035)**	(12,267)
Finance costs		**(991)**	(336)
Share of results of a joint venture		**(212)**	—
Loss before taxation		**(27,238)**	(12,603)
Taxation	*5*	**—**	—
Loss before minority interests		**(27,238)**	(12,603)
Minority interests		**816**	1,631
Loss for the period		**(26,422)**	(10,972)
Preference dividends	*6*	**(3,182)**	(4,681)
Loss attributable to ordinary shareholders		**(29,604)**	(15,653)
Loss per share — Basic	*7*	**(HK$0.08)**	(HK$0.06)

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2002 AND 31ST DECEMBER 2001

	Notes	Unaudited 30th June 2002 HK$'000	Audited 31st December 2001 HK$'000
Non-current assets			
Fixed assets	8	**70,660**	72,143
Intangible assets	8	**21,190**	18,961
Long-term deposits		**62,288**	62,288
Interests in a joint venture		**5,892**	—
Investments		**55,280**	55,280
		215,310	208,672
Current assets			
Inventories		**33,946**	38,779
Work in progress		**11,729**	14,270
Amounts due from fellow subsidiaries		**1,174**	2,258
Trade and other receivables, prepayments and deposits	9	**91,914**	80,186
Pledged bank deposits		**22,453**	51,321
Bank balances and cash		**32,915**	51,202
		194,131	238,016
Current liabilities			
Trade payables, accruals and other payables	10	**42,645**	58,845
Current portion of a finance lease	11	**100**	—
Bank loans, secured		**21,801**	50,597
		64,546	109,442
Net current assets		**129,585**	128,574
Total assets less current liabilities		**344,895**	337,246
Financed by:			
Share capital	12	**37,673**	101,725
Reserves		**184,652**	112,468
Shareholders' funds		**222,325**	214,193
Minority interests		**122,237**	123,053
Non-current portion of a finance lease	11	**333**	—
		344,895	337,246

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

	Unaudited Six months ended 30th June	
		(Restated)
	2002	2001
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(20,196)**	(15,781)
Net cash outflow from investing activities	**(20,648)**	(6,405)
Net cash inflow from financing	**22,557**	7,535
Decrease in cash and cash equivalents	**(18,287)**	(14,651)
Cash and cash equivalents at 1st January	**51,202**	44,847
Cash and cash equivalents at 30th June	**32,915**	30,196
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**32,915**	33,467
Short term bank loan	**—**	(3,271)
	32,915	30,196

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

	Unaudited						
	Ordinary share capital	**Preference share capital**	**Share premium**	**Contributed surplus**	**Accumulated losses**	**Exchange reserve**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 1st January 2002	**31,051**	**70,674**	**280**	**222,122**	**(110,833)**	**899**	**214,193**
Exchange differences						**(54)**	**(54)**
Net gains or losses not recognised in the profit and loss account						**845**	**214,139**
Loss for the period	**—**	**—**	**—**	**—**	**(29,604)**	**—**	**(29,604)**
Conversion of preference shares	**4,765**	**(70,050)**	**65,285**	**—**	**—**	**—**	**—**
Redemption of preference shares	**—**	**(624)**	**—**	**—**	**—**	**—**	**(624)**
Issue of ordinary shares	**1,857**	**—**	**37,142**	**—**	**—**	**—**	**38,999**
Share issue expenses	**—**	**—**	**(585)**	**—**	**—**	**—**	**(585)**
At 30th June 2002	**37,673**	**—**	**102,122**	**222,122**	**(140,437)**	**845**	**222,325**

	Unaudited						
	Ordinary share capital	Preference share capital	Share premium	Contributed surplus	Accumulated losses	Exchange reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2001, previously reported	406,780	71,004	225,439	86,726	(608,481)	—	181,468
Effect of adopting SSAP 29	—	—	—	—	(5,051)	—	(5,051)
At 1st January 2001, as restated	406,780	71,004	225,439	86,726	(613,532)	—	176,417
Loss for the period	—	—	—	—	(15,653)	—	(15,653)
At 30th June 2001	406,780	71,004	225,439	86,726	(629,185)	—	160,764

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated 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 2001 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 31st December 2001 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 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

There is no material impact to the financial results and the financial position of the Group by the adoption of the new or revised SSAPs mentioned above.

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

2. Segment information

The Group is principally engaged in the design, integration and installation of digital broadcasting systems and development of related software and products and the provision of international financial market information and selective consumer data.

An analysis of the Group's revenue and results for the period by business segments is as follows:

	Six months ended 30th June 2002		
	Design, integration and installation of digital broadcasting systems and development of related software and products	**Provision of international financial market information and selective consumer data**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Turnover	**31,751**	**6,155**	**37,906**
Segment results	**(23,856)**	**(2,179)**	**(26,035)**
Unallocated costs			**—**
Operating loss			**(26,035)**
Finance costs			**(991)**
Share of results of a joint venture	**(212)**		**(212)**
Loss before taxation			**(27,238)**
Taxation			**—**
Minority interests			**816**
Loss for ther period			**(26,422)**
Preference dividends			**(3,182)**
Loss attributable to ordinary shareholders			**(29,604)**

	Six months ended 30th June 2001		
	Design, integration and installation of digital broadcasting systems and development of related software and products	Provision of international financial market information and selective consumer data	Total
	HK$'000	*HK$'000*	*HK$'000*
Turnover	30,937	7,948	38,885
Segment results	(1,012)	(430)	(1,442)
Unallocated costs			(10,825)
Operating loss			(12,267)
Finance costs			(336)
Loss before taxation			(12,603)
Taxation			—
Minority interests			1,631
Loss for the period			(10,972)
Preference dividends			(4,681)
Loss attributable to ordinary shareholders			(15,653)

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

Secondary reporting format — geographical segments

The Group's two business segments operate in three main geographical areas:

(i) Mainland China — Design, integration and installation of digital broadcasting systems and development of related software and products

(ii) Hong Kong — Provision of international financial market information and selective consumer data

(iii) Other Southeast Asian countries — design, integration and installation of digital broadcasting systems and development of related software and products and provision of international financial market information and selective consumer data

An analysis of the Group's turnover and contribution to operating results for the period by geographical segment is as follows:

	Turnover Six months ended 30th June		Operating loss Six months ended 30th June	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**30,694**	30,937	**(23,369)**	(1,012)
Hong Kong	**4,495**	5,745	**(1,100)**	(482)
Other Southeast Asian countries	**2,717**	2,203	**(1,566)**	52
	37,906	38,885	**(26,035)**	(1,442)
Unallocated costs			**—**	(10,825)
			(26,035)	(12,267)

Sales are based on the country in which the customer is located. There are no sales between the segments.

3. Operating loss

Operating loss is stated after crediting and charging the following:

	Six months ended 30th June	
	2002	2001
	HK$'000	*HK$'000*
Crediting		
Guaranteed profit	**—**	10,145
Gain on disposal of fixed assets	**33**	—
Charging		
Cost of inventories sold	**19,641**	14,495
Depreciation:		
Owned fixed assets	**6,676**	3,365
Leased fixed assets	**61**	20
Amortization of goodwill	**—**	200
Amortization of deferred development costs and film rights	**3,907**	4,322
Impairment of goodwill	**—**	7,800

4. Staff costs

	Six months ended 30th June	
	2002	2001
	HK$'000	*HK$'000*
Salaries	**13,930**	10,521
Pension costs — defined contribution plans	**966**	815
	14,896	11,336

5. Taxation

No profits tax has been provided as the Group did not generate any assessable profits in Hong Kong or overseas during the six months ended 30th June 2002 (2001: Nil).

6. Preference dividends

	Six months ended 30th June	
	2002	2001
	HK$'000	*HK$'000*
The Company		
Dividends on 5% redeemable, convertible preference shares *(note (a))*	**276**	1,775
DVN (Group) Limited, a wholly owned subsidiary of the Company		
Dividends on 5% exchangeable preference shares	**2,906**	2,906
	3,182	4,681

(a) 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 will only be paid upon fulfilment of the aforementioned conditions of the Act.

7. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to ordinary shareholders of HK$29,604,000 (2001: HK$15,653,000) and on the weighted average number of 360,539,115 (2001: 271,186,431) ordinary shares in issue during the period.

No diluted loss per share is shown for the two six months ended 30th June 2002 and 2001 because the share options and convertible preference shares outstanding had an anti-dilutive effect on the basic loss per share for both periods

8. Capital expenditure

Six months ended 30th June 2002	Deferred development costs HK$'000	Films rights HK$'000	Total intangible assets HK$'000	Fixed assets HK$'000
Opening net book amount	14,513	4,448	18,961	72,143
Development costs recognized as an asset	6,136	—	6,136	—
Additions	—	—	—	5,946
Disposals	—	—	—	(692)
Depreciation/Amortization charge *(Note 3)*	(1,621)	(2,286)	(3,907)	(6,737)
Closing net book amount	19,028	2,162	21,190	70,660

9. Trade and other receivables, prepayments and deposits

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

	30th June 2002 HK$'000	31st December 2001 HK$'000
0 - 30 days	**22,179**	19,925
31 - 60 days	**246**	2
61 - 90 days	**9**	202
Over 90 days	**49,278**	36,454
	71,712	56,583

Credit period of 30 to 60 days is normally granted to customers except for the sales of digital broadcasting systems and related software and products to an investee company in prior years. Saved as disclosed in 2001 annual report, the investee company will repay the receivables according to the agreed repayment schedule.

10. Trade payables, accruals and other payables

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

	30th June 2002 HK$'000	31st December 2001 HK$'000
0 - 30 days	**1,025**	1,872
31 - 60 days	**516**	107
61 - 90 days	**61**	176
Over 90 days	**18,303**	17,979
	19,905	20,134

11. Obligations under a finance lease

	30th June 2002	31st December 2001
	HK$'000	*HK$'000*
Obligations under a finance lease	**433**	—
Current portion	**(100)**	—
	333	—

12. Share capital

	Authorised			
	5% redeemable, convertible preference shares of HK$1.50 each		**Ordinary shares of HK$0.10 each**	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*
At 1st January 2002 and 30th June 2002	83,250,000	124,875	800,000,000	80,000

	Issued and fully paid			
	5% redeemable, convertible preference shares of HK$1.50 each		**Ordinary shares of HK$0.10 each**	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*
At 1st January 2002	47,116,091	70,674	310,510,512	31,051
Conversion of preference shares	(46,699,829)	(70,050)	47,652,885	4,765
Redemption of preference shares	(416,262)	(624)	—	—
Issue of ordinary shares	—	—	18,571,429	1,857
At 30th June 2002	—	—	376,734,826	37,673

13. Contingent liabilities

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

14. Commitments

(a) Commitments under operating leases

At 30th June 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30th June 2002	31st December 2001
	HK$'000	*HK$'000*
Within one year	**1,324**	2,847
In the second to fifth year inclusive	**473**	1,044
	1,797	3,891

(b) Financial commitments

At 30th June 2002, the Group had financial commitments of RMB40,770,946 (approximately HK$38,645,446) (2001: RMB6,110,000) in respect of registered capital contributions to two PRC subsidiaries and a PRC joint venture. Included in the related capital contributions to the subsidiaries and joint venture, RMB20,824,500 (approximately HK$19,739,000) (2001: RMB5,316,000) was paid before balance sheet date but the capital verification process has not been completed.

(c) Capital commitments

As 30th June 2002, the Group had capital commitments in respect of the purchase of digital broadcasting equipment and fixed assets as follows:

	30th June 2002	31st December 2001
	HK$'000	*HK$'000*
Contracted but not provided for	**839**	1,306
Authorised but not contracted for	**—**	—
	839	1,306

15. Related party transactions

	Six months ended 30th June	
	2002	2001
	HK$'000	*HK$'000*
Sales of digital broadcasting systems to a jointly controlled entity	**14,252**	—
Service fee income from a jointly controlled operation	**265**	—
Guaranteed profit receivable from an intermediate holding company	**—**	10,145

16. Subsequent events

On 12th September 2002, Digital Video Networks Company Limited, a wholly owned subsidiary in the PRC, increased its registered capital by US$1,000,000.

On behalf of the Board
Lui Pan
Chief Executive Officer

Hong Kong, 27th September 2002