INTERIM REPORT 2005

DVN (Holdings) Limited
天地數碼(控股)有限公司

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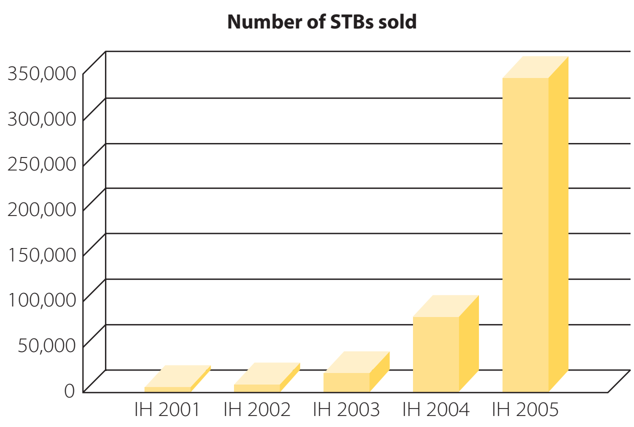
The directors are pleased to present the Group's Interim Report and condensed consolidated accounts for the six months ended 30th June 2005. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th June 2005, and the consolidated balance sheet as at 30th June 2005 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 19 to 36 of this report.

BUSINESS REVIEW

DVN's set top box unit sales continue to accelerate.

DVN's set top box ("STB") sales of its own branded and licensed STBs continue to accelerate as more CATV operators execute on SARFT plans to migrate the country's cable television system to digital. The number of DVN produced boxes and DVN licensed boxes increased 317% year on year to 346,953 STBs. STB sales were particularly strong in Qingdao and Foshan.

Number of STB distributed in 1st half surged 317% year on year



DVN's strategy to partner with other manufacturers is helping to accelerate sales and to increase returns on capital.

DVN's decision to cooperate with major electronic products manufacturers in PRC is helping DVN to increase its sales. DVN licenses its technology to these manufacturers and in return, receives a licensing fee. The manufacturer is responsible for the manufacture, distribution, and after sales support for the STBs. During the first half of 2005, DVN received HK$4.9 million in licensing fees.

Through this arrangement, DVN is able to use its working capital more effectively. Purchasing parts and inventory and managing the entire manufacturing process is a capital intensive business that the larger manufacturers have more resources and experience with. In addition, these manufacturers have extensive after sales support networks that would be expensive for DVN to replicate. Given sales volumes are increasing dramatically, this after sales support network will be critical in maintaining customer satisfaction.

DVN receives new source of revenues from sale of components for STBs to licensees.

In current year, DVN has entered into a number of licensing agreements with major manufacturers, including Haier, Hisense, TCL , Konka Group, Skyworth, Hua Wei Technology, Shanghai Feilo and Hangzhou Soyea, granting them licensees to produce STBs. With DVN's shift towards licensing arrangements with manufacturing partners of its STB, DVN has gained a new source of revenue–sale of STB components to these manufacturers. By purchasing parts for its partners, DVN ensures the quality and availability of the key components. At the same time, by acting on behalf of all the customers, it is able to obtain favorable volume discounts offered by the key suppliers. As a result, for the first half of 2005, DVN's component revenues rose over six times to HK$32.7 million compared to the same period in 2004.

DVN's business is shifting to a higher margin platform.

With the shift away from manufacturing, DVN is increasing its emphasis on STB design and software development, capitalizing on DVN's strengths in designing and implementing solutions for the conversion to digital television.

Through this shift, DVN will be able to have access to a larger market than if it works on its own. While it will receive less profit per box than if it manufactured the box itself, DVN will be able to sell more boxes in more territories by cooperating with manufacturers that have strong relationships in the territory. With this greater access, DVN will be able to generate more long term profits through the licensing of its software and through an arrangement in which DVN will be able to share in the value added services generated.

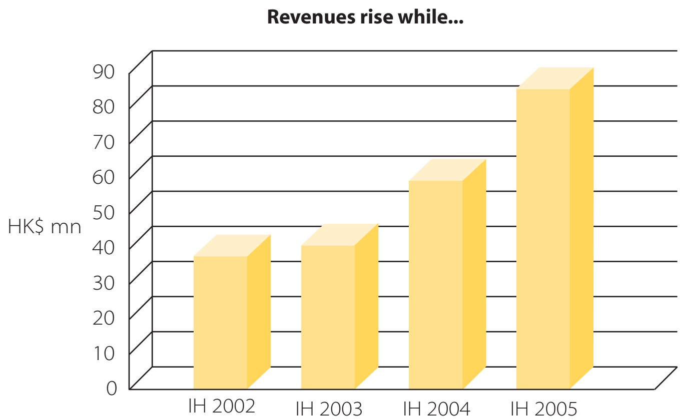
Revenues and gross profit rise. Net loss declines.

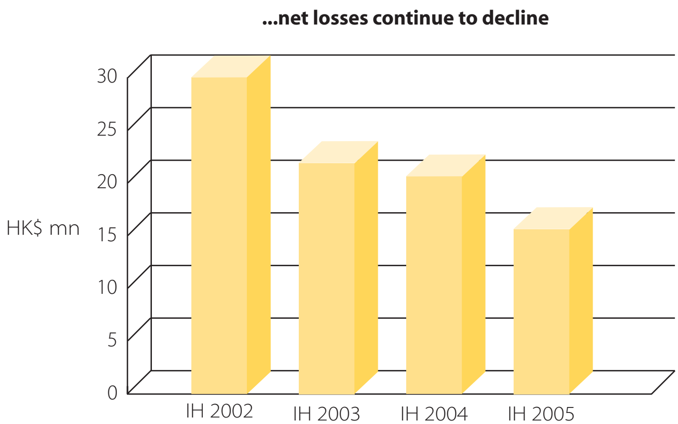
Total revenues increased 44% to HK$85.5 million. Revenues did not increase as much as unit sales given the new licensing arrangements. Previously, DVN recorded sales for the entire value of the STB. With the licensing arrangement, DVN only records the licensing revenues. As a result, total sales in cities under license are lower than if DVN produced the STBs itself. Revenues have also been impacted as the selling price of STBs has declined.

However, the lower revenues per STB have been more than compensated by greater unit sales as a result of the licensing agreements, and because of new revenues from the sale of STB components. During the first half of 2005, DVN's total gross profit increased 32% to HK$23.7 million. DVN's net loss declined by 24% to HK$15.6 million.

Revenue and profit trends indicate that DVN is on a path to profitability.

DVN's revenues have increased sharply compared to 2002, with revenues more than doubling during the period. Meanwhile, DVN's net loss has declined about 50% during the period. The positive trend in revenues and net losses indicate that DVN is on a path towards profitability. With STB sales likely to continue to accelerate, DVN is optimistic that its financial outlook will continue to improve.





DVN receives additional investment from Motorola.

Reflecting the strong relationship between Motorola and DVN, Motorola at the beginning of the year invested an additional US$7.5 million into DVN. Motorola had already invested US$7.5 million in June 2004. Net proceeds from Motorola's investment will be used for research and development, particularly for application software and services; and for working capital.

DVN to promote Motorola branded box.

After half a year of cooperation, the new Motorola box, designed in cooperation with DVN, is now ready for production. Motorola will handle all the costs associated with manufacturing of the box. DVN believes the new Motorola box will appeal to subscribers seeking a quality, brand name box with more features.

DVN wins contract to provide digital services for China's first provincial wide conversion to digital TV.

During the first half, DVN won a contract to provide digital services to Guangxi Province. SARFT (China's State Administration for Radio Film and Television) approved on 7th April 2005 the designation of Guangxi as the country's first and only provincial trial site. With this designation, all cable users in Guangxi will be migrated to digital TV. As Guangxi TV Network's sole technology partner, DVN will provide technological support for Guangxi's TV mass digitization program, and participate in the building of its digital TV platform based on which TV-commerce, interactive games, e-government, TV SMS and other value added services can be developed in the future.

Guangxi plans to cut off its analog TV signal in phases to the autonomous region's 3 million cable subscribers. DVN will generate revenues from licensing fees on the estimated 3 million DVN designed STBs to be sold in the province, from the provision of software, from the supply of related services in the next two years as the migration rolls out, and over the long term, from sharing in the revenues generated from value added services.

DVN continues to reduce STB costs, and receives awards for its technology.

DVN continues to succeed in reducing the costs of its STBs. In the 1st half of 2005, DVN has been able to reduce STB costs by about 5%. As a result, DVN has been able to sign an increasing number of STB supply contracts.

While DVN has cut costs for its STB, it has received a number of awards for its technology, including:

1. In July 2004, DVN's Conditional Access System Jet-CAS received a patent from United Kingdom Patent Office for an invention entitled "security unit for encrypted signal transmission".
2. In December 2004, Jet-CAS passed the certification test of China Digital Television Company and was formally brought into effect.
3. On 28th Feb 2005, DVN was named as one of the "Top Ten Broadcasting Enterprises for 2004". Terry Lui, DVN's president was named as one of the "Ten Most Powerful Entrepreneurs in Broadcasting for 2004".
4. On 18th July 2005, DVN's newest STB, STB-8 received the STB network access certificate from SARFT.

PROSPECTS

With the government's continued push towards digitalization, DVN expects sales of STBs to continue to increase. Over the next several months, Qingdao and Foshan will continue their aggressive rollouts in which they are essentially cutting off the analog service to their users. Guangxi's provincial wide forced migration to digital will provide additional revenue opportunities for DVN. Moreover, DVN expects to win contracts with other cities and provinces in the second half.

In Qingdao and Foshan, DVN is starting to reach a critical number of users where value added services such as television email and interactive advertising can be introduced. During the second half, DVN is expecting to introduce some of these services on an experimental basis. DVN is able to share in the revenues generated from value added services. These types of services create recurrent annual income for DVN, and if the services are well received, could be a major source of future revenues.

DVN continues to look for new partners, particular those that could help it expand its territories. DVN believes that the opportunities are enormous and that it makes more sense to partner with other companies that can complement DVN's core strength as a system integrator and provider of software for digital television. In addition, it is looking for partners that can help it generate value added service revenues.

FINANCIAL REVIEW

Financial Results

The Group's turnover for the six months ended 30th June 2005 increased 44% to HK$85.5 million from HK$59.4 million in the first half 2004.

Turnover (HK$'million)	1H 2005	1H 2004	% Change
STB revenues	**34.3**	42	-18%
Licensing fees	**4.9**	–	100%
Headend revenues	**2.2**	2.6	-15%
Subscriptions	**2.0**	1.9	5%
STB raw materials, smart cards and others	**34.0**	4.8	608%
Telequote	**8.1**	8.1	–
Total	**85.5**	59.4	44%
Set Top Boxes distributed	**346,953 units**	83,260 units	317%

The increase in revenue comes primarily from increased licensing fee income and income from the sale of STB raw materials and smart cards. The licensing fee income is mainly generated from localities where DVN designed STBs are produced by local manufacturers for supply to the local cable operators. Many of these cable operators are purchasing STBs for mass distribution to their subscribers. Nationwide, STB sales are accelerating as China begins the implementation of its migration towards digital. Therefore, as the licensing model becomes increasingly popular, the portion of income generated from licensing arrangements will increase relative to revenue from the sale of DVN's own STBs.

For quality control and to obtain bulk discounts on STB component parts for itself and its manufacturing partners, DVN has taken responsibility for the bulk purchase of key STB components. Therefore, as DVN has increased the number of STB that are sold through licensing arrangements, its sales of STB raw materials and smart cards have increased.

DVN continues to sell its own branded STBs, with the number increasing from 83,000 units last period to 88,000 units. However, due to competition, and the pressure to keep prices low in order to make the mass distribution of free STBs affordable for cable operators, the average selling price has dropped, resulting in a reduction in sales revenue from STBs by 18% despite the 6% increase in unit sales.

Headend sales revenues declined 15% from HK$2.6 million in 1H2004 to HK$2.2 million for 1H2005, as smaller, cheaper units were sold to Qingdao, Guangxi and Motorola.

Subscription revenues increased slightly from HK$1.9 million in 1H2004 to HK$2.0 million in 1H2005. DVN expects the subscription income to remain steady until the cities where DVN has signed revenue sharing agreements roll out digitization on a larger scale.

Telequote is DVN's wholly owned subsidiary. The subsidiary's primary business is providing online financial data over the Internet in Hong Kong and other parts of Asia. Sales turnover remained stable as compared to the first half of 2004.

Cost of Sales & Gross Profit

With the increase in turnover, cost of sales for the first six months of 2005 increased from HK$41.4 million in 1H2004 to HK$61.8 million. Gross profit for the first six months of 2005 increased by 32% year on year, from approximately HK$18.0 million to HK$23.7 million. The gross profit margin for this Interim was 28% as compared to 30% for the same period of 2004 because fewer of DVN's own branded STBs were sold. However, this margin reduction was more than compensated by the revenues generated by a large increase in STB licensing fees and raw material sales.

Other Revenue and Other Operating Income

Other revenue and operating income consist mainly of interest income, rising slightly from HK$194,000 in the first half of 2004 to HK$754,000 for the comparable period in 2005 as DVN maintained a higher bank balance.

Marketing, Selling and Distribution Costs

Despite the overall increase in turnover, marketing, selling and distribution costs declined by 3% from HK$8.5 million in first half 2004 to HK$8.2 million in first half 2005. This can be attributed to the fact that once delivery of services has commenced for an operator, significant additional marketing costs are no longer needed. As most of DVN's localities have already been acquired during previous periods, marketing costs for these locations are very low. However, marketing costs will still be incurred for newly acquired localities. Furthermore, part of the increase in turnover was derived from sale of raw materials that do not require marketing expenses.

Administrative Expenses

Total administrative expenses increased by approximately 8% from HK$23.1 million (restated) in 1H 2004 to HK$25.0 million this period–a much smaller amount than the 44% increase in turnover. The administrative expenses include salaries of research and development engineers and administration staff, depreciation and general administration expenses. Salary increased slightly by 5% as more engineers were employed to work on projects with Motorola, and to support the rollout and maintenance of STBs as a result of forced digitalization. General administration expenses increased slightly by HK$2.0 million (9%) as a result of an increase in office rental this period upon lease renewal, and because additional office space was rented in Shanghai to accommodate the increased engineering headcount. Higher professional fees in relationship to the second tranche investment by Motorola in January 2005 were also incurred. Offsetting these items was a reduction in depreciation charges since some assets have been fully depreciated.

Other Operating Expenses

Other operating expenses increased from approximately HK$2.7 million in first six months of 2004 to HK$3.7 million for the comparable period in 2005. The increase was mainly due to a general provision of 5% to account for general stock obsolescence and impairment.

Liquidity and Capital Resources

DVN has financed its growth primarily through the issuance of new shares and internally generated cash and short term bank loans. As of 30th June 2005, its current ratio was 2.01 and its cash and bank balances (including pledged deposits) amounted to HK$91.9 million. This is compared to a current ratio of 1.56 and cash and bank balances amounting to HK$63.8 million as of 31st December 2004. The increased bank balances at 30th June 2005 was due to the inflow of second tranche of investment amounting to US$7.5 million from Motorola during the period. DVN had no material long term debt nor any contingent liabilities outstanding as at 30th June 2005.

Capital Structure of the Company

In the first half of 2005, 7,962,665 share options of the Company were exercised. Apart from that, 58.5 million new shares were issued to Motorola during the period.

Investment

Pursuant to the joint venture agreement entered into with 包頭市信息化促進中心on 17th December 2004, Digital Video Networks (Shanghai) Company Limited ("DVN Shanghai"), a wholly-owned subsidiary in the PRC, would contribute RMB2.25 million and hold 22.5% interest and profit sharing. Pursuant to the joint venture agreement entered into with 無錫廣電產業投資發展公司, 無錫九龍公共交通股份有限公司and 深圳力合數字電視有限公司on 28th March 2005, DVN Shanghai would contribute RMB6.0 million and hold 30% interest and profit sharing. During the first half of 2005, DVN Shanghai injected RMB1.1 million and RMB6.0 million into the joint venture at Baotou and Wuxi respectively.

Apart from that, there was no change in the investment holding of the Group for the first half of 2005.

There were no material acquisitions and disposals of subsidiaries and associated companies for the first half of 2005.

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

Including directors of the Group, as at 30th June 2005, the Group employed a total of 324 full-time employees, including 91 engineering and research and development staff. Employees are offered discretionary year-end bonuses based on individual merit. Details of share option scheme were disclosed below.

Share Options

The Company adopted a ten-year share option scheme (the "Scheme") at a Special General Meeting held on 26th June 2002. The purpose of the Scheme is to recognize and acknowledge the contributions of the Qualified Persons (as defined in the Scheme, including but not limit to the directors, the employees, partners, associates and etc. of the Group and its shareholders) to the Group. Pursuant to this 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 twelve-month period shall not exceed 1% of the shares then in issue. Subscription price in relation to each option pursuant to the Scheme shall be not less than the higher of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's ("SEHK's") daily quotation sheets on the date on which the option is offered to an Qualified Person; (ii) the average of the closing prices of the shares as stated in the SEHK's daily quotation sheets for the five trading days immediately preceding the date of offer, or (iii) the nominal value of the shares. 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 Scheme for the period ended 30th June 2005. As at 30th June 2005, there were 45,733,449 new share options that could be further granted by the Company to Qualified Persons. The details of movements of the outstanding share options are as follows:

Date of share options granted	23rd July 2002
Exercise price	HK$1.47
Exercise period	24th July 2002 – 23rd July 2008 *(Note (i))*

	Outstanding options as at 1st January 2005	**Options exercised during the period**	**Options lapsed during the period**	**Outstanding options as at 30th June 2005**
Held by directors	6,000,000	–	–	6,000,000
Held by qualified persons	7,250,667	1,327,667	–	5,923,000
Total	13,250,667	1,327,667	–	11,923,000

Date of share options granted	10th December 2003
Exercise price	HK$0.824
Exercise period	1st January 2004 – 31st December 2006

	Outstanding options as at 1st January 2005	Options exercised during the period	Options lapsed during the period	Outstanding options as at 30th June 2005
Held by directors	7,500,000	366,666	–	7,133,334
Held by qualified persons	25,163,336	6,268,332	–	18,895,004
Total	32,663,336	6,634,998	–	26,028,338

Note (i) Pursuant to the resolution passed on 20th June 2005, the exercise period of the options was extended to further three years, until 23rd July 2008.

Charges on Group Assets

As at 30th June 2005, DVN had bank deposits amounted to HK$21.0 million which was pledged as securities for bank credit facilities. Apart from that, the Group did not have any other assets pledged or charged as at 30th June 2005.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30th June 2005.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group mainly operates in China and Hong Kong and the major exchange rate risks arise from fluctuations in the USD, HKD and Renminbi ("RMB"). For majority of transactions conducted in Hong Kong, both sales and costs of sales are denominated in the same currency. For operations in China, all revenues are denominated in RMB, while part of the purchases are denominated in USD or HKD. Given the appreciation of RMB against USD announced in July 2005, the Directors expect that it brings favorable impacts on the Group's future financial performance. The Group's bank deposits are predominately denominated in USD, HKD and RMB. The Group did not have any borrowings since it repaid the RMB bank loan during the reporting period. During the six months ended 30th June 2005, the Group has not entered into any hedging arrangements relating to foreign currency exchange risk.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

The Company has not redeemed any of its shares during the first six months of 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the same period.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As 30th June 2005, the interest of the directors in the share and underlying shares, all of which are long position, of the Company or its associated corporations, as defined in Part XV of Securities and Futures Ordinance ("SFO") and as recorded in the register required to be kept by the Company under Section 352 of SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for the Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

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

		Number of ordinary shares of HK$0.10 each		
Name	*Notes*	**Personal interests**	**Family interests**	**Corporate interests**
Mr. Ko Chun Shun, Johnson	*(i)*	343,000	2,040,816	158,357,940
Ms. Cheung Sum Yu, Fiona	*(ii)*	3,316,000	–	10,001,140
Mr. Lui Pan, Terry	*(iii)*	198,000	750,000	–

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

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 Universal Holdings Limited ("UHL"), a listed company in Hong Kong of which Mr. Ko has a controlling interest.

31,032,522 ordinary shares in the Company are held directly by Universal Appliances Limited ("UAL"), a wholly-owned subsidiary of UHL.

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

2,822,000 ordinary shares in the Company are held by First Gain International Limited which is 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) 10,001,140 ordinary shares in the Company 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) 750,000 ordinary shares of the Company are held by Ms. Chan Ping, who is the spouse of Mr. Lui Pan, Terry and is also an employee of the Group.

(b) Million Way Enterprises Limited, a wholly-owned subsidiary of UHL, holds preference shares of face value of US$15,000,000 issued by DVN (Group) Limited, a wholly-owned subsidiary of the Company. These preference shares are exchangeable to approximately 28,147,700 ordinary shares in the Company at a conversion price of HK$4.13 per share, subject to adjustment.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

(c) *Rights to acquire ordinary shares of the Company*

Details of the share options granted to certain directors during the period are as follows:

Directors	Date of share options granted	Number of share options outstanding as at 1st January 2005	Number of share options exercised during the period	Number of share options cancelled/ lapsed during the period	Number of share options outstanding as at 30th June 2005	Exercise period	Exercise price per share
							HK$
Mr. Ko Chun Shun, Johnson	23/7/2002	3,000,000	–	–	3,000,000	24/7/2002 – 23/7/2008	1.47
	10/12/2003	450,000	–	–	450,000	1/1/2004 – 31/12/2006	0.824
Mr. Lui Pan, Terry	23/7/2002	3,000,000	–	–	3,000,000	24/7/2002 – 23/7/2008	1.47
	23/7/2002	1,000,000	–	–	1,000,000*	24/7/2002 – 23/7/2008	1.47
	10/12/2003	4,500,000	–	–	4,500,000	1/1/2004 – 31/12/2006	0.824
	10/12/2003	4,500,000	(2,000,000)	–	2,500,000*	1/1/2004 – 31/12/2006	0.824

* held by Ms. Chan Ping, an employee of the Group as well as the spouse of Mr. Lui Pan, Terry

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Directors	Date of share options granted	Number of share options outstanding as at 1st January 2005	Number of share options exercised during the period	Number of share options cancelled/ lapsed during the period	Number of share options outstanding as at 30th June 2005	Exercise period	Exercise price per share
							HK$
Ms. Cheung Sum Yu, Fiona	10/12/2003	550,000	–	–	550,000	1/1/2004 – 31/12/2006	0.824
Mr. Shaw Sun Kan	10/12/2003	550,000	–	–	550,000	1/1/2004 – 31/12/2006	0.824
Mr. Jerry Sze	10/12/2003	550,000	(366,666)	–	183,334	1/1/2004 – 31/12/2006	0.824
Mr. Chu Hon Pong	10/12/2003	450,000	–	–	450,000	1/1/2004 – 31/12/2006	0.824
Mr. Liu Tsun Kie	10/12/2003	450,000	–	–	450,000	1/1/2004 – 31/12/2006	0.824

Saved as mentioned above, as at 30th June 2005, none of the directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which had been recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the SEHK pursuant to the Model Code.

Save as disclosed above, at no time during the period was the Company or its subsidiaries, 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.

SUBSTANTIAL SHAREHOLDERS

At 30th June 2005, save as disclosed below and under the section "Directors' interests and short positions in shares, underlying shares and debentures" above, no other person had registered any other interest under Section 336 of the SFO:

Name	*Note*	**Direct interests**	**Indirect interests**
BAPEF Investments XIV Limited		30,110,204	–
Baring Asia Private Equity Fund LP2	*(i)*	–	30,110,204
Motorola-Dragon Investment, Inc.		117,000,000	–
Motorola, Inc.	*(ii)*	–	117,000,000

Note (i) The interests are held by BAPEF Investments XIV Limited.

Note (ii) The interests are held by Motorola-Dragon Investment, Inc.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June 2005. The Board has also adopted the Model Code. Upon enquiry of all directors, all the directors have complied with the required standard set out in the Model Code throughout the same period.

AUDIT COMMITTEE

The Audit Committee comprises one non-executive director, Mr. Shaw Sun Kan and three independent non-executive directors, namely Mr. Chu Hon Pong, Mr. Liu Tsun Kie and Mr. Yap Fat Suan Henry. Mr. Liu is the Chairman of the 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 2005 with the directors.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company, established during the reporting period, comprises three independent non-executive directors, namely Mr. Liu Tsun Kie, being chairman of the Committee, Mr. Chu Hon Pong and Mr. Yap Fat Suan, Henry.

The major responsibilities of the Remuneration Committee are to assist the Group in the administration of a fair and transparent procedure for setting policies on the remuneration of directors and senior management of the Group and determining their remuneration packages.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

		Unaudited	
		Six months ended 30th June	
		2005	2004
			(Restated)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**85,537**	59,366
Cost of sales		**(61,804)**	(41,363)
Gross profit		**23,733**	18,003
Other revenues		**754**	194
Marketing, selling and distribution costs		**(8,238)**	(8,510)
Administrative expenses		**(25,009)**	(23,067)
Other operating expenses		**(3,720)**	(2,668)
Operating loss	*4*	**(12,480)**	(16,048)
Finance costs		**(50)**	(915)
Share of loss of a jointly controlled entity		**(179)**	(597)
Loss before taxation		**(12,709)**	(17,560)
Taxation	*6*	**–**	–
Loss after taxation		**(12,709)**	(17,560)
Preference dividends	*7*	**(2,906)**	(2,906)
Loss for the period		**(15,615)**	(20,466)
Attributable to:			
Shareholders of the parent		**(15,615)**	(20,444)
Minority interests		**–**	(22)
Loss for the period		**(15,615)**	(20,466)
Loss per share – basic	*8*	**(HK$0.03)**	(HK$0.04)

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2005

	Notes	Unaudited 30th June 2005 HK$'000	Audited 31st December 2004 (Restated) HK$'000
Non-current assets			
Fixed assets	9	**31,379**	36,343
Intangible assets	9	**28,162**	28,075
Interest in a jointly controlled entity		**6,507**	6,685
Investment in associates		**6,754**	–
		72,802	71,103
Current assets			
Inventories		**44,452**	42,488
Work in progress		**16,434**	15,117
Amounts due from related companies		**678**	609
Trade and other receivables, prepayments and deposits	10	**91,486**	89,317
Pledged bank deposits		**20,972**	7,800
Bank balances and cash		**70,939**	56,051
		244,961	211,382
Current liabilities			
Trade payables, accruals and other payables	11	**121,725**	130,979
Current portion of long-term liabilities	12	**36**	36
Bank loans, secured		**–**	4,739
		121,761	135,754
Net current assets		**123,200**	75,628
Total assets less current liabilities		**196,002**	146,731
Financed by:			
Share capital	13	**58,284**	51,637
Reserves		**19,897**	(22,747)
Equity attributable to shareholders		**78,181**	28,890
Minority interests		**117,761**	117,761
Total Equity		**195,942**	146,651
Long-term liabilities	12	**60**	80
		196,002	146,731

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Net cash (outflow)/inflow in operating activities	**(20,494)**	10,911
Net cash used in investing activities	**(9,680)**	(3,549)
Net cash inflow/(outflow) from financing	**45,062**	(32,813)
Increase/(decrease) in cash and cash equivalents	**14,888**	(25,451)
Cash and cash equivalents at 1st January	**56,051**	61,954
Cash and cash equivalents at 30th June	**70,939**	36,503
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**70,939**	36,503

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Unaudited							
	Attributable to equity holders of the Company							
	Ordinary share capital HK'000	Share premium HK'000	Contributed surplus HK'000	Exchange reserve HK'000	Accumulated losses HK'000	Share option reserve HK'000	Minority interests HK'000	Total HK'000
Balance at 1st January 2004, as previously reported as equity	45,173	152,097	222,122	1,193	(393,197)	–		27,388
Balance at 1st January 2004, as previously separately reported as minority interests							118,263	118,263
Increase in staff costs					(1,333)	1,333		–
Balance at 1st January 2004, as restated	45,173	152,097	222,122	1,193	(394,530)	1,333	118,263	145,651
Exchange difference				(352)				(352)
Loss for the period					(20,444)		(22)	(20,466)
Total recognized loss for the 6 months ended 30th June 2004				(352)	(20,444)		(22)	(20,818)
Employees share option scheme								
– value of employees services						666		666
– proceeds from shares issued	560	4,908						5,468
	560	4,908				666		6,134
Balance as at 30th June 2004	45,733	157,005	222,122	841	(414,974)	1,999	118,241	130,967

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Unaudited							
	Attributable to equity holders of the Company							
	Ordinary share capital *HK'000*	Share premium *HK'000*	Contributed surplus *HK'000*	Exchange reserve *HK'000*	Accumulated losses *HK'000*	Share option reserve *HK'000*	Minority interests *HK'000*	Total *HK'000*
Balance at 1st January 2005, as previously reported as equity	51,637	207,123	222,122	939	(452,931)	–		28,890
Balance at 1st January 2005, as previously separately reported as minority interests							117,761	117,761
Increase in staff costs					(2,665)	2,665		–
Balance at 1st January 2005, as restated	51,637	207,123	222,122	939	(455,596)	2,665	117,761	146,651
Exchange difference				1,246				1,246
Loss for the period					(15,615)			(15,615)
Total recognized loss for the 6 months ended 30th June 2005				1,246	(15,615)			(14,369)
Employees share option scheme								
– value of employees services						666		666
– proceeds from share issued	797	6,622						7,419
Share issue expenses		(2,925)						(2,925)
Issue of ordinary share	5,850	52,650						58,500
	6,647	56,347				666		63,660
Balance as at 30th June 2005	58,284	263,470	222,122	2,185	(471,211)	3,331	117,761	195,942

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

Review of condensed consolidated interim accounts

The condensed consolidated interim accounts are unaudited, but have been reviewed by Audit Committee.

Basis of Preparation

The condensed consolidated interim accounts have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated interim accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2004 except that in the current period, the Group has changed certain of its accounting policies following its adoption, for the first time, of a number of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standard ("HKAS") and Interpretations (hereby collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005.

2. Changes in accounting policies

The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity and certain notes to the accounts. In particular, the presentation of minority interest has been changed. The adoption of these new HKFRSs has resulted in a change of certain Group's accounting policies that have an effect on how the results for the current or prior accounting periods are prepared and presented. The changes to the Group's accounting policies and the effect of adopting these new HKFRSs are set out below.

Intangible assets/Business combination/Impairment of assets

In previous periods, goodwill arising on acquisition was capitalised and amortised over its estimated useful life.

2. Changes in accounting policies *(continued)*

Intangible assets/Business combination/Impairment of assets (continued)

On application of HKAS 36, HKAS 38 and HKFRS 3, goodwill arising on acquisition after 1st January 2005 is measured at cost less accumulated impairment losses after initial recognition. The adoption of these standards has no impact to the Group's results and net assets value.

The Group also reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustments resulted from this reassessment.

Interests in jointly controlled entities

In previous periods, interests in jointly controlled entities were accounted for using the equity method.

On adoption of HKAS 31, which allows entity to use either proportionate consolidation or equity method to account for its interest in jointly controlled entities, the Group elected to continue applying the equity method to account for its interests in jointly controlled entities. As a result, there has been no change in the accounting method in respect of the Group's interests in jointly controlled entities.

Financial instruments

In previous periods, investment securities were stated at cost less impairment losses.

On adoption of HKAS 32 and HKAS 39, investment security of unlisted equity share are reclassified as available-for-sale investments, which are stated at cost as their fair value cannot be reliably measured. If there is objective evidence that an individual investment has been impaired, such impairment would be recognised in the income statement.

In previous periods, the preference shares issued by a wholly-owned subsidiary of the Company are accounted for as and included in the minority interests with the preference dividend from them treated as distribution of the Group's profit. The preference shareholder has the right at any time starting from 1st July 2000 to exchange all (but not part) of its preference shares into ordinary shares of the Company. The board of directors of the Company has the right, at its discretion, to require the compulsory exchange of the preference shares at the exchange price at any time from 1st July 2000, provided that the average of the closing market prices of the Company's ordinary shares for the 20 trading days ending on the trading day immediately preceding the date of giving notice of such compulsory exchange is not less than HK$10.

On adoption of HKAS 32, the said preference shares were classified as equity instrument, presented as minority interests and included as part of the Group's equity. Moreover, dividend payments on these preference shares shall be treated as distribution of the Group's reserves.

2. Changes in accounting policies *(continued)*

Share-based payments

In previous periods, share options granted to directors and employees are not recognised as compensation cost.

HKFRS 2, with retrospective application only to share options granted after 7th November 2002 and not vested at 1st January 2005, requires an expense to be recognised for the fair value of share options granted to directors and employees determined at the date of grant of the share options over the vesting period.

On adoption of HKFRS 2, the fair value of share options granted after 7th November 2002 and vested after 1st January 2005 is expensed over the vesting period.

Summary of the effects of the changes in accounting policies

For the six months ended 30th June 2005, the effect of the changes in the accounting policies described above mainly resulted in the increase in the employees' share-based compensation expense and increase in loss for the period of approximately HK$666,000 (six months ended 30 June 2004: HK$666,000).

The cumulative effects of the application of the new HKFRSs as at 31st December 2004 and 1st January 2005 are summarised below:

(i) Investment security, of which the carrying amount was nil, is reclassified to non current assets available-for-sale investments that results in no change in the total assets.

(ii) The employees' share-based compensation expense, amounted to HK$2,665,000 is debited to the accumulated losses as at 1st January 2005 with the same amount credited to the share option reserve that results in no change in the total equity.

(iii) Dividend payable in respect of the preference share, which previously is included in accruals and other payables, remains the same. It is stated at cost as it is not bearing any interest and expected future cash outflow will be the exact amount of the carrying value.

3. Segment information

Primary reporting format – business segments

The Group is principally engaged in the services and 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 segment is as follows:

	6 months ended 30th June 2005		
	Services and 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	77,470	8,067	85,537
Segment results	(13,661)	1,181	(12,480)
Operating loss			(12,480)
Finance costs			(50)
Share of loss of a jointly controlled entity	(179)		(179)
Loss before taxation			(12,709)
Taxation			–
Loss after taxation			(12,709)
Preference dividends			(2,906)
Loss for the period			(15,615)

3. Segment information *(continued)*

Primary reporting format – business segments (continued)

	6 months ended 30th June 2004 (Restated)		
	Services and design, integration and installation of digital broadcasting systems and development of related software and products *HK$'000*	Provision of international financial market information and selective consumer data *HK$'000*	Total *HK$'000*
Turnover	51,251	8,115	59,366
Segment results	(17,100)	1,052	(16,048)
Operating loss			(16,048)
Finance costs			(915)
Share of loss of a jointly controlled entity	(597)		(597)
Loss before taxation			(17,560)
Taxation			–
Loss after taxation			(17,560)
Preference dividends			(2,906)
Loss for the period			(20,466)

There are no sales or other transactions between the business segments.

Secondary reporting format – geographical segments

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

(i) Mainland China – Services and design, integration and installation of digital broadcasting systems and development of related software and products

(ii) Hong Kong – Trading of set top box ("STB") raw materials and provision of international financial market information and selective consumer data

(iii) Other Southeast Asia countries – Provision of international financial market information and selective consumer data

3. Segment information *(continued)*

Secondary reporting format – geographical segments (continued)

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

	Turnover 6 months ended 30th June		Operating profit (loss) 6 months ended 30th June	
	2005	2004	**2005**	2004 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**59,920**	50,113	**(9,446)**	(17,186)
Hong Kong	**22,888**	7,089	**(4,071)**	559
Other Southeast Asian countries	**2,729**	2,164	**1,037**	579
	85,537	59,366	**(12,480)**	(16,048)

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

4. Operating loss

Operating loss is stated after charging the following:

	6 months ended 30th June	
	2005	2004 (Restated)
	HK$'000	*HK$'000*
Cost of inventories sold	**60,034**	39,743
Staff costs *(note 5)*	**15,545**	15,222
Depreciation:		
Owned fixed assets	**5,535**	6,591
Leased fixed assets	**22**	22
Amortisation of deferred development costs	**2,164**	2,346

5. Staff costs

	6 months ended 30th June	
	2005	2004
		(Restated)
	HK$'000	*HK$'000*
Wages and salaries	**19,892**	18,550
Termination benefits	**79**	19
Contributions to the defined contribution schemes	**465**	752
Share-based compensation	**666**	666
Less: Costs capitalised	**(5,557)**	(4,765)
	15,545	15,222

6. 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 2005 (2004: Nil).

No deferred tax asset has been recognized relating to tax losses as the recoverability of this potential deferred tax asset is uncertain.

7. Preference dividends

	6 months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
DVN (Group) Limited, a wholly-owned subsidiary of the Company		
Dividends on 5% exchangeable preference shares	**2,906**	2,906

8. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to ordinary shareholders of HK$15,615,000 (restated 2004: HK$20,444,000) and on the weighted average of 580,755,104 (2004: 454,452,795) ordinary shares in issue during the period.

No diluted loss per share is shown for the two six months ended 30th June 2005 and 2004 because the share options and exchangeable preference shares outstanding had an anti-dilutive effect on the basic loss per share for both periods.

9. Capital expenditure

6 months ended 30th June 2005	Deferred development costs *HK$'000*	Fixed assets *HK$'000*	Total *HK$'000*
Opening net book amount	**28,075**	**36,343**	**64,418**
Development costs recognized as an asset	**2,002**	**–**	**2,002**
Additions	**249**	**593**	**842**
Depreciation/amortization charge	**(2,164)**	**(5,557)**	**(7,721)**
Closing net book amount	**28,162**	**31,379**	**59,541**

10. 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 2005 ***HK$'000***	31st December 2004 *HK$'000*
0 – 30 days	**26,229**	42,027
31 – 60 days	**1,402**	1,016
61 – 90 days	**374**	576
Over 90 days	**35,215**	9,954
	63,220	53,573

Credit period of 30 to 60 days is normally granted to customers.

11. 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 2005 *HK$'000*	31st December 2004 *HK$'000*
0 – 30 days	**12,621**	18,889
31 – 60 days	**4,648**	18,005
61 – 90 days	**4,796**	1,142
Over 90 days	**25,446**	16,622
	47,511	54,658

12. Long-term liabilities

	30th June 2005 *HK$'000*	31st December 2004 *HK$'000*
Obligations under a finance lease	**96**	116
Current portion of long-term liabilities	**(36)**	(36)
	60	80

13. Share capital

	Authorised	
	Ordinary shares of HKD0.10 each	
	No. of shares	*HKD'000*
At 1st January 2005 and 30th June 2005	3,000,000,000	300,000

	Issued and fully paid	
	Ordinary shares of HKD0.10 each	
	No. of shares	*HKD'000*
At 1st January 2005	516,375,823	51,637
Placement	58,500,000	5,850
Exercise of options	7,962,665	797
At 30th June 2005	582,838,488	58,284

14. Contingent liabilities

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

15. Commitments

(a) Commitments under operating leases

At 30th June 2005, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30th June 2005	31st December 2004
	HK$'000	*HK$'000*
Within one year	**3,962**	2,876
In the second to fifth year inclusive	**2,769**	2,420
	6,731	5,296

(b) Financial commitments

At 30th June 2005, the Group had financial commitments totalling RMB40, 441,000 (approximately HK$38,333,000) (at 31st December 2004: HK$39,399,000) in respect of registered capital contributions to one subsidiary, one jointly controlled entity and one associate in the PRC for the amount of RMB9,316,000 (approximately HK$8,830,000) (at 31st December 2004: same), RMB30,000,000 (approximately HK$28,436,000) (at 31st December 2004: same) and RMB1,125,000 (approximately HK$1,067,000) (at 31st December 2004: HK$2,132,000) respectively.

Included in the above financial commitment in respect of capital contributions to the subsidiary is an amount of RMB5,316,000 (approximately HK$5,039,000) (at 31st December 2004: same) that was paid before balance sheet date but the capital verification process has not been completed. The remaining balance has been overdue for capital injection (at 31st December 2004: same).

Included in the above financial commitment in respect of capital contributions to the jointly controlled entity is an amount of RMB15,000,000 (approximately HK$14,218,000) (at 31st December 2004: same) that has been overdue for capital injection.

15. Commitments *(continued)*

(c) Capital commitments

As 30th June 2005 and 31st December 2004, the Group had no significant capital commitments.

16. Related party transactions

(a) During the six months ended 30th June 2005, the Group had the following significant transactions with related parties:

	6 months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Sales of trading stock		
– Group companies of a shareholder company	**528**	–
Service income		
– A jointly controlled operation	**142**	202
Purchases of trading stock		
– A jointly controlled entity	**2,564**	–
Preference dividend payable		
– A group company of a shareholder company	**2,906**	2,906

The price and conditions in relation to the sales and the purchases were made under the same terms as the Group trades with other non-related customers and suppliers, respectively.

(b) Details of key management compensation of the Group

	6 months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Salaries and other short-term benefits	**3,714**	2,850
Share-based compensation	**267**	267
	3,981	3,117

16. Related party transactions *(continued)*

(c) Period-end balances arising from sales/purchases and service rendered

	30th June 2005 *HK$'000*	31st December 2004 *HK$'000*
Receivables		
– Group companies of a shareholder company	**609**	–
– A jointly controlled entity	**1,545**	1,327
Payables		
– A jointly controlled entity	**4,074**	61

The amounts due from/to related parties are unsecured, interest-free and have no fixed term of repayment.

(d) Other period-end balances

	30th June 2005 *HK$'000*	31st December 2004 *HK$'000*
Other receivables		
– Group companies of a shareholder company	**678**	609
– A jointly controlled operation	**451**	451
Other payables		
– Dividend payable to a group company of a shareholder company	**24,844**	21,938

The amounts due from/to related parties are unsecured, interest-free and have no fixed term of repayment.

17. Post balance sheet events

As at reporting date, there is no material post balance sheet events which should be disclosed.

By order of the Board
Lui Pan, Terry
President

Hong Kong, 15th September 2005