DVN (Holdings) Limited
天地數碼(控股)有限公司

INTERIM REPORT 2006

Stock Code: 500

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The directors are pleased to present the Group's Interim Report and condensed consolidated financial statements for the six months ended 30th June 2006. The consolidated balance sheet as at 30th June 2006 of the Group, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the Group for the six months ended 30th June 2006, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 23 to 46 of this report.

BUSINESS REVIEW

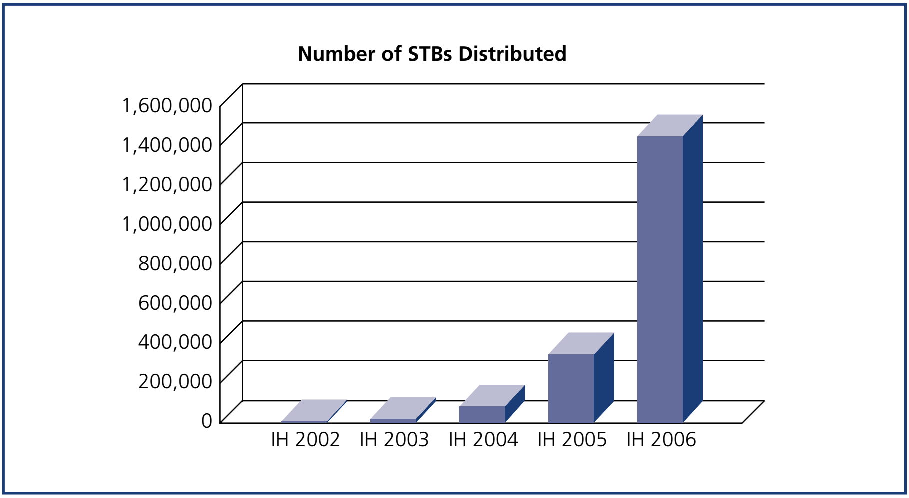
DVN records first ever profit since its transformation into a provider of technology for digital cable.

We are pleased to report that DVN recorded a net profit of HK$38.3 million in 1H 2006, reversing from a net loss of HK$15.6 million during the same period last year. The profit reflects DVN's successful transformation into China's leading provider of digital technology for China's cable industry. DVN sold over 1.4 million STBs during the first half while also selling more STB related products and earning more profit per STB distributed.

From January to June, DVN distributes over 1.4 million STBs, 4.2 times more than in 1H 2005.

DVN's operations have continued to improve, with STBs distributed continuing to surge. From January 2006 to June 2006, DVN distributed over 1.4 million STBs, 4.2 times the same period in 2005, and 17.4 times 1H 2004. In 1H 2006, DVN has already distributed over 40% more than the entire number in 2005.

Last year, DVN pioneered the mass rollout of digital in Qingdao, migrating the entire city to digital in less than 2 years. DVN is now migrating an entire province – Guangxi. Given the success of its rollouts, and with strong prospects for STB sales from CITIC territories, DVN expects sales to continue to accelerate in 2007.



Success of Guangxi proves that digitalisation is a reality, and can be done anywhere in China.

Digitalisation has been slower than SARFT initially anticipated when it first made its goals of digitalising its entire system back in 2004. Part of the reason is that many cable operators did not have a model to successfully emulate. The success of Qingdao was a clear demonstration that digitalisation could be done quickly and would be well received by subscribers, despite the significant increase in subscription fees. Now with the success of Guangxi, a province that is less economically advanced compared with other provinces, there is now no excuse for any other province or municipality not to proceed with mass digitalisation.

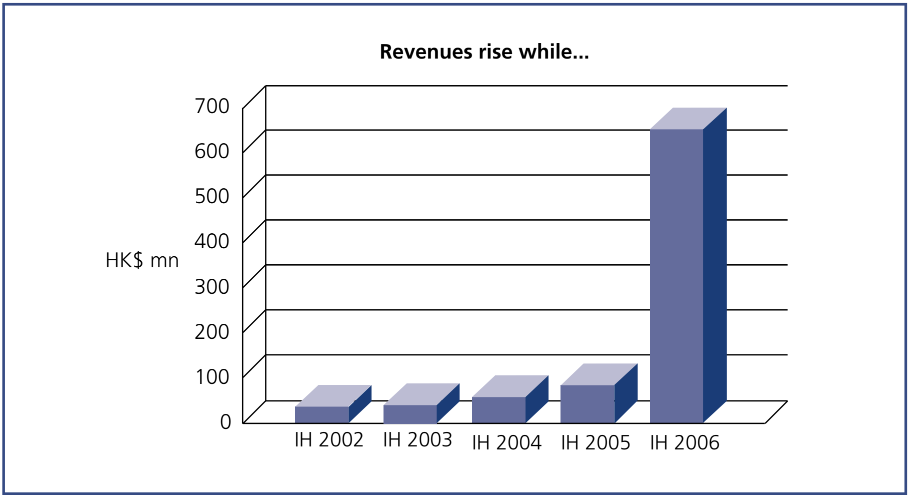
DVN's profits per STB distributed are increasing.

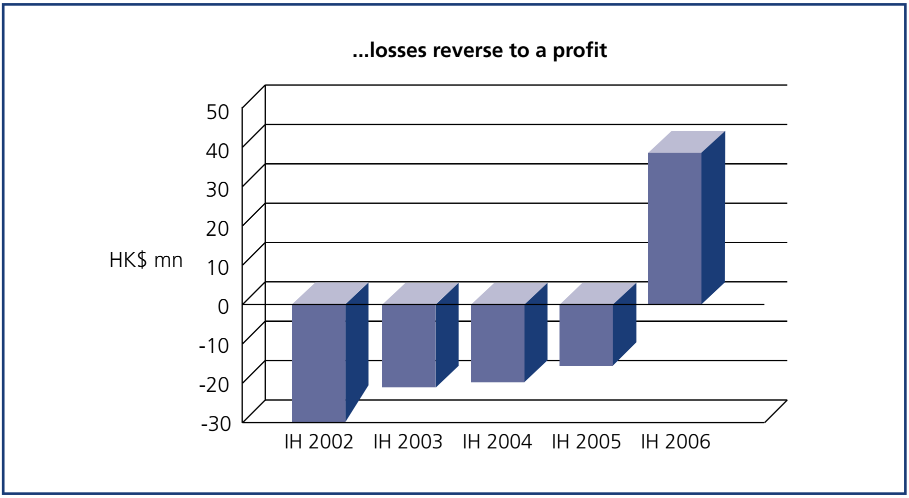
For each STB distributed, DVN receives profits from the manufacture of the STB, from licensing fees, from sales of smartcards, and from the sales of raw materials to the OEM manufacturer. In aggregate, DVN's total profits per STB distributed has risen sharply, enabling DVN to reverse a negative operating profit in 1H 2005 to a positive operating profit of HK$40.6 million.

There were three reasons for this improvement. In 2006, DVN sold significantly more smartcards and received more software licensing revenue. Secondly, sales of raw materials increased. 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, and because of DVN's increasing economies of scale, it is able to obtain favourable volume discounts offered by the key suppliers, enabling DVN to pass on the savings to its customers while retaining some profit for itself. Finally, DVN gained somewhat from the appreciation of the RMB as over 30% of the price of a STB is purchased from overseas.

Revenue and profit trends indicate that DVN has turned the corner.

DVN's revenues have increased sharply compared to 2002, with revenues increasing about 17.2 times during the period. With increased sales and significantly improved profits per STB distributed, DVN has been able to return to profitability. For the first half, DVN's net profit of HK$38.3 million is a manifestation of a continuing positive trend for the Group.





Digitalisation is more than an opportunity to sell basic STBs as DVN continues to introduce more products.

Digitalisation is more than an opportunity to sell basic STBs. As cable operators upgrade, DVN expects that there will be follow on opportunities to sell upgraded software, more advanced set top boxes, value added services, triple play services, etc. Some of these follow on opportunities, such as value added services, will result in recurrent revenues rather than the one off revenues from the sale of a basic set top.

Throughout the 1H 2006, DVN has continued to introduce more products and win more digitalisation contracts. Earlier in the year, DVN successfully introduced an advanced digital STB incorporating Intel Viiv and also a dual mode HD STB. DVN is also working with Motorola to develop higher quality, more expensive STBs. Some higher end STBs can be introduced to wealthier households seeking a higher quality STB that will enable true interactivity between a high definition television set and the internet.

In 1H 2006, various software and STB contracts were also signed with Tianjin Broadcast & TV Network, Shanxi, Jinhua, Guangzhou, Danyang, and Xinjiang.

PROSPECTS

DVN recently announced a deal, subject to shareholders' approval, for DVN to enter into a strategic agreement with CITIC Group in which CITIC will use reasonable endeavours to procure that DVN be appointed on a priority basis as application service and set top box provider to any digital television system projects in any area of the PRC in which CITIC is involved. CITIC Group has ownership stakes in 21 localities.

In exchange, CITIC will receive a 25% equity stake in DVN Holdings, and will have the largest ownership stake in DVN Holdings. Essentially, the equity stake will be purchased through the profits earned from STBs sold in CITIC territories. CITIC guarantees that DVN will at the minimum be given priority supply rights for 6 million set top boxes. If it fails to provide the priority supply rights, CITIC will compensate DVN Holdings in cash proportionate to the amount of any shortfall at a value of HK$1.5 per share.

The CITIC alliance is a transforming deal that will make DVN the dominant provider of digital TV services in China. The digital STB industry is now growing very rapidly. By exchanging its shares, DVN gains immediate leadership in this industry. CITIC is China's largest and most prestigious investment company reporting directly to the State Council. With the CITIC deal, DVN will likely have a large pipeline of set top box orders. The 25% stake that CITIC has in DVN provides CITIC an enormous incentive to helping DVN secure set top box and other value added service revenues even beyond the immediate 6 million STBs.

The Cooperation with CITIC is integral to DVN's long term plans to not only remain as China's leading set top box supplier, but also to evolve into the leading provider of value added services for China's digital cable industry. From 2000-03, the Group focused its energies on establishing relationships with cable operators and working closely with the government to design and implement a viable digitalisation strategy. During this period, DVN sold and leased digital broadcasting platforms, with the majority of the Group's revenues coming from the sale of these platforms. By installing these platforms, signing long term contracts with cable operators, and installing DVN's conditional access system, DVN put itself in an advantageous position to distribute set top boxes to these cable operators.

As a result of this foresight, once the government made the decision to migrate cable operators to digital, DVN was well positioned. Revenues from STB sales started to accelerate in 2004, with STB sales now accounting for the majority of DVN's revenues and profits. However, DVN recognizes that to maintain its market leading position, it must continue establishing new alliances that will ensure its future sales pipeline, not only for STBs, but also for value added services.

DVN believes that the market for value added services could be even larger than that for set top boxes. Value added services such as interactive advertising, home shopping, and online education are particularly attractive as they generate recurrent income compared to the one time income generated from the sales of set top boxes. However, value added service revenues can only be generated when the subscriber base is large enough to justify the introduction of these services. The combination of DVN's own subscriber base with those of CITIC Group's will create this subscriber base.

With increased market share, DVN will be able to attain economies of scale that will enable it to further lower its costs. DVN will have greater leverage in purchasing parts from suppliers and will be able to manufacture STBs at a much lower cost per STB. With lower costs, DVN will gain a critical advantage over its competitors.

CITIC intends to significantly boost spending on upgrading its cable television networks to digital. With DVN serving as the technology provider, CITIC will be better able to monetize its cable investments. Moreover, in addition to its interests in cable operations, CITIC has telecom and broadband internet access licenses. Combining digital cable, telecom, and broadband access will lead to true triple play convergence.

Reflecting Motorola's confidence in the anticipated alliance with CITIC and DVN's long term prospects, Motorola exercised its right to purchase 117 million shares for US$18 million on 14th July 2006. DVN believes that with Motorola, the world's leading provider of digital cable technology, and CITIC as major equity investors, the Company now has the strategic partners that will enable it to maintain and increase its leading position in the digital cable industry.

In Qingdao, Guangxi, 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 develop value added services. DVN provides the platform for value added service providers, providing billing, subscriber management services, access rights, and other services. However, in general, DVN itself recognises that it does not have the experience and products to provide the actual VAS such as home shopping, games, etc. Therefore, given the enormous opportunities, DVN believes it makes more sense to partner with value added service companies that can complement DVN's core strength as a system integrator and provider of software for digital television.

FINANCIAL REVIEW

Financial Results

The Group's sales for the six months ended 30th June 2006 increased 663.5% to HK$652.8 million from HK$85.5 million in the first half of 2005. Revenues increased primarily because of increased sales of set top box related products.

Sales (HK$'million)	1H 2006	1H 2005	% Change
Set Top Box (STB)			
Related Revenues	**638.7**	73.2	+ 772.5%
Headend Revenues	**2.8**	2.2	+ 27.3%
Subscriptions	**2.8**	2.0	+ 40.0%
Telequote	**8.5**	8.1	+ 4.9%
Total	**652.8**	85.5	+ 663.5%
Set Top Boxes distributed	**1,447,117 units**	346,953 units	+ 317.1%

Sales

STB related revenues surged, rising 772.5% to HK$638.7 million as the number of STBs distributed increased 4.2 times. The Group generated revenues from the sale of set top boxes, from licensing fees on STB design and software, and from the sale of related products such as smartcards, remote controls and other components of a STB. Sales increased more than STBs distributed as the Group recorded less revenue from licensing out its STB design in 1H 2006 relative to its own manufactured STBs. Sales of the Group's own manufactured STBs are recorded at full sales value, whereas licensed boxes record the value of only the license fee. For 1H 2006, 81% of the STBs distributed were to Guangxi Province. Substantial sales were also made in Foshan and Jiuzhou.

Headend sales revenues increased 27.3% from HK$2.2 million in 1H 2005 to HK$2.8 million in 1H 2006. Although headends were a major part of the Group's revenues in its earlier years, going forward, the Group does not expect headend revenues to grow as fast as set top box related revenues.

Subscription revenues increased 40% from HK$2.0 million in 1H 2005 to HK$2.8 million in 1H 2006. The Group expects the subscription income to show only moderate growth until the cities where the Group has signed revenue sharing agreements roll out digitisation on a larger scale.

Telequote is the Company'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 rose moderately, rising 4.9% to HK$8.5 million.

Cost of Sales and Gross Profit

With the increase in sales, cost of sales for the six months of 2006 increased from HK$61.8 million in 1H 2005 to HK$517.7 million. Gross profit for the six months of 2006 increased by 470% from approximately HK$23.7 million to HK$135.1 million.

The gross profit margin for this interim was 20.7% as compared to 27.7% for the same period of 2005. This margin drop reflects the fact that the Group received less licensing revenue relative to revenues received from its own manufactured STBs. Licensing revenues have 100% gross margins.

However, despite the lower gross margin, the Group actually earned more profit per STB distributed this year compared to last year. The margin reduction was more than compensated by the revenues generated by a large increase in sales of raw materials, smartcards, and other products that are directly related to STBs distributed. As a result, the overall gross profit per STB distributed was actually significantly higher in 1H 2006 than during the same period last year.

Other Revenue and Other Operating Income

Other revenue and operating income consists mainly of interest income, rising from HK$754,000 in the first half of 2005 to HK$1,302,000 for the comparable period in 2006 as the Group maintained a higher bank balance.

Marketing, Selling and Distribution Costs

Marketing, selling and distribution costs increased 195.1% from HK$8.2 million in 1H 2005 to HK$24.2 million in first half 2006. Given the strong momentum for digitalisation, the Group has decided to rapidly expand staff and marketing efforts to take advantage of the opportunities. In addition, the Group is providing a large sales incentive fee to its salesmen. The Group feels that it is important to acquire customer now during the market takeoff stage. In markets throughout the world, the early entrants that have acquired the largest customers first, have tended to dominate the market in the subsequent decades. In percentage terms, the total expense is 3.7% of sales, compared to last year's 9.6%.

Administrative Expenses

Total administrative expenses increased by approximately 86.4% from HK$25.0 million in 1H 2005 to HK$46.6 million in 1H 2006 – a moderate pace compared to the 663.5% increase in sales. However, even this increase is exaggerated somewhat by the fact that the Group capitalised fewer costs in 1H 2006 compared to 1H 2005 as most R&D projects were completed. Total capitalisation in 1H 2006 was HK$1.6 million, whereas total capitalisation in 1H 2005 was HK$5.6 million.

Other Operating Expenses

Other operating expenses increased significantly from approximately HK$3.7 million in first six months of 2005 to HK$25.2 million for the comparable period in 2006. The increase was mainly due to a HK$9.3 million provision on bad debt from a customer and inventory loss related to certain headend inventory write off, raw material obsolescence, and a settlement with a supplier.

Liquidity and Capital Resources

The Group has financed its growth primarily through the issuance of new shares and internally generated cash. As of 30th June 2006, its current ratio was 1.38 and its cash and bank balances (including pledged deposits) amounted to HK$223.2 million. This is compared to a current ratio of 1.47 and cash and bank balances amounting to HK$102.6 million as of 31st December 2005. The increased bank balances at 30th June 2006 was due to the cash flows generated from operations. The Group had neither material long-term debt liability nor any contingent liabilities outstanding as at 30th June 2006.

Capital Structure of the Company

In the first half of 2006, 8,604,334 ordinary shares were issued in relation to the exercise of share options of the Company.

Investment

Pursuant to the joint venture agreement entered into with 廣西廣播電視信息網絡股份有限公司 and China Mobile TV Holdings Limited on 20th November 2005, Digital Video Networks (Shanghai) Company Limited, a wholly-owned subsidiary in the PRC, has contributed RMB600,000 to the joint venture, giving it a 20% equity interest.

Apart from that, there was no change in the investment holding of the Group for the first half of 2006.

There were no material disposals of subsidiaries and associated companies for the first half of 2006.

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

Including directors of the Group, as at 30th June 2006, the Group employed a total of 400 full-time employees, including 125 research and development staff. Employees are offered discretionary year-end bonus based on individual merit.

Share Options

The Company adopted a share option scheme (the "Scheme") at a Special General Meeting held on 26th June 2002. The purpose of the Scheme is to recognise 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. The Scheme is designed to motivate executives and key employees and other persons who make a contribution to the Group and enable the Group to attract and retain individuals with experience and ability and to reward them for their past contributions.

Pursuant to the 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 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 not be 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 a 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. The options are exercisable within the option period as determined by the board of directors of the Company.

The Scheme shall be valid and effective for a period of 10 years commencing from the approval of the Scheme.

During the period ended 30th June 2006, 23,500,000 share options were granted under the Scheme (30th June 2005: Nil). The fair value of the option granted on 27th January 2006 is estimated to be HK$0.245 using the Black-Scholes option pricing model (the "Black-Scholes Model"). The Black-Scholes Model is one of the most generally accepted methodologies used to calculate the value of options and is one of the recommended option pricing models as set out in Chapter 17 of the Listing Rules. The variables of the Black-Scholes Model include expected life of the options, risk-free interest rate, expected volatility and expected dividend of the shares of the Company. The following variables have been applied to the Black-Scholes Model:

Appraisal date:	27th January 2006
Risk-free interest rate:	3.771%
Expected dividend:	Dividend yield of 0% per share
Expected volatility:	32% based on historical volatility
Expected life:	1 year from 1st January 2007 to 31st December 2007

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Unaudited six months ended 30th June			
	2006		2005	
	Weighted average exercise price per share HK$	**Number of options (thousands)**	Weighted average exercise price per share HK$	Number of options (thousands)
At beginning of period	**1.03**	**37,371**	1.01	45,914
Granted and accepted	**1.50**	**23,500**	–	–
Exercised	**0.94**	**(9,799)**	0.93	(7,963)
At end of period	**1.26**	**51,072**	1.03	37,951

Options exercised during the period ended 30th June 2006 resulted in 9,799 thousand shares (30th June 2005: 7,963 thousand shares) being exercised at HK$0.94 each (30th June 2005: HK$0.93), of which the share certificates in respect of the exercise of 1,195 thousand options were issued subsequent to the period end and the increase in ordinary share capital was recorded accordingly. The related weighted average share price at the time of exercise was HK$1.71 (30th June 2005: HK$1.73) per share.

Share options outstanding at the end of the period have the following expiry date and exercise prices:

		Unaudited Number of options as at 30th June	
Expiry Dates	**Exercise price per share HK$**	**2006 (thousands)**	2005 (thousands)
31st December 2006	**0.824**	**17,554**	26,028
23rd July 2008 *(Note (i))*	**1.470**	**10,018**	11,923
31st December 2007	**1.500**	**23,500**	–

The details of movements of the outstanding share options are as follows:

Date of share options granted 23rd July 2002
Exercise price HK$1.470
Exercise period 24th July 2002 – 23rd July 2008 *(Note(i))*

	Outstanding options as at 1st January 2006	Options granted during the period	Options exercised during the period	Weighted Average Closing Price HK$	Options lapsed during the period	Outstanding options as at 30th June 2006
Held by directors	7,000,000	–	–	–	–	7,000,000
Held by qualified persons	4,723,000	–	(1,705,000)	1.462	–	3,018,000
Total	11,723,000	–	(1,705,000)	1.462	–	10,018,000

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 2006	Options granted during the period	Options exercised during the period	Weighted Average Closing Price HK$	Options lapsed during the period	Outstanding options as at 30th June 2006
Held by directors	9,633,334	–	(2,000,000)	1.576	–	7,633,334
Held by qualified persons	16,015,004	–	(6,094,334)	1.576	–	9,920,670
Total	25,648,338	–	(8,094,334)	1.576	–	17,554,004

Date of share options granted	27th January 2006
Exercise price	HK$1.500
Exercise period	1st January 2007 – 31st December 2007

	Outstanding options as at 1st January 2006	Options granted during the period	Options exercised during the period	Weighted Average Closing Price HK$	Options lapsed during the period	Outstanding options as at 30th June 2006
Held by directors	–	–	–	–	–	–
Held by qualified persons	–	23,500,000	–	–	–	23,500,000
Total	–	23,500,000	–	–	–	23,500,000

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

Charge on Group Assets

As at 30th June 2006, the Group had bank deposits amounted to HK$43.7 million which was pledged as securities for bank credit facilities.

Contingent Liabilities

The Group did not have any material contingency as at 30th June 2006.

Exposure to Fluctuations on Exchange Rates and Related Hedges

The Group mainly operates in China and Hong Kong. The major exchange rate risks arise from fluctuations in the USD, HKD and Renminbi ("RMB"). For the 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 believe the appreciation will have a favourable impact 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. During the six months ended 30th June 2006, 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 six months ended 30th June 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

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

At 30th June 2006, the interest of the directors in the share and underlying shares, all 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 of director	*Note*	**Personal interests**	**Family interests**	**Corporate interests**	**Total**
Mr. Ko Chun Shun, Johnson	*(i) (ii)*	49,171,229	2,040,816	26,456,189	77,668,234
Mr. Lui Pan, Terry		198,000	1,000,000	–	1,198,000
Mr. Jerry Sze		366,666	–	–	366,666
Mr. Chu Hon Pong		450,000	–	–	450,000

Notes:

(i) The following table set out the direct shareholders of the 26,456,189 shares for which Mr. Ko Chun Shun, Johnson is deemed to be interested.

Kwan Wing Holdings Limited ("KWHL")	6,536,416
Prime Gold International Limited ("PGIL")	11,073,128
First Gain International Limited ("FGIL")	2,822,000
Techral Holdings Limited ("THL")	6,024,645
	26,456,189

KWHL is wholly owned by Mr. Ko Chun Shun, Johnson.
PGIL is owned as to 82.45% by KWHL.
FGIL is wholly-owned by Mr. Ko Chun Shun, Johnson.
THL is owned as to 96.4% by Mr. Ko Chun Shun Johnson.

(ii) Million Way Enterprises Limited, a wholly-owned subsidiary of Asian Union New Media (Group) Limited, formerly known as Universal Holdings Limited, a listed company in Hong Kong in which Mr. Ko has 34.79% interest, 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 into approximately 28,147,700 ordinary shares in the Company at a conversion price of HK$4.13 per share, subject to adjustment.

(b) Rights to acquire ordinary shares of the Company

Directors	Date of share options granted	Number of share options outstanding as at 1st January 2006	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options outstanding as at 30th June 2006	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 *(Note (i))*	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 *(Note (i))*	1.47
	23/7/2002	1,000,000	–	–	–	* 1,000,000	24/7/2002 – 23/7/2008 *(Note (i))*	1.47
	10/12/2003	4,500,000	–	–	–	4,500,000	1/1/2004 – 31/12/2006	0.824
	10/12/2003	2,500,000	–	(1,000,000)	–	* 1,500,000	1/1/2004 – 31/12/2006	0.824
Ms. Cheung Sum Yu, Fiona *(Note (ii))*	10/12/2003	550,000	–	(550,000)	–	–	1/1/2004 – 31/12/2006	0.824
Mr. Shaw Sun Kan, Gordon	10/12/2003	550,000	–	–	–	550,000	1/1/2004 – 31/12/2006	0.824
Mr. Jerry Sze	10/12/2003	183,334	–	–	–	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

*	held by Ms. Chan Ping, an employee of the Group as well as the spouse of Mr. Lui Pan, Terry.
Note (i)	Pursuant to the Board resolution passed on 20th June 2005, the exercise period of the options was extended to further three years, until 23rd July 2008.
Note (ii)	Ms. Cheung Sum Yu, Fiona retired as a non-executive director of the Company on 29th June 2006.

Saved as mentioned above, as at 30th June 2006, 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.

Saved 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.

Saved 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 2006, saved 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 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30th June 2006. The Board has also adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Code"). Upon enquiry of all directors, all the directors have complied with the required standard set out in the Code throughout the same period.

AUDIT COMMITTEE

In addition to the auditors of the Company, PricewaterhouseCoopers, the Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30th June 2006 with the directors. The comparative figures for the half-year ended 30th June 2005 have only been reviewed by the Company's Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company 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 INTERIM BALANCE SHEET

AS AT 30TH JUNE 2006

	Note	**Unaudited 30th June 2006 HK$'000**	Audited 31st December 2005 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	*4*	**16,487**	20,404
Intangible assets	*4*	**30,182**	30,880
Interest in a jointly controlled entity		**6,409**	6,410
Interests in associates		**1,653**	6,682
Available-for-sale financial assets		**956**	956
		55,687	65,332
Current assets			
Inventories		**109,864**	77,897
Deferred income tax assets		**995**	–
Amounts due from related companies		**709**	769
Trade and other receivables	*5*	**272,823**	158,269
Pledged bank deposits		**43,723**	20,972
Cash and cash equivalents		**179,533**	81,669
		607,647	339,576
Non-current asset classified as held for sales		**5,623**	–
		613,270	339,576
Current liabilities			
Trade and other payables	*6*	**445,013**	231,285
Obligations under finance leases, current portion	*7*	**36**	36
		445,049	231,321
Net current assets		**168,221**	108,255
Total assets less current liabilities		**223,908**	173,587

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET *(continued)*

AS AT 30TH JUNE 2006

	Note	**Unaudited 30th June 2006 HK$'000**	Audited 31st December 2005 HK$'000
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*8*	**59,202**	58,342
Reserves		**46,919**	(2,560)
		106,121	55,782
Minority interests		**117,761**	117,761
Total equity		**223,882**	173,543
Non-current liabilities			
Obligations under finance leases	*7*	**26**	44
		223,908	173,587

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE PERIOD ENDED 30TH JUNE 2006

		Unaudited six months ended 30th June	
		2006	2005
	Note	**HK$'000**	HK$'000
Continuing operations			
Sales	*3*	**652,825**	85,537
Cost of sales		**(517,676)**	(61,804)
Gross profit		**135,149**	23,733
Other income		**1,529**	754
Marketing, selling and distribution costs		**(24,246)**	(8,238)
Administrative expenses		**(46,625)**	(25,009)
Other operating expenses		**(25,223)**	(3,720)
Operating profit/(loss)	*9, 10*	**40,584**	(12,480)
Finance costs		**(51)**	(50)
Share of loss of a jointly controlled entity		**(1)**	(179)
Profit/(loss) before income tax		**40,532**	(12,709)
Income tax credit	*11*	**658**	–
Profit/(loss) for the period from continuing operations		**41,190**	(12,709)
Discontinued operations			
Profit for the period from discontinued operations		**6**	–
Profit/(loss) for the period		**41,196**	(12,709)
Preference dividends	*12*	**(2,906)**	(2,906)
Profit/(loss) for the period attributable to equity holders of the Company		**38,290**	(15,615)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(continued)

FOR THE PERIOD ENDED 30TH JUNE 2006

		Unaudited six months ended 30th June	
		2006	2005
	Note	**HK$'000**	HK$'000
Attributable to:			
Equity holders of the Company		**38,290**	(15,615)
Minority interests		**–**	–
Profit/(loss) for the period		**38,290**	(15,615)
Earnings/(loss) per share attributable to the equity holders of the Company during the period			
Basic	*13*	**HK$0.065**	(HK$0.027)
Diluted	*13*	**HK$0.063**	N/A

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30TH JUNE 2006

		Unaudited							
		Attributable to equity holders of the Company							
	Note	Ordinary share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Share options HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1st January 2005		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 recognised loss for the six months ended 30th June 2005		–	–	–	1,246	(15,615)	–	–	(14,369)
Employee share option scheme:									
– value of employees services		–	–	–	–	–	666	–	666
– proceeds from shares issued	*8*	797	6,622	–	–	–	–	–	7,419
Share issue expenses		–	(2,925)	–	–	–	–	–	(2,925)
Issue of ordinary shares	*8*	5,850	52,650	–	–	–	–	–	58,500
		6,647	56,347	–	–	–	666	–	63,660
Balance at 30th June 2005		58,284	263,470	222,122	2,185	(471,211)	3,331	117,761	195,942
Balance at 1st January 2006		**58,342**	**264,019**	**222,122**	**2,631**	**(495,330)**	**3,998**	**117,761**	**173,543**
Exchange difference		–	–	–	992	–	–	–	992
Profit for the period		–	–	–	–	38,290	–	–	38,290
Total recognised income for the six months ended 30th June 2006		–	–	–	992	38,290	–	–	39,282
Employee share option scheme									
– value of employees services		–	–	–	–	–	2,879	–	2,879
– proceeds from shares issued	*8*	860	7,318	–	–	–	–	–	8,178
		860	7,318	–	–	–	2,879	–	11,057
Balance at 30th June 2006		**59,202**	**271,337**	**222,122**	**3,623**	**(457,040)**	**6,877**	**117,761**	**223,882**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30TH JUNE 2006

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**114,586**	(20,494)
Net cash used in investing activities	**(2,131)**	(9,680)
Net cash (used in)/generated from financing activities	**(14,591)**	45,062
Increase in cash and cash equivalents	**97,864**	14,888
Cash and cash equivalents at 1st January	**81,669**	56,051
Cash and cash equivalents at 30th June	**179,533**	70,939

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

DVN (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the services and design, integration and installation of digital broadcasting systems and development of related software and products and provision of international financial market information and selective customer data.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Rooms 1304-05, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on 6th September 2006.

2 Basis of preparation and accounting policies

The condensed consolidated interim financial statements for the six months ended 30th June 2006 have been prepared in accordance with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2005.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2005, as described in the annual financial statements for the year ended 31st December 2005, except for the new Hong Kong Financial Reporting Standards ("HKFRS"), HKASs and Interpretations of HKAS (together "HKFRSs"), which are generally effective for accounting periods beginning on or after 1st January 2006. The adoption of these new HKFRSs has no material impact to the Group's financial statements for the current and prior periods.

3 Segment information

Primary reporting format – business segments

The Group is principally engaged in two main business segments:

(i) Digital broadcasting business ("DVB business") – Services and design, integration and installation of digital broadcasting systems and development of related software and products; and

(ii) Other – Provision of international financial market information and selective consumer data.

The segment assets and liabilities at 30th June 2006 and capital expenditure for the six months then ended are as follows:

	Unaudited as at 30th June 2006		
	DVB Business HK$'000	**Other HK$'000**	**Total HK$'000**
Assets	**653,908**	**6,987**	**660,895**
Interest in a jointly controlled entity	**6,409**	**–**	**6,409**
Interests in associates	**1,653**	**–**	**1,653**
Total assets	**661,970**	**6,987**	**668,957**
Liabilities	**436,988**	**8,087**	**445,075**

	Unaudited six months ended 30th June 2006		
	DVB Business HK$'000	**Other HK$'000**	**Total HK$'000**
Capital expenditure	**2,847**	**16**	**2,863**
Depreciation and amortisation	**7,437**	**70**	**7,507**

3 Segment information *(continued)*

Primary reporting format – business segments (continued)

The segment assets and liabilities at 31st December 2005 and capital expenditure for the six months ended 30th June 2005 are as follows:

	Audited as at 31st December 2005		
	DVB Business HK$'000	Other HK$'000	Total HK$'000
Assets	385,307	6,509	391,816
Interest in a jointly controlled entity	6,410	–	6,410
Interest in associates	6,682	–	6,682
Total assets	398,399	6,509	404,908
Liabilities	222,003	9,362	231,365

	Unaudited six months ended 30th June 2005		
	DVB Business HK$'000	Other HK$'000	Total HK$'000
Capital expenditure	2,702	142	2,844
Depreciation and amortisation	7,659	62	7,721

Segment assets consist primarily of tangible and intangible assets, other non-current assets, current financial assets, assets classified as held for sale and available for sale financial assets, inventories, receivables and operating cash.

Segment liabilities comprise operating liabilities, including payable of retirement benefit obligations, provisions for other liabilities and charges and other non-current liabilities.

Capital expenditure comprises additions to intangible assets and property, plant and equipment.

3 Segment information *(continued)*

Primary reporting format – business segments (continued)

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

	Unaudited six months ended 30th June 2006			
	DVB Business HK$'000	Other HK$'000	Unallocated HK$'000	Total HK$'000
Sales	**644,282**	**8,543**	**–**	**652,825**
Segment results	**40,295**	**289**	**–**	**40,584**
Operating profit				**40,584**
Finance costs			**(51)**	**(51)**
Share of loss of a jointly controlled entity			**(1)**	**(1)**
Profit before income tax				**40,532**
Income tax credit				**658**
Profit for the period from continuing operations				**41,190**
Discontinued operations				
Profit for the period from discontinued operations				**6**
Profit for the period				**41,196**
Preference dividends				**(2,906)**
Profit for the period attributable to equity holders of the Company				**38,290**

3 Segment information *(continued)*

Primary reporting format – business segments (continued)

	Unaudited six months ended 30th June 2005			
	DVB Business HK$'000	Other HK$'000	Unallocated HK$'000	Total HK$'000
Sales	77,470	8,067	–	85,537
Segment results	(13,661)	1,181	–	(12,480)
Operating loss				(12,480)
Finance costs			(50)	(50)
Share of loss of a jointly controlled entity			(179)	(179)
Loss before income tax				(12,709)
Income tax expense				–
Loss for the period from continuing operations				(12,709)
Discontinued operations				
Loss for the period from discontinued operations				–
Loss for the period				(12,709)
Preference dividends				(2,906)
Loss for the period attributable to equity holders of the Company				(15,615)

3 Segment information *(continued)*

Secondary reporting format – geographical segments

The Group's two main 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 raw materials and provision of international financial market information and selective consumer data; and

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

	Unaudited 30th June 2006 HK$'000	Audited 31st December 2005 HK$'000
Total assets		
Mainland China	**455,233**	365,643
Hong Kong	**203,773**	24,604
Other Southeast Asian Countries	**1,889**	1,569
	660,895	391,816
Jointly controlled entity	**6,409**	6,410
Associates	**1,653**	6,682
	668,957	404,908

Total assets are allocated based on where the assets are located.

3 Segment information *(continued)*

Secondary reporting format – geographical segments (continued)

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
Capital expenditure		
Mainland China	**784**	2,423
Hong Kong	**2,063**	279
Other Southeast Asian Countries	**16**	142
	2,863	2,844

Capital expenditure is allocated based on where the assets are located.

An analysis of the Group's sales for the period by geographical segment is as follows:

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
Mainland China	**623,486**	59,920
Hong Kong	**28,018**	22,888
Other Southeast Asian countries	**1,321**	2,729
	652,825	85,537

Sales are based on the country in which the customers are located.

3 Segment information *(continued)*

Analysis of sales by category

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
Revenue from design, integration and installation of platforms for digital broadcasting systems	**2,775**	2,227
Revenue from sale of goods	**582,068**	68,304
Revenue from provision of international financial market information and selective consumer data	**8,543**	8,067
Leasing income	**2,771**	2,026
Licensing income	**56,668**	4,913
	652,825	85,537

4 Capital expenditure

	Intangible assets HK$'000	Property, plant and equipment HK$'000	Total HK$'000
Unaudited six months ended 30th June 2005			
Opening net book amount at 1st January 2005	28,075	36,343	64,418
Development costs recognised as an asset	2,002	–	2,002
Additions	249	593	842
Amortisation/depreciation charge	(2,164)	(5,557)	(7,721)
Closing net book amount at 30th June 2005	28,162	31,379	59,541
Unaudited six months ended 30th June 2006			
Opening net book amount at 1st January 2006	**30,880**	**20,404**	**51,284**
Development costs recognised as an asset	**1,562**	**–**	**1,562**
Additions	**139**	**1,162**	**1,301**
Disposals	**–**	**(6)**	**(6)**
Amortisation/depreciation charge	**(2,405)**	**(5,102)**	**(7,507)**
Exchange adjustments	**6**	**29**	**35**
Closing net book amount at 30th June 2006	**30,182**	**16,487**	**46,669**

5 Trade and other receivables, prepayments and deposits

The Group normally allows credit terms to customers ranging from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

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

	Unaudited 30th June 2006 HK$'000	Audited 31st December 2005 HK$'000
Within 30 days	**123,424**	58,084
Over 30 days but within 60 days	**37,128**	16,366
Over 60 days but within 90 days	**3,572**	6,417
Over 90 days	**70,242**	72,469
	234,366	153,336
Provision for impairment of receivables	**(3,938)**	(17,833)
	230,428	135,503

6 Trade and other payables

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

	Unaudited 30th June 2006 HK$'000	Audited 31st December 2005 HK$'000
Within 30 days	**269,641**	91,836
Over 30 days but within 60 days	**36,428**	10,347
Over 60 days but within 90 days	**10,593**	4,163
Over 90 days	**10,837**	17,063
	327,499	123,409

7 Obligations under finance leases

	Unaudited 30th June 2006 HK$'000	Audited 31st December 2005 HK$'000
Non-current	**26**	44
Current	**36**	36
	62	80

8 Share capital

	Authorised ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
At 30th June 2005 and 30th June 2006	3,000,000,000	300,000

	Issued and fully paid ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Opening balance at 1st January 2005	516,375,823	51,637
Issue of shares	58,500,000	5,850
Exercise of share options	7,962,665	797
At 30th June 2005	582,838,488	58,284
Opening balance at 1st January 2006	**583,418,488**	**58,342**
Issue of shares	–	–
Exercise of share options	**8,604,334**	**860**
At 30th June 2006	**592,022,822**	**59,202**

9 Operating profit/(loss)

The following items have been charged/(credited) to the operating profit/(loss) during the interim period:

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
Cost of inventories sold	**515,621**	60,034
Cost of provision of financial and consumer data	**2,055**	1,770
Depreciation		
Owned property, plant and equipment	**5,080**	5,535
Leased property, plant and equipment	**22**	22
Net exchange loss	**19**	9
Amortisation of deferred development costs	**2,405**	2,164
Inventory write-down	**13,488**	1,500
Trade receivables write-off	**12,433**	–
Reversal of provision for impairment of trade receivables	**(3,103)**	–
Net gain on disposal of property, plant and equipment	**(195)**	–

10 Employee benefit expenses

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
Wages and salaries	**22,760**	19,892
Termination benefits	**10**	79
Pension costs – defined contribution plans	**633**	465
Share options granted to directors and employees	**2,879**	666
Less: costs capitalised	**(1,562)**	(5,557)
	24,720	15,545

11 Income tax credit

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
Current income tax		
Hong Kong profits tax	**–**	–
Overseas taxation	**337**	–
Deferred income tax	**(995)**	–
	(658)	–

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the period.

Income tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12 Preference dividends

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
DVN (Group) Limited, a wholly-owned subsidiary of the Company		
Dividends on 5% exchangeable preference shares	**2,906**	2,906

13 Earnings/(loss) per share

Basic earnings/(loss) per share ("EPS/(LPS)") is calculated by dividing the profit/(loss) attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the period.

	Unaudited six months ended 30th June	
	2006	2005
Weighted average number of ordinary shares in issue (thousand shares)	**588,341**	580,755
	HK$'000	HK$'000
Profit/(loss) from continuing operations attributable to equity holders of the Company	**38,284**	(15,615)
Profit from discontinued operations attributable to equity holders of the Company	**6**	–
	HK$	HK$
Basic EPS/(LPS) from continuing operations (in dollar)	**0.065**	(0.027)
Basic EPS from discontinued operations (in dollar)	**0.000**	N/A
	HK$	HK$
Diluted EPS from continuing operations (in dollar)	**0.063**	N/A
Diluted EPS from discontinued operations (in dollar)	**0.000**	N/A

14 Contingent liabilities

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

15 Commitments

(a) Capital commitments

Neither the Group nor the Company had significant capital commitments at 30th June 2006 and 31st December 2005.

(b) Operating lease commitments

At 30th June 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	Unaudited	Audited
	30th June	31st December
	2006	2005
	HK$'000	HK$'000
Not later than one year	**3,092**	4,107
Later than one year and not later than five years	**1,520**	1,457
	4,612	5,564

(c) Financial commitments

At 30th June 2006, the Group had financial commitments in respect of registered capital contributions to one (31st December 2005: one) subsidiary, one associate (31st December 2005: one) and one (31st December 2005: one) jointly controlled entity in the PRC as described below:

	Unaudited	Audited
	30th June	31st December
	2006	2005
	HK$'000	HK$'000
Subsidiary *(Note (i))*	**8,923**	8,906
Jointly controlled entity *(Note (ii))*	**28,736**	28,681
Associate *(Note (iii))*	**1,078**	1,076
	38,737	38,663

15 Commitments *(continued)*

(c) Financial commitments (continued)

(i) Included in the financial commitment in respect of registered capital contributions to a subsidiary is an amount of RMB5,316,000 (approximately HK$5,039,000) (2005: same) that was paid before balance sheet date but the capital verification process has not yet been completed. The remaining balance has been overdue for capital injection (2005: same).

(ii) The financial commitment in respect of registered capital contributions to a jointly controlled entity has been overdue for capital injection (2005: same).

(iii) The financial commitment in respect of registered capital contributions to an associate will be due for capital injection on 17th March 2007 (2005: same).

16 Related party transactions

The following transactions were carried out with related parties:

(a) Sales or purchases of goods and services

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
Sales of goods		
– Group companies of a shareholder company	**–**	528
Service income		
– A jointly controlled operation	**–**	142
Purchases of trading stock		
– A jointly controlled entity	**–**	2,564
– Group companies of a shareholder company	**20,912**	–
– A shareholder company	**6,493**	–

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.

16 **Related party transactions** *(continued)*

(b) *Other transactions*

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
Preference dividend proposed		
– A group company of a shareholder company	**2,906**	2,906

(c) *Details of key management compensation of the Group*

	Unaudited six months ended 30th June	
	2006	2005
	HK$'000	HK$'000
Salaries and other short-term benefits	**3,749**	3,714
Share-based compensation	**–**	267
	3,749	3,981

(d) *Period-end/year-end balances arising from sales/purchases and services rendered*

	Unaudited	Audited
	30th June	31st December
	2006	2005
	HK$'000	HK$'000
Receivables		
– Group companies of a shareholder company	**1**	1,695
– A jointly controlled entity	**1,561**	1,558
Payables		
– Group companies of a shareholder company	**413**	22,120
– A jointly controlled entity	**4,117**	4,109
– A shareholder company	**1,560**	–

The amounts due from/to related parties were unsecured, interest-free and repayable on demand.

16 Related party transactions *(continued)*

(e) Other period-end/year-end balances

	Unaudited 30th June 2006 HK$'000	Audited 31st December 2005 HK$'000
Other receivables		
– Group companies of a shareholder company	**985**	769
– A jointly controlled entity	**753**	549
Other payables		
– Preference share dividend payable to a group company of a shareholder company	**25,516**	22,609

The amounts due from/to related parties were unsecured, interest-free and repayable on demand.

17 Subsequent events

(a) Subsequent to the balance sheet date, Digital Video Networks (Shanghai) Company Limited ("DVN Shanghai"), a wholly-owned subsidiary in the PRC, disposed of its investment in 浙江連連科技有限公司 which is classified as 'Available-for-sale financial assets' with carrying value of HK$956,000 as at 30th June 2006 at a consideration of HK$1.2 million.

(b) Subsequent to the balance sheet date, DVN Shanghai disposed of its investment in 無錫廣通數字移動電視有限公司 which is classified as 'Non-current asset classified as held for sales' with carrying value of HK$5,623,000 as at 30th June 2006 at a consideration of RMB6.0 million.

(c) Pursuant to the Subscription Agreement entered into between the Company and Motorola-Dragon Investment, Inc. ("Motorola-Dragon") on 18th May 2004, the Third and Fourth Tranches of the Subscription were completed on 14th July 2006. Accordingly, the Company issued to Motorola-Dragon 117,000,000 new shares at a consideration of HK$140.4 million.

By order of the Board
Lui Pan, Terry
President

Hong Kong, 6th September 2006