PAVING OUR WAY
To A New Era

2007
Annual Report

DVN (Holdings) Limited
天地數碼（控股）有限公司
Stock Code : 00500

Contents

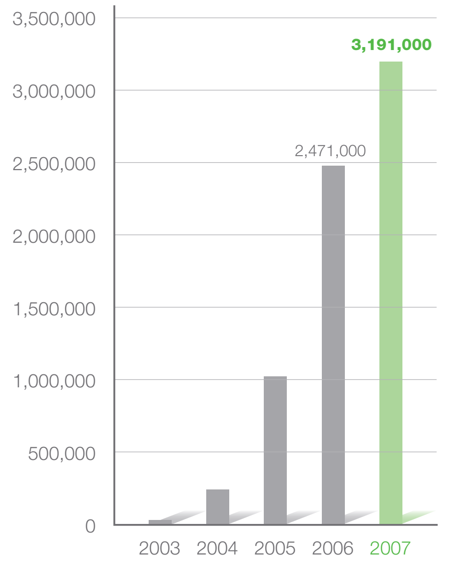
Financial Highlights

	For the year ended 31 December	
	2007	2006
Additional number of set top boxes using DVN's solutions	**3,191,000 units**	2,471,000 units
	HK$'000	HK$'000
Revenue	**991,293**	972,540
Profit/(loss) attributable to equity holders of the Company	**115,183**	(631,925)
Earnings/(loss) before interest, tax, depreciation and amortisation	**148,113**	(414,331)
Basic earnings/(loss) per share	**HK$0.10**	(HK$0.87)
Dividends per share	**HK$0.02**	HK$Nil

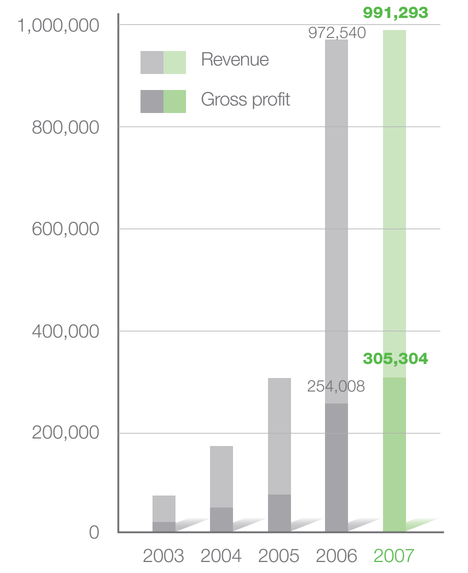
	As at 31 December	
	2007	2006
	HK$'000	HK$'000
Total assets	**1,370,263**	979,789
Shareholders' funds	**916,858**	607,021
Net asset value per share	**HK$0.81**	HK$0.56
Net cash balance	**403,987**	526,376
Number of staff	**793**	488
Current ratio	**3.38**	3.62
Total liabilities-to-total assets ratio	**0.24**	0.26
Price to book ratio	**1.20**	5.0

Financial Highlights

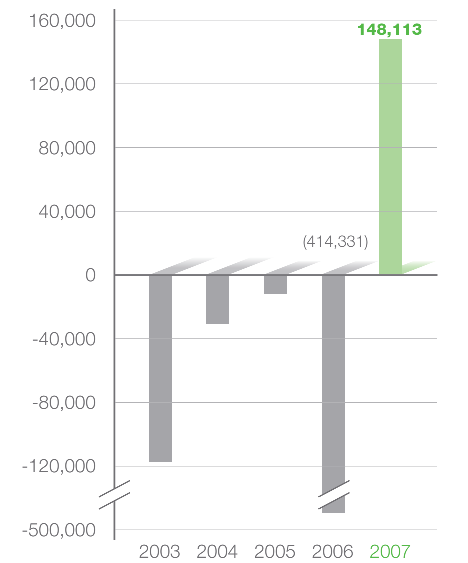
Additional number of set top boxes using DVN's solutions



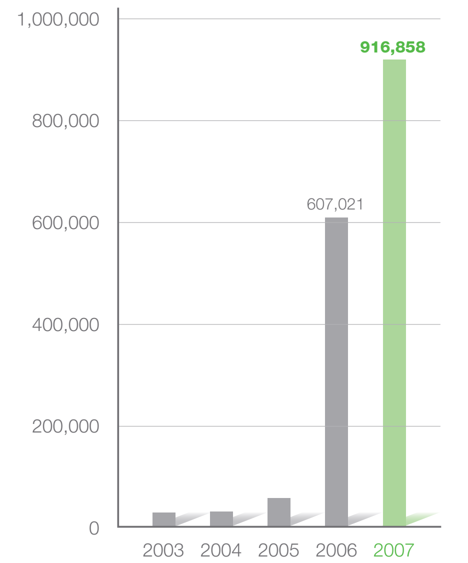
Revenue and gross profit analysis
(HK$'000)



Earnings/(loss) before interest, tax, depreciation and amortisation
(HK$'000)



Shareholders' funds
(HK$'000)



Summary of Major Events

January 2007	*	In the China 2007 Consumer Electronics Market General Meeting (中國2007年消費電子市場年會), the Group was elected as the "2006 Most Progressive Enterprise in China IP Set Top Box Market" (2006年中國IP機頂盒市場最具成長性企業).
March 2007	*	The Company issued 50 million new ordinary shares at HK$2.85 per share raising HK$135 million.
April 2007	*	The Group became the main systems integrator for the system platform of the provincial cable television network of Shanxi.
	*	The Group became the main systems integrator for the digital television system platform of Tibet.
	*	The Group held the first Digital Television Strategy Summit Conference.
	*	The Company entered into a cooperation agreement with the Changzhou government to migrate the entire Changzhou to digital cable television with a project value of RMB600 million.
June 2007	*	The Group worked with China Cable Television (中國有線電視網絡有限公司) to enable Hainan provincial digital television network becoming the first provincial interactive digital cable network.
October 2007	*	The Group officially launched a series of interactive products for digital cable television – Tian De Tong (天地通).
	*	Dr Lui Pan ("Dr Lui"), the Chief Executive Officer of the Company, was invited by Intel Corporation ("Intel") to be a member of its Global Consumer Electronics Consulting Committee.
November 2007	*	The Group entered into a memorandum of understanding with Intel to develop a dual mode set top box combining the Group's digital broadcasting mode and the IPTV interactive mode to support the interactive digital entertainment services.

Summary of Major Events

December 2007	*	The Group was named as one of the “Top Ten National Brands for Digital Broadcasting Business for 2007” (2007廣電行業十大民族品牌) and Dr Lui was elected as one of the ten “Most Powerful Executives in China Broadcasting Industry for 2007” (2007廣電行業十大企業風雲人物).
	*	In the CRTA Scientific and Technological Innovation Awards for 2007, which was organised by China Radio & TV Equipment Industrial Association (中國廣播電視設備工業協會) and authorised by Nation Office for Science & Technology Awards of the Ministry of Science and Technology (中國科技部國家科學技術獎勵工作辦公室), the Group was granted the Scientific and Technological Innovation Enterprise Award (2007年科技創新優秀企業獎), Dr Lui was awarded with the Scientific and Technological Innovation Entrepreneur (2007年科技創新優秀企業家獎), and the Group’s two-way conditional access system and applications was granted the Scientific and Technological Innovation Product (2007年科技創新產品).
January 2008	*	The Group’s Home Media Centre (HMC家庭多媒體中心) and STB8 series set top boxes were recognised and approved as hi-tech achievement transformation projects (高新技術成果轉化項目) by Shanghai High & New Technological Achievement Transformation Project Identification Office (上海市高新技術成果轉化項目認定辦公室) and Shanghai Service Center for High & New Technological Achievement Transformation (上海市高新技術成果轉化服務中心).
March 2008	*	The Group won the contract for the provision of conditional access system to Jilin Province.

Management Discussion and Analysis

OPERATIONAL REVIEW AND PROSPECTS

Overall Performance

Summary

Mr Ko Chun Shun, Johnson, Chairman

"In 2007, DVN has achieved its best performance since 1999, when it began to focus on cable TV digitisation in China, earning HK$115.2 million of consolidated net profit after tax. Furthermore, the strategic alliance with CITIC Group has started to show fruitful results."

For the year ended 31 December 2007, the Group recorded a consolidated net profit after tax of HK$115.2 million, representing a dramatic improvement over the 2006 result which showed a loss of HK$631.9 million after "exceptional" charges of HK$686.7 million relating to the write-off and amortisation of priority supply rights. The overall gross margin for the Group improved to 31% in 2007 from 26% in 2006 and gross profit jumped to HK$305.3 million in 2007 from HK$254.0 million in 2006. Influenced by changes in sales mix, the Group's consolidated revenue in 2007 increased slightly to HK$991.3 million from HK$972.5 million in 2006.

The Board of Directors is pleased to recommend a final dividend of HK$0.02 per share for 2007 (2006: Nil) subject to the approval of the shareholders at the forthcoming annual general meeting.

Since becoming our largest shareholder in October 2006, CITIC Group has taken an active role in the Group's operation with the appointment of 5 executive directors (including the Group's Chief Financial Officer) to the Board and the Group's Chief Operating Officer.

Digital Broadcasting Business

Dr Lui Pan, Chief Executive Officer

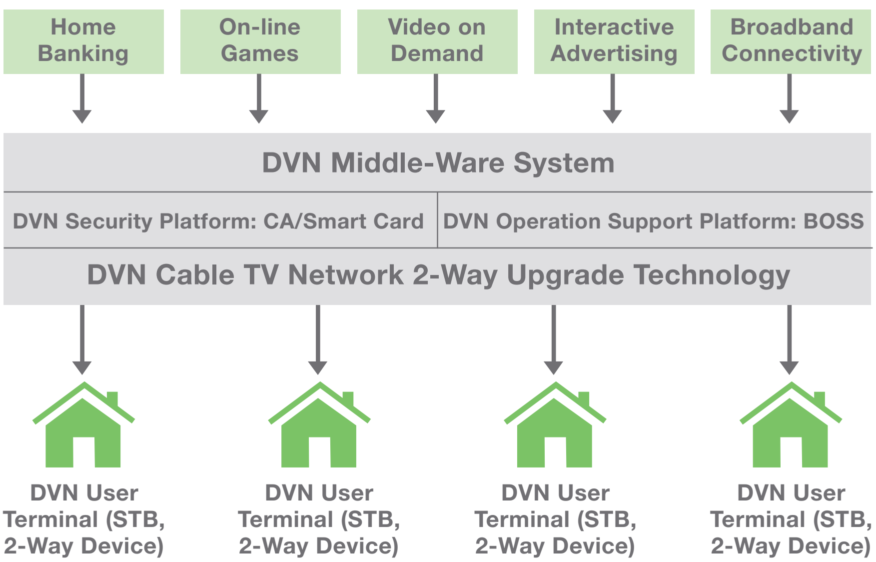
"After over eight years of tireless pursuit, establishing itself as a market leader and innovator in China's digital TV industry, DVN has finally achieved profitability - marking a new chapter in its development. This was due to the dedicated hard work of our staff, continuous improvement of our management, and also the strong support of our key shareholder - CITIC Group. With the rapid growth of China's digital TV industry, DVN is now presented with unprecedented opportunities. We will focus on the development, marketing, and application support of core digital TV technologies to achieve better return for our shareholders."

The Group primarily engages in the supply of digital TV ("DTV") systems for the China market, and is the largest DTV systems integrator in China and a leading innovator. China has the world's largest cable TV population at approximately 150 million households – more than the combined size of the cable TV markets in the US and EU – and its countrywide digitisation from analogue broadcasting, mandated by the government to complete by 2015, is generating huge demand for DTV systems.

For the Group, 2007 was full of challenges and rewards. Against an onetime exceptional first half in 2006, 2007 started on a quiet note; on top of the normal seasonal slowness during the first half, cable TV operators were waiting for direction from State Administration for Radio, Film and Television ("SARFT") on a potential phase-in period for digitisation before switching off analogue signals. SARFT's ruling to retain at least 6 analogue channels after digitisation, as a phase-in measure, affirmed central government's strong commitment to full digitisation and with this uncertainty resolved, orders started to pick up in the second half finishing the year with satisfactory growth.

Full year segmental profit from digital broadcasting business increased significantly from HK$80.1 million in 2006 to HK$147.7 million in 2007, representing an 84% year on year growth. Due to changes in sales mix, segmental revenue increased marginally to HK$970.1 million in 2007 from HK$955.1 million in 2006.

The Group is a DTV software and system developer with a full suite of DTV software, patented conditional access ("CA")/smart card technology, and proprietary set top boxes ("STB") designs and solutions, and leverages its technology advantage to provide an one-stop end-to-end total solution to analogue cable TV operators in China that are converting to digital broadcasting. Below is an illustration of the Group's offerings, where hardware manufacturing is out-sourced to, and future value added service ("VAS") related product content will also be developed by third parties.



One of the Group's key strengths is its ability to provide a full range of products and services that covers the entire spectrum of the DTV product/service chain; many competitors focus on a single DTV product or service.

STB represents the largest capital item in digitisation for cable TV operators. In 2007, the Group distributed hardware/software for approximately 3.2 million STBs, up from around 2.5 million in 2006.

Management Discussion and Analysis

One of the Group's largest contracts in 2007 was implementation of the first provincial interactive digital cable network – China Cable Television's Hainan provincial network. Interactivity is critical in the provision of VAS. Currently, the majority of China's cable network is still one way, and the Group owns an innovative interactivity technology, named Broadcasting and Interactivity over Cable ("BIOC"), that was developed specifically for China's cable networks. BIOC is one of the SARFT recommended technologies for two-way upgrade, and is also one of the most cost efficient technologies in the market.

In 2007, the Group made significant strides in R&D to maintain its industry leadership. On hardware, an agreement was reached with Intel Corporation ("Intel") in November to jointly develop a hybrid STB, based on the Intel CE 2110 Media Processor, for both cable and IP connectivity. On software, development for the Group's Business Operation Support System ("BOSS") was completed. BOSS is an open architecture software platform to support high volume and diversified DTV applications and VAS. One of the applications the Group is developing on BOSS is a joint project for DTV home-banking between CITIC Group and China Construction Bank. Furthermore, continuous effects in design improvements have yielded significant reduction in STB unit cost. In 2007, R&D personnel increased by 65 people to 331.

Provision of Financial Information

The revenue from the provision of financial information business of the Group for the year increased by 22% to HK$21.2 million (2006: HK$17.5 million). This segment reported a profit of HK$3.8 million (2006: HK$1.3 million) for the year.

The primary business of this business segment is the provision of online financial information through internet in Hong Kong and other parts of Asia. The improvement in the performance of this business segment was primarily due to the boom in the Hong Kong stock market in 2007.

Prospects

We expect orders from CITIC Group, our largest shareholder, will contribute significantly to our revenue in 2008 and in future years, initially for 2008 from Henan Province, a market with about 10 million cable TV households – 40% more than the Group's cumulative installation base of around 7 million households.

In the latest central government policy titled "Policies to Foster Developments in the Digital TV Industry" – the first (No. 1) policy issued by the General Office of the State Council in 2008, TV digitisation has been defined as an important component of the economy and a key element in China's ambition to become an information-based society. The goal is to complete digitisation in cities above county level for the entire eastern and middle zones and the majority of the western zone by 2010. Furthermore, DTV has being identified as an entry point in the government's drive towards "triple play" convergence. Under the new policy, TV operators can now provide value added telecommunication services in addition to DTV related services while telecom operators are permitted to invest in DTV networks. In addition, TV operators are also given permission to access capital market for funding. The government is also keen to encourage the development of the domestic DTV industry.

We believe the policy underpins rapid cable TV digitisation in China. As the largest DTV system supplier in the market and recognised as a top domestic brand, the Group will benefit from this continued strong growth. Besides the provision of total solution systems, the Group will begin to explore opportunities in single product solutions, such as CA/smart cards. The Group's sales and marketing will also be re-organised along product specific lines to better serve different customer requirements.

We see digitisation of China's TV broadcasting industry as a three stage process. The initial stage is platform building involving digitisation of the head-end at the cable TV operator's broadcasting centre. The main products include digital head-end hardware and software and CA systems. This stage has been underway for several years and is continuing as many cable TV operators are still broadcasting only analogue programmes. The second stage is digital migration from analogue to digital involving the digitisation of the user terminals, where the key revenue drivers are STBs and smart cards. This stage is now in a rapid growth phase which is expected to continue for some time as digital TV penetration is still only about 17%. The third stage is the commercialisation of China's TV operators from

Mr Luo Ning, Executive Director of DVN (Holdings) Limited and Director of CITIC Group

"CITIC Group is planning to invest about RMB50 billion within the next two-three years to acquire cable TV networks in five provinces. As a member company of the CITIC family, DVN will be in a position to provide services to CITIC cable TV operators' digitisation developments."

Management Discussion and Analysis

the role of a public utility provider to a profit oriented commercial entity similar to telecom operators, and a critical aspect of this stage is the development and deployment of VAS products and applications. Cable TV operators that have a diversified product offering to complement their cable TV services can significantly boost their APRU and thus their profitability.

The Group has spent the past two years developing VAS support platforms and technology. With the completion of BOSS development, the Group is equipped with a complete software platform to facilitate development and commercial operation of DTV VAS business: BOSS for operators to manage diversified activities and high volume traffic flow; middle-ware to suit development of DTV specific VAS contents and products; and CA to protect commercial interest for all related parties. Combining with its BIOC technology, the Group has a total solution package for two-way interactivity and VAS business deployment.

CITIC Group is the largest investor in China's cable TV market. All cable TV operators require solutions for two-way interactivity and VAS as they seek to boost APRU. With CITIC Group as our strategic partner, we are very positive about our business prospects as the industry's digitisation progresses into its third stage.

Operational Review

Sales and Marketing

The Group was able to achieve satisfactory year on year sales unit growth for 2007. Unlike previous years when a single contract would make up an overwhelming large percentage of the Group's entire sales of that year, 2007 sales were spread more evenly among a number of smaller contracts.

Products

Several new products were introduced into the market in 2007. Among them is our "Home Media Center", a high end STB that achieves convergence in one box by supporting all input/output configurations, all communication protocols, and all data formats. The current practice is for TV operators to provide only one free STB per household. However, a substantial percentage of households now own multiple TV sets-usually flat panel TVs, and need to purchase the additional STBs for the extra TVs. The Home Media Center targets this market segment where demand for STB upgrade is significant.

Mr Xu Qiang, Chief Operating Officer of DVN (Holdings) Limited and Assistant to the General Manager of CITIC Networks Co., Ltd.

"During the year, significant strides were made in new product introduction. A key milestone was the completion of head-end digitisation in Henan Province, and the trial shipment of STBs and smart cards. Volume shipments will start in 2008. The Group will also be a lead product developer and systems integrator for the Henan project, the first of a number of such projects for other CITIC territories."

Cost Control

There were two aspects of the Group's cost control programme, with one focusing on product cost and the other on operating expenses. Through design improvements and better production planning/management, considerable savings were made on product cost. The Group also achieved savings in its operating expenses, with the total amount of 2007 operating expenses at HK$190.1 million (2006: HK$149.7 million) or about a 27% increase while the average number of employees increased by 31%.

Employees

The Group has developed its human resources policies and procedures based on performance and merit. The Group ensures that the pay level of its employees is competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems. The Group provides on-the-job training to its employees in addition to retirement benefit schemes and medical insurance.

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. In May 2007, the Group granted 58,202,000 share options to its eligible employees under the share option scheme.

The total number of employees of the Group as at 31 December 2007 was 793 (2006: 488), out of which 720 (2006: 416) employees were stationed in Mainland China. The number of employees as at 31 December 2007 categorised according to their functions is as follows:

Research and development	331
Sales and marketing	207
Technical support	77
Procurement and engineering support	51
Accounting and finance	38
Administration and management	89
	793

Management Discussion and Analysis

Mr Hu Qinggang, Chief Financial Officer of DVN (Holdings) Limited, Deputy Director of the Finance and Planning Division of CITIC Group

"DVN has achieved significant progress in its cost savings in 2007. Year on year, gross margin improved from 26% in 2006 to 31% in 2007. For 2008, a key management objective is to enhance internal controls of the Group."

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2007, the Group recorded total assets of HK$1,370.3 million (2006: HK$979.8 million) which were financed by liabilities of HK$335.6 million (2006: HK$255.0 million), minority interests of HK$117.8 million (2006: HK$117.8 million) and shareholders' equity of HK$916.9 million (2006: HK$607.0 million). The Group's net asset value per share as at 31 December 2007 amounted to HK$0.81 (2006: HK$0.56).

Last year, the Group further strengthened its financial position by issuing 50 million new shares raising HK$135 million in a "top-up placement" fund raising exercise. The Group did not have any material borrowings as at 31 December 2007 and has sufficient trading facilities available from its bankers for its daily operations.

Treasury Policies

The Group adopts conservative treasury policies and has tight controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in Hong Kong dollars, Renminbi and United States dollars. Surplus cash is generally placed in short to medium term deposits in light of the Group's funding requirements.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in Hong Kong dollars and United States dollars. The exchange rate of United States dollars against Hong Kong dollars is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, all transactions are denominated in Renminbi. Given the appreciation of Renminbi against Hong Kong dollars during the year under review, no financial instrument was used for hedging purposes. It is expected that the appreciation of Renminbi would have a favourable impact on the Group.

Material Acquisitions and Disposals of Subsidiaries and Associates

The Group did not have any material acquisitions or disposals of subsidiaries and associates in 2007.

Charges on Assets

At 31 December 2007, the Group had bank deposit amounting to approximately HK$6 million pledged to a bank as security for general banking facilities.

Capital Commitments

The Group had capital expenditure commitments approximately HK$14.8 million as at 31 December 2007 (2006: Nil).

Contingent Liabilities

At 31 December 2007, the Company has a pending court case regarding infringement of certain European patents in the Netherlands. After seeking legal advice, the management considers that the chance of significant potential damages is remote and no provision is necessary to be made in the consolidated financial statements.

Apart from above mentioned, the Company and the Group did not have any significant contingent liabilities as at 31 December 2007 (2006: Nil).

Corporate Governance Report

INTRODUCTION

The Company is firmly committed to the overall standards of corporate governance and has always recognised the importance of accountability, transparency and protection of shareholders' interest in general. Following the issue of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company adopted the code provisions of the Code as its own corporate governance code in 2005.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CODE

In the opinion of the directors, the Company has applied the principles in the Code through the adoption of the code provisions of the Code and has complied with the code provisions of the Code throughout the year ended 31 December 2007, except for the deviation detailed below.

BOARD OF DIRECTORS

The board of directors of the Company (the "Board") currently comprises 12 directors, including 7 executive directors (Mr Ko Chun Shun, Johnson (Chairman), Dr Lui Pan (Chief Executive Officer), Mr Luo Ning, Mr Qiu Yiyong, Mr Jin Wei, Mr Wang Daoyi and Mr Hu Qinggang (Chief Financial Officer)), 2 non-executive directors (Mr Shaw Sun Kan, Gordon and Mr Jerry Sze) and 3 independent non-executive directors (Mr Chu Hon Pong, Mr Liu Tsun Kie and Mr Yap Fat Suan, Henry). The roles of the Chairman and the Chief Executive Officer are segregated and are not exercised by the same individual. One of the three independent non-executive directors is professional accountant, which is in compliance with the requirement of the Listing Rules. There are also two board committees under the Board, which are the Audit Committee and the Remuneration Committee.

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting management targets, regulating internal controls, formulating the Company's corporate governance practices, and supervising the management's performance while the day-to-day operations and management of the Group are delegated by the Board to the management. The Company has received acknowledgements from the directors of their responsibility for preparing the consolidated financial statements and a statement by the external auditors of the Company about their reporting responsibilities.

The Board held four board meetings during the year ended 31 December 2007. The attendance of the directors at the board meetings is as follows:

Director	Attended/Eligible to attend
Mr Ko Chun Shun, Johnson	4/4
Dr Lui Pan	4/4
Mr Luo Ning	4/4
Mr Qiu Yiyong	1/4
Mr Jin Wei	4/4
Mr Wang Daoyi	3/4
Mr Hu Qinggang	4/4
Mr Shaw Sun Kan, Gordon	4/4
Mr Jerry Sze	3/4
Mr Itzhak Shenberg (retired on 16 August 2007)	0/2
Mr Chu Hon Pong	4/4
Mr Liu Tsun Kie	4/4
Mr Yap Fat Suan, Henry	2/4

The Board has four scheduled meetings a year at quarterly interval and meets as and when required. Board minutes are kept by the Company Secretary of the Company and are sent to the directors for endorsement.

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years. In prior years, one-third of the directors for the time being, or if their number was not three or a multiple of three, then the number nearest to but not exceeding one-third, should retire from office, which may in some cases constitute a deviation from code provision A.4.2 of the Code. To comply with code provision A.4.2 of the Code, amendments to the Bye-law 98 of the Bye-laws of the Company were approved by the shareholders of the Company in the annual general meeting on 16 August 2007 that at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years.

The non-executive directors have been appointed for a term of one to three years and are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE

Under code provision B.1.1 of the Code, a remuneration committee should be established with specific written terms of reference which deal clearly with its authority and duties. To comply with code provision B.1.1 of the Code, the Company established a Remuneration Committee and adopted its terms of reference in 2005.

The Remuneration Committee currently comprises three independent non-executive directors, namely Mr Liu Tsun Kie (Chairman), Mr Chu Hon Pong and Mr Yap Fat Suan, Henry. The primary responsibilities of the Remuneration Committee include, among other things, determining the remuneration packages of all executive directors of the Company, reviewing and approving performance-based remuneration, and ensuring that no director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2007, the Remuneration Committee met twice to discuss the remuneration package of the executive directors of the Company. The attendance of the members of the Remuneration Committee at the meetings is as follows:

Committee member	**Attended/Eligible to attend**
Mr Liu Tsun Kie	2/2
Mr Chu Hon Pong	2/2
Mr Yap Fat Suan, Henry	2/2

AUDIT COMMITTEE

The Company established an Audit Committee in 1998. The Audit Committee currently comprises three independent non-executive directors, namely Mr Liu Tsun Kie (Chairman), Mr Chu Hon Pong and Mr Yap Fat Suan, Henry.

Under its terms of reference, the Audit Committee is required, among other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual consolidated financial statements, to monitor compliance with statutory and listing requirements, to review the scope, extent and effectiveness of the internal control procedures of the Company, to engage independent legal or other advisers if necessary to perform investigations.

The Audit Committee held three meetings during the year ended 31 December 2007. In these meetings, the Audit Committee, among other matters, reviewed interim financial results and reports from the external auditors regarding their audit on annual consolidated financial statements and review on non-exempted continuing connected transactions, discussed the internal controls of the Group, and met with the external auditors. The attendance of each member of the Audit Committee at the meetings is as follows:

Committee member	Attended/Eligible to attend
Mr Liu Tsun Kie	3/3
Mr Chu Hon Pong	3/3
Mr Yap Fat Suan, Henry	2/3

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The power to nominate or appoint additional directors is vested in the Board according to the Bye-laws of the Company, in addition to the power of the shareholders of the Company to nominate any person to become a director of the Company in accordance with the Bye-laws of the Company and all applicable laws. No meeting was held by the Board for the nomination of director during the year.

The Board from time to time considers replenishing the composition of the Board whenever the Company requires to meet the business demand, opportunities and challenges and to comply with the applicable laws and regulations. The nomination procedure basically follows Bye-law 104 of the Bye-laws of the Company, which empowers the Board from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The directors will select and evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time by such means as the Company may deem fit. The directors shall consider the candidate from a wide range of backgrounds, on his merits and against objective criteria set out by the Board and taking into consideration his time devoted to the position.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") to regulate the directors' securities transactions. Following specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the year ended 31 December 2007.

AUDITORS' REMUNERATION

The Company engaged PricewaterhouseCoopers as its statutory auditors for the year ended 31 December 2007. The principal services provided by PricewaterhouseCoopers in 2007 include the audit of annual consolidated financial statements of the Group, and the audit of the financial statements of certain subsidiaries of the Group.

The remuneration in respect of services provided by PricewaterhouseCoopers to the Group in 2007 is summarised as follows:

	HK$'000
Audit fees	
Provision for the year	1,900
Under-provision for previous years	311
	2,211

INTERNAL CONTROLS

The Board is responsible for the Group's system of internal control and has the responsibility for reviewing its effectiveness. The Company and its subsidiaries have adopted a set of internal control procedures and policies to safeguard the assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations. The internal control systems are designed to ensure the financial, operational and compliance controls, and risk management functions are in place and functioning effectively.

The Board and the Audit Committee have delegated the Group's Internal Audit Department, which was established in December 2007, to conduct review of the effectiveness of the internal control system of the Group. The review did not identify any significant issues in the internal control system of the Group.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company actively promotes investor relations and communications by setting up regular briefing meetings with the investment community when the Group's interim and annual financial results are announced. The Company, through its Investor Relations Department, responds to request for information and queries from the investment community.

The Board is committed to providing clear and full performance information of the Group to shareholders through various circulars, notices, and financial reports. Additional information is also available to shareholders through the Company's website.

Shareholders are encouraged to attend the annual general meeting for which notice of at least 21 days is given. The Chairman and other directors are available to answer questions on the Group's businesses at the meeting. All shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by shareholders. All major resolutions at the annual general meeting are decided on a poll.

The Group values feedback from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are welcome and can be addressed to the Chief Executive Officer by mail or by e-mail to the Company's website.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr Ko Chun Shun, Johnson, aged 56, has been the Chairman of the Group since 1998 and is an executive director of various subsidiaries of the Group. He is also the chairman of China WindPower Group Limited, MAE Holdings Limited and Varitronix International Limited, all of which are listed on the Main Board of The Hong Kong Stock Exchange Limited (the "Stock Exchange"). He has extensive experience in direct investment, merger and acquisition, TMT (Telecommunications, Media and Technology), advertising, electronic manufacturing service, financial service and property investment.

Dr Lui Pan, aged 53, is the Chief Executive Officer of the Company and is an executive director of various subsidiaries of the Group. He is one of the founders of the existing business of the Group. His length of service with the Company is over 9 years. Dr Lui has spent near 30 years working in the high technology sector and the information technology industry. He is very experienced in developing new technologies and formulating business and market strategies. Dr Lui is well recognised and over the years has been named "Top Executive", "Innovative Individual", "Most Influential Figure" and "Most Powerful Executive" in China broadcasting industry. He has also received numerous technology awards including the Best Design of Consumer Product Award from the Hong Kong government in 1998 and technology innovation award from China government in 2007. He is appointed as a member of the Sub-Committee of the China Digital Television Standards Committee and plays a key role in the development of China's digital television standard. Dr Lui holds a master degree in Electrical and Electronics Engineering from the Zhejiang University in the PRC, a master degree in Business Administration from the Chinese University of Hong Kong, and a Degree of Doctor of Philosophy from the Hong Kong Polytechnic University. He is the spouse of Ms Chan Ping, the Senior Vice President - China Operations of the Group.

Mr Luo Ning, aged 48, is an executive director of the Company since October 2006. He has over 10 years of experience in business management. He is currently a director of CITIC Group, which is a substantial shareholder of the Company, and a vice-chairman of CITIC Guoan Group and the chairman of CITIC Networks Co., Ltd.. He is also a director of CITIC Guoan Information Industry Company Limited and an executive director of CITIC 21CN Company Limited, public companies listed on the Shenzhen Stock Exchange in the PRC and the Main Board of the Stock Exchange respectively. He also holds directorships in several other subsidiaries of CITIC Group. Mr Luo holds a bachelor degree in Communication Speciality from The Wuhan People's Liberation Army Institute of Communication Command (武漢解放軍通信指揮學院).

Mr Qiu Yiyong, aged 50, is an executive director of the Company since October 2006. He has over 20 years of experience in investment management. He is currently a director of CITIC Group and Easy Flow Investments Limited, both of which are substantial shareholders of the Company. He is also an executive director of CITIC Resources Holdings Limited, a public company listed on the Main Board of the Stock Exchange. He also holds directorships in several other subsidiaries of CITIC Group. Mr Qiu holds a bachelor degree in Economics from the Xiamen University in the PRC and is a qualified senior statistician in the PRC.

Mr Jin Wei, aged 45, is an executive director of the Company since October 2006. He has over 15 years of experience in the communication field. He is currently an assistant to the general manager of CITIC Networks Co., Ltd., a group company of CITIC Group which is a substantial shareholder of the Company. Mr Jin holds a bachelor degree in Communication from the Beijing Institute of Posts and Telecommunications and a master degree in Automation from the Beijing University of Science and Technology in the PRC.

Biographical Details of Directors and Senior Management

Mr Wang Daoyi, aged 35, is an executive director of the Company since October 2006. He has over 10 years of experience in the engineering field. He joined CITIC Group, a substantial shareholder of the Company, in 2003. He is currently the deputy general manager of CITIC Communication Project Management Co., Ltd. and an independent director of Gohigh Data Networks Technology Co., Ltd., a public company listed on the Shenzhen Stock Exchange in the PRC. Mr Wang holds a dual bachelor degree in Applied Physics and Electronic Engineering from the Tianjin University, a master degree in Communication and Electronic Systems from the China Academy of Telecommunication Technology and a master degree in Business Administration from the Renmin University of China in the PRC.

Mr Hu Qinggang, aged 33, the Chief Financial Officer of the Company since October 2006 and is an executive director of various subsidiaries of the Group. He has over 10 years of experience in the finance field and has worked in the Finance Department of CITIC Group, a substantial shareholder of the Company, as the Deputy Director of the Finance and Planning Division. Mr Hu holds a bachelor degree in Economics from the Beijing University of Technology and a master degree in Economics from the University of International Business and Economics in the PRC.

NON-EXECUTIVE DIRECTORS

Mr Shaw Sun Kan, Gordon, aged 43, is a non-executive director of the Company. His length of service with the Company is over 8 years. He holds a bachelor degree of Science in Electrical Engineering from the Massachusetts Institute of Technology and a master degree in Business Administration from the Columbia University in New York, the United States of America. He has worked in private equity area for more than 15 years which has furnished him with an extensive experience in the finance industry across Asia. He is also a non-executive director of Minth Group Limited and Dongyue Group Limited, which are listed on the Stock Exchange.

Mr Jerry Sze, aged 47, is a non-executive director of the Company. His length of service with the Company is over 7 years. He has extensive experience in direct investment. He received a bachelor degree of Science in Electrical Engineering from the University of Hawaii and attended the business management program at the University of California, Berkeley in the United States of America.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Chu Hon Pong, aged 58, is an independent non-executive director of the Company. He is also a committee member of the Audit Committee and the Remuneration Committee of the Company. His length of service with the Company is over 8 years. He holds a master degree in Business Administration from Stevens Institute of Technology in New Jersey, the United States of America. He has over 30 years of experience in direct investment, international trade, manufacturing, business and industrial management in the PRC, Vietnam and the United States of America. He is also an executive director and the vice-chairman of New Chinese Medicine Holdings Limited, which is listed on the Growth Enterprise Market Board of the Stock Exchange.

Biographical Details of Directors and Senior Management

Mr Liu Tsun Kie, aged 57, is an independent non-executive director of the Company. He is also the chairman of the Audit Committee and the Remuneration Committee of the Company. His length of service with the Company is over 8 years. He holds a master degree in Business Administration in International Finance from the Graduate School of Keio University, Tokyo in Japan. He has over 30 years of experience in electronic engineering, telecommunication, corporate finance and general administration. He was appointed to sit on the Singapore Broadcasting Authority Board by the Minister of Information and Arts in 2000. He is also an independent non-executive director of MAE Holdings Limited, which is listed on the Main Board of the Stock Exchange, and the deputy chairman of Roly International Holdings Limited.

Mr Yap Fat Suan, Henry, aged 61, is an independent non-executive director of the Company. He is also a committee member of the Audit Committee and the Remuneration Committee of the Company. His length of service with the Company is over 4 years. He holds a master degree in Business Administration from the University of Strathclyde, Glasgow, in the United Kingdom. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 16 years of experience in finance and accounting. He retired as the managing director of Johnson Matthey Hong Kong Limited in June 2007 and prior to that appointment he was the general manager of Sun Hung Kai China Development Limited.

SENIOR MANAGEMENT

Mr Xu Qiang, aged 45, is the Chief Operating Officer of the Company since October 2006. He has over 20 years of experience in the telecommunication field. He is an assistant to the general manager of CITIC Networks Co., Ltd. and worked in Qingdao branch of China Unicom Limited and Qingdao Posts and Telecommunications Bureau. Mr Xu holds a bachelor degree in Engineering from the Beijing Institute of Posts and Telecommunications in the PRC.

Ms Chan Ping, aged 50, is the Senior Vice President – China Operations of the Group. Her length of service with the Company is over 7 years. She has extensive experience in operations and marketing in the PRC. She is the spouse of Dr Lui Pan, the Chief Executive Officer of the Company.

Mr Fung Man Yin, Sammy, aged 48, is the Group Financial Controller and the Qualified Accountant of the Company. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (Practising) in Hong Kong. Mr Fung holds a bachelor degree in Economics and Accounting from the University of Newcastle Upon Tyne, England and worked with several international accounting firms and listed companies in England and Hong Kong over 20 years before joining the Company in October 2006.

Mr Chan Kam Kwan, Jason, aged 34, is the Company Secretary of the Company. He graduated from the University of British Columbia in Canada with a bachelor degree in Commerce and is a member of the American Institute of Certified Public Accountants. He has over 10 years of experience in accounting and corporate finance.

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 17 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 32.

The directors recommend to declare a final dividend of HK$0.02 per share in respect of the year (2006: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 99 of the Annual Report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company and the Group during the year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 26 to the consolidated financial statements.

SHARE OPTIONS

Details of the movements in the share options of the Company during the year are set out in Note 27 to the consolidated financial statements.

Report of the Directors

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserves, consisting of contributed surplus and retained earnings, as at 31 December 2007 amounted to approximately HK$721,219,000 (2006: Nil).

DONATIONS

During the year, the Group made charitable donations totalling HK$28,000 (2006: Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or there is no restriction against such rights under the laws of Bermuda.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors

Mr Ko Chun Shun, Johnson
Dr Lui Pan
Mr Luo Ning
Mr Qiu Yiyong
Mr Jin Wei
Mr Wang Daoyi
Mr Hu Qinggang

Non-executive directors

Mr Shaw Sun Kan, Gordon
Mr Jerry Sze
Mr Itzhak Shenberg (retired on 16 August 2007)

Independent non-executive directors

Mr Chu Hon Pong
Mr Liu Tsun Kie
Mr Yap Fat Suan, Henry

In accordance with Bye-law 98 of the Company's Bye-laws, Messrs Ko Chun Shun, Johnson, Lui Pan, Shaw Sun Kan, Gordon and Yap Fat Suan, Henry will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Messrs Chu Hon Pong, Liu Tsun Kie and Yap Fat Suan, Henry and considers them to be independent. Under the terms of their appointment, the independent non-executive directors are appointed for specific terms of one to two years and are subject to retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 19 to 21 of the Annual Report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

At 31 December 2007, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations, as defined in Part XV of Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long Positions in Shares and Underlying Shares of the Company

Ordinary shares of HK$0.10 each in the Company

		Number of ordinary shares held				
Name of director	*Note*	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**% of the issued share capital of the Company**
Mr Ko Chun Shun, Johnson ("Mr Ko")	*(i)*	–	2,040,816	54,276,719	56,317,535	4.95%
Dr Lui Pan		2,698,000	2,600,000	–	5,298,000	0.47%
Mr Shaw Sun Kan, Gordon		550,000	–	–	550,000	0.05%
Mr Chu Hon Pong		450,000	–	–	450,000	0.04%

Note:

(i) Mr Ko was deemed to be interested in the 1,976,719 ordinary shares and 52,300,000 ordinary shares of the Company held by Techral Holdings Limited and First Gain International Limited respectively under the SFO as both companies are controlled by Mr Ko.

The interests of the directors in the share options of the Company are disclosed in Note 27 to the consolidated financial statements.

In addition to the above, Dr Lui Pan has non-beneficial personal equity interests in a subsidiary held on trust for the benefits of the Company.

Save as mentioned above, at 31 December 2007, none of the directors had any interests or short positions in the shares or underlying shares 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 Stock Exchange pursuant to the Model Code.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES

A share subscription agreement was entered into between Mr Ko and the Company for the subscription of 50,000,000 ordinary shares of the Company on 14 December 2006 as part of the "top-up placement" fund raising exercise of the Company. The agreement was approved by the independent shareholders on 28 February 2007 and 50,000,000 ordinary shares of the Company were issued to Mr Ko at HK$2.85 each on 5 March 2007.

Apart from the foregoing and save as disclosed under the section "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above and in the share option scheme disclosures in Note 27 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 December 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

		Number of ordinary shares held			
Name	*Note*	**Directly beneficially owned**	**Through controlled corporations**	**Total**	**% of the issued share capital of the Company**
Easy Flow Investments Limited		237,592,607	–	237,592,607	20.88%
CITIC United Asia Investments Limited	*(i)*	–	237,592,607	237,592,607	20.88%
CITIC Projects Management (HK) Limited	*(ii)*	–	237,592,607	237,592,607	20.88%
CITIC Group	*(iii)*	–	242,055,607	242,055,607	21.27%
Motorola-Dragon Investment, Inc.		175,500,000	–	175,500,000	15.42%
Motorola, Inc.	*(iv)*	–	175,500,000	175,500,000	15.42%
Fidelity International Limited		68,847,240	–	68,847,240	6.05%

Notes:

(i) CITIC United Asia Investments Limited was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in Easy Flow Investments Limited.

(ii) CITIC Projects Management (HK) Limited was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in CITIC United Asia Investments Limited.

(iii) CITIC Group was deemed to be interested in the 242,055,607 ordinary shares of the Company held by its certain subsidiaries, including Easy Flow Investments Limited, under the SFO by virtue of its interest in those subsidiaries.

(iv) Motorola, Inc. was deemed to be interested in the 175,500,000 ordinary shares of the Company held by Motorola-Dragon Investment, Inc. under the SFO by virtue of its interest in Motorola-Dragon Investment, Inc..

Save as disclosed above, at 31 December 2007, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 49% (2006: 80%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 18% (2006: 50%). Purchases from the Group's five largest suppliers accounted for approximately 70% (2006: 76%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 43% (2006: 40%).

The Group's five largest customers include two companies in which CITIC Group, a substantial shareholder of the Company, has indirect interests.

The Group's five largest suppliers include a group company of Motorola, Inc., a substantial shareholder of the Company.

Save as disclosed above, none of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors, own 5% or more of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 33 to the consolidated financial statements also constitute non-exempted continuing connected transactions for the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and are required to be disclosed in accordance with Chapter 14A of the Listing Rules as below.

During the year, the Group purchased set top boxes amounting to approximately HK$87,837,000 from a group company of Motorola, Inc., a substantial shareholder of the Company. The independent non-executive directors of the Company have reviewed these continuing connected transactions and have confirmed that:

a) These transactions were entered into in the ordinary and usual course of business of the Group;

b) These transactions were executed on normal commercial terms or on terms not less favourable than those given to independent third parties (if there were not sufficient comparable transactions to judge whether the transactions were executed on normal commercial terms);

c) The purchases were executed in accordance with the Non-exclusive Distributor Agreement, as amended by a supplemental agreement dated 12 July 2006, entered into between General Instrument Corporation and Digital Video Networks Company Limited, a wholly-owned subsidiary of the Group, on 18 December 2003 and were in the interests of the shareholders of the Company as a whole; and

d) The annual aggregate amount of the purchases has not exceeded the cap of HK$418 million for the year ended 31 December 2007 as approved by the independent shareholders of the Company in a special general meeting held on 16 October 2006.

During the year, the Group sold set top boxes and related software amounting to approximately HK$238,282,000 to certain customers in which associates (as defined under the Listing Rules) of CITIC Group, a substantial shareholder of the Company, have indirect interests. The independent non-executive directors of the Company have reviewed these continuing connected transactions and have confirmed that:

a) These transactions were entered into in the ordinary and usual course of business of the Group;

b) These transactions were executed on normal commercial terms or on terms not less favourable than those given to independent third parties (if there were no sufficient comparable transactions to judge whether the transactions were executed on normal commercial terms);

c) The sales were executed in accordance with the relevant agreements governing them and were in the interests of the shareholders of the Company as a whole; and

d) The annual aggregate amount of the sales has not exceeded the cap of HK$1.4 billion for the year ended 31 December 2007 as approved by the independent shareholders of the Company in a special general meeting held on 16 October 2006.

The Board of Directors engaged the auditors of the Company to perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings on the selected samples based on the agreed procedures to the Board of Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained the amount of 25% public float during the year as required under the Listing Rules.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events after the balance sheet date are set out in Note 34 to the consolidated financial statements.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Ko Chun Shun, Johnson
Chairman

Hong Kong, 15 April 2008

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DVN (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of DVN (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 32 to 98 which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
REVENUE	6	**991,293**	972,540
Cost of sales		**(685,989)**	(718,532)
Gross profit		**305,304**	254,008
Other income	*7*	**51,487**	20,961
Marketing, selling and distribution costs		**(63,603)**	(54,626)
Administrative expenses		**(126,478)**	(95,046)
Other operating expenses		**(41,227)**	(750,391)
Operating profit/(loss)	*8*	**125,483**	(625,094)
Finance costs	*10*	**(8)**	(56)
Share of loss of a jointly controlled entity		**–**	(1)
Share of profits of associates		**71**	579
PROFIT/(LOSS) BEFORE INCOME TAX		**125,546**	(624,572)
Income tax expenses	*11*	**(8,910)**	(1,544)
PROFIT/(LOSS) AFTER INCOME TAX		**116,636**	(626,116)
Dividends on preference shares		**(1,453)**	(5,812)
PROFIT/(LOSS) FOR THE YEAR		**115,183**	(631,928)
Attributable to:			
Equity holders of the Company	*28*	**115,183**	(631,925)
Minority interests		**–**	(3)
		115,183	(631,928)
DIVIDENDS	*13*	**22,762**	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*14*	**HK$0.10**	(HK$0.87)
Diluted	*14*	**HK$0.10**	N/A

The notes on pages 37 to 98 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**11,872**	10,284
Intangible assets	*16*	**50,324**	42,082
Interest in a jointly controlled entity	*18*	**–**	3,285
Interests in associates	*19*	**1,846**	2,291
Trade receivables	*21*	**173,013**	–
Total non-current assets		**237,055**	57,942
CURRENT ASSETS			
Inventories	*20*	**141,554**	69,530
Deferred income tax assets	*29*	**5,261**	6,120
Amounts due from related companies	*33*	**–**	475
Trade receivables	*21*	**520,533**	129,117
Prepayments, deposits and other receivables	*21*	**52,761**	190,185
Tax receivables		**9,104**	–
Pledged bank deposit	*22*	**6,000**	10,007
Cash and cash equivalents	*23*	**397,995**	516,413
Total current assets		**1,133,208**	921,847
CURRENT LIABILITIES			
Trade payables	*24*	**222,915**	138,745
Other payables and accruals		**101,519**	108,557
Tax payables		**11,205**	7,664
Obligations under finance leases, current portion	*25*	**8**	36
Total current liabilities		**335,647**	255,002
Net current assets		**797,561**	666,845
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,034,616**	724,787
NON-CURRENT LIABILITIES			
Obligations under finance leases	*25*	**–**	8
Net assets		**1,034,616**	724,779
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares	*26*	**113,808**	108,167
Reserves	*28*	**803,050**	498,854
		916,858	607,021
Minority interests	*30*	**117,758**	117,758
Total equity		**1,034,616**	724,779

Ko Chun Shun, Johnson
Director

Lui Pan
Director

The notes on pages 37 to 98 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

		Attributable to equity holders of the Company			
	Notes	**Ordinary shares** HK$'000	**Reserves** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1 January 2006		58,342	(2,560)	117,761	173,543
Exchange differences		–	4,556	–	4,556
Loss for the year		–	(631,925)	(3)	(631,928)
Total recognised income and expenses for the year ended 31 December 2006		–	(627,369)	(3)	(627,372)
Share option scheme:					
– share-based compensation	*28*	–	15,029	–	15,029
– proceeds from shares issued	*26 & 28*	2,566	21,611	–	24,177
Issue of ordinary shares, net of issuing expenses	*26 & 28*	47,259	1,092,143	–	1,139,402
		49,825	1,128,783	–	1,178,608
At 31 December 2006		108,167	498,854	117,758	724,779
At 1 January 2007		108,167	498,854	117,758	724,779
Exchange differences		–	34,778	–	34,778
Profit for the year		–	115,183	–	115,183
Total recognised income and expenses for the year ended 31 December 2007		–	149,961	–	149,961
Share option scheme:					
– share-based compensation	*28*	–	15,895	–	15,895
– proceeds from shares issued	*26 & 28*	641	7,946	–	8,587
Issue of ordinary shares, net of issuing expenses	*26 & 28*	5,000	130,394	–	135,394
		5,641	154,235	–	159,876
At 31 December 2007		113,808	803,050	117,758	1,034,616

The notes on pages 37 to 98 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	*31*	**(239,014)**	(20,717)
Interest paid		**(8)**	(56)
Tax paid		**(14,523)**	–
Net cash used in operating activities		**(253,545)**	(20,773)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment ("PPE")		**(8,567)**	(5,596)
Proceeds from disposal of PPE		**179**	607
Acquisition of an associate		**(1,073)**	(598)
Interest received		**19,391**	5,729
Payment for deferred development costs		**(27,945)**	(16,074)
Proceeds from disposal of an associate		**–**	5,617
Net proceeds from disposal of financial assets		**5,065**	1,200
Net cash used in investing activities		**(12,950)**	(9,115)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in pledged bank deposits		**4,007**	10,965
Proceeds from issuance of ordinary shares		**142,500**	476,700
Cost of issuance of ordinary shares		**(7,106)**	(23,940)
Proceeds from exercise of share options		**8,587**	24,177
Capital element of finance lease payments		**(8)**	(36)
Dividends on preference shares		**(3,875)**	(26,000)
Net cash generated from financing activities		**144,105**	461,866
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(122,390)**	431,978
Cash and cash equivalents at beginning of the year		**516,413**	81,669
Effect of foreign exchange rate changes		**3,972**	2,766
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*23*	**397,995**	516,413

The notes on pages 37 to 98 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**305**	–
Intangible assets	*16*	**–**	–
Interests in subsidiaries	*17*	**827,815**	115,259
Interest in a jointly controlled entity	*18*	**–**	–
Total non-current assets		**828,120**	115,259
CURRENT ASSETS			
Prepayments, deposits and other receivables		**632**	6,537
Cash and cash equivalents	*23*	**41,340**	426,770
Total current assets		**41,972**	433,307
CURRENT LIABILITIES			
Amount due to a related company		**963**	24
Other payables and accruals		**6,454**	4,550
Total current liabilities		**7,417**	4,574
Net current assets		**34,555**	428,733
Total assets less current liabilities/Net assets		**862,675**	543,992
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares	*26*	**113,808**	108,167
Reserves	*28*	**748,867**	435,825
Total equity		**862,675**	543,992

Ko Chun Shun, Johnson
Director

Lui Pan
Director

The notes on pages 37 to 98 are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

1 GENERAL INFORMATION

DVN (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the design, development, integration and sales of digital set top boxes, smart cards, conditional access system, digital broadcasting systems and the related software, and the provision of international financial market information and selective customer data.

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

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("HKD") and all values are rounded to the nearest thousand (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 15 April 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The consolidated financial statements of the Company have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Adoption of new/revised HKFRSs

The following new and revised HKFRSs are mandatory for accounting period beginning on or after 1 January 2007 and are relevant to the Group's operations:

HKAS 1 Amendment	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The principal changes in accounting policies are as follows:

(a) HKFRS 7 "Financial Instruments: Disclosures" and the complementary amendment to HKAS 1 "Presentation of Financial Statements – Capital Disclosures" introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to trade receivables and payables.

(b) HK(IFRIC) – Int 8 "Scope of HKFRS 2" requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. The adoption of this interpretation does not have any impact on the consolidated financial statements.

(c) HK(IFRIC) – Int 9 "Reassessment of Embedded Derivatives" clarifies that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity has first become a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The adoption of this interpretation has no material impact on the consolidated financial statements.

(d) HK(IFRIC) – Int 10 "Interim Financial Reporting and Impairment" prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of this interpretation does not have any impact on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

Certain new HKFRSs are mandatory for accounting periods beginning on or after 1 January 2008 or later periods. The Group is not required to adopt these new HKFRSs in the consolidated financial statements for the year ended 31 December 2007.

New HKFRSs effective for accounting periods beginning on or after 1 January 2008 or later periods are as follows:

HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments
HK(IFRIC) – Int 11	HKFRS2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill *(Note 2.6)*. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses *(Note 2.7)*. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(b) Associates and jointly controlled entity ("JCE")

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. JCE is a joint venture that involves the establishment of a cooperation, for which there is a contractual arrangement between the venturers establishing joint control over the economic activity of the entity. Investments in associates and JCE are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates and JCE include goodwill (net of any accumulated impairment loss) identified on acquisition *(Note 2.6)*.

The Group's share of its associates' and JCE's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or JCE equals or exceeds its interests in the associate or JCE, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or JCE.

Unrealised gains on transactions between the Group and its associates or JCE are eliminated to the extent of the Group's interest in the associates or JCE. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and JCE have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associates and JCE are stated at cost less provision for impairment losses *(Note 2.7)*. The results of associates and JCE are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HKD, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the shorter of the term of the lease and the estimated useful life
Furniture and fixtures	18% to 30%
Office equipment	18% to 25%
Network equipment and tooling	25% to 33.3%
Motor vehicles	18% to 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.7)*.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains or other operating expenses in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/JCE at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates/JCE is included in investments in associates/JCE and is tested annually for impairment as part of the overall balance. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets

(b) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects are recognised as an intangible asset where the technical feasibility and intention of completing the product under development have been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs, including mainly staff costs directly incurred during the development processes, are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Film rights

Expenditure incurred for the acquisition of film rights is capitalised. The film rights are included in intangible assets and are amortised either using the sum-of-digit method over the terms of the licensing period or on a straight-line basis over 20 years for perpetual film rights.

2.7 Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date classified as non-current assets. Loans and receivables are classified as trade receivables, other receivables and cash and cash equivalents *(Notes 2.10 and 2.11)*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour and other direct costs but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date are classified as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the consolidated income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to the depreciable assets are presented as deferred income and are released to consolidated income statement over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged to the consolidated income statement and are deducted in reporting the related expenses.

2.16 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group, JCE and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Current and deferred income tax *(Continued)*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and JCE, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Employee benefits

(a) Pension obligations

The Group participates in several defined contribution plans, under which the Group pays fixed contributions into separate entities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employees services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Employee benefits *(Continued)*

(c) Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses, based on performance and takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.18 Provisions and contingent liabilities

(a) Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the pre-tax expenditure expected to be required to settle the obligation that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Provisions and contingent liabilities *(Continued)*

(b) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, it will then be recognised as a provision.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership have been transferred to and goods are accepted by the customers and collectibility of the related receivables is reasonably assured.

(b) Instalment sales

Revenue attributable to the sales price, exclusive of interest, is recognised at the date of sale. The sales price is the present value of the consideration, determined by discounting the instalments receivable at the imputed rate of interest. The interest element is recognised as revenue as it is earned, using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Revenue recognition *(Continued)*

(c) Design, integration and installation of platform for digital broadcasting systems

Revenue from the design, integration and installation of platforms for digital broadcasting systems is recognised upon the satisfactory completion of each installation and acceptance by the customers.

(d) Rendering of services

Service fee income for provision of international financial market information and selective consumer data is recognised on a straight-line basis over the period of the service contract.

(e) Licensing income

Licensing income is recognised when the licences are granted to the licensees.

(f) Leasing income

Revenue from the leasing of digital broadcasting network equipment and technical know-how and related software is recognised on an agreed portion of net subscription income received from ultimate customers of the lessee in accordance with the respective agreements over the period services are rendered.

(g) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is discounted, the Group reduces the carrying amount of the receivable to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownerships are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group is exposed to a variety of financial risks which result from its operating and investing activities. The management periodically analyses and reviews measures to manage its exposure to market risk (including foreign currency risk, cashflow and interest rate risk and price risk), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management and has not used any derivatives or other instruments for hedging purposes.

At 31 December 2007, the Group's financial instruments mainly consisted of non-current receivables, trade receivables and other receivables, bank balances and deposits, trade payables and other payables, and obligations under finance leases.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

i. Foreign currency risk

The Group operates mainly in Mainland China and Hong Kong and the major foreign currency risk arises from fluctuations in 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 Mainland China, all revenues and purchases are denominated in RMB. As such, the Group does not hold or issue derivative financial instruments for trading purposes. Given the recently strong performance of RMB against HKD, the directors expect that the appreciation of RMB would have a favourable impact on the Group. Therefore, the Group has not used any financial instrument to hedge its foreign currency risk.

At 31 December 2007, if HKD had weakened/strengthened by 10% against RMB with all other variables held constant, the Group's profit after income tax and retained earnings would have been approximately HK$21,281,000 (2006: HK$7,364,000) higher/lower. Other components of equity would have been approximately HK$51,074,000 (2006: HK$5,088,000) higher/lower.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the exposure to foreign currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange currency rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2006.

ii. Cashflow and interest rate risk

The management considers the Group has no cashflow risk within the Group.

The Group's interest rate risk arises primarily from interest-bearing current bank balances and deposits.

At 31 December 2007, if interest rates at that date had been increased/decreased by 40 basis points with all other variables held constant, the Group's profit after income tax and retained earnings would have been increased/decreased by approximately HK$9,304,000 (2006: HK$4,718,000). Other components of equity would have no significant impact as the Group recognised interest income/expense arisen from operating transactions in the consolidated income statement.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

ii. Cashflow and interest rate risk *(Continued)*

The sensitivity analysis above has been determined assuming that a change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date, and that all other variables remain constant. The stated increase/decrease represents management's assessment of reasonably possible changes in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2006.

iii. Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

(b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the respective notes to the consolidated financial statements.

The Group's trade receivables are mainly receivables from the PRC customers arising from sales of goods and design, integration and installation of platforms for digital broadcasting systems. According to industrial practice and past payment patterns, the settlements of such trade receivable balances are slow. In order to minimise the credit risk, the Group has policies in place to review the recoverability of trade receivable balances on an ongoing basis and assess the adequacy of provision for impairment.

(c) Liquidity risk

The Group implements a prudent liquidity risk management to regularly monitor current and expected liquidity requirements for maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet its liquidity requirements in the short and longer term.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit facilities available from various banks. The liquidity risk of the Group is primarily attributable to trade payables and other payables, and obligations under finance leases.

The Group's financial liabilities that having contractual maturities as at the balance sheet date were summarised as follows:

	On demand	Within 1 year	Over 1 year	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2007				
Trade payables	7,192	215,723	–	222,915
Obligations under finance leases	–	8	–	8
	7,192	215,731	–	222,923
At 31 December 2006				
Trade payables	14,060	124,685	–	138,745
Obligations under finance leases	–	36	8	44
	14,060	124,721	8	138,789

3.2 Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders to support the Group's sustainable growth and to maintain an optimal capital structure to reduce the cost of capital.

The Group reviews and manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006. The Group is not subject to externally imposed capital requirements.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management *(Continued)*

The Group monitors its capital structure on the basis of a total liabilities-to-total assets ratio. During 2007, the Group's strategy was to maintain the total liabilities-to-total assets ratio below 50%. The total liabilities-to-total assets ratio at 31 December 2007 was 24% (2006: 26%).

3.3 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Revenue

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The Group granted certain credit terms to instalment sales customers by allowing them to settle the sales price over several years and revenue is recognised based on present value of the consideration. The Group is required to exercise considerable judgement in revenue recognition, particularly on the discount rate and the assessment whether it is probable that the future economic benefits will flow to the Group. The Group bases its estimates on historical results, taking into consideration the type and background of customers, the credit terms offered to them and the specifics of each arrangement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.2 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax asset may arise. Such reversal would be recognised in the consolidated income statement.

4.3 Property, plant and equipment and depreciation

Property, plant and equipment used by the Group are long-lived. The annual depreciation charges are sensitive to the estimated useful lives the Group allocates to each type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of their estimated useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use in accordance with the accounting policy stated in Note 2.7. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate.

4.4 Trade receivables

The policy for impairment assessment for trade receivables of the Group is based on the evaluation of collectibility and aging analysis of trade receivables and judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment provision may be required.

4.5 Inventories

The Group estimates the provision for inventories based on the best available facts and circumstances, including but not limited to the inventories' own conditions, market selling prices, prospects of sale, estimated costs of completion and estimated costs to be incurred for their sale. The provisions are re-evaluated and adjusted periodically when additional information is available.

5 SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) Digital broadcasting business ("DVB Business") – The design, development, integration and sales of digital set top boxes, smart cards, conditional access system, digital broadcasting systems and related software;

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

(iii) Corporate – Corporate income and expenses.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segment

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the years ended 31 December 2007 and 2006 by business segments is as follows:

	DVB Business		Other		Corporate		Unallocated		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**970,062**	955,071	**21,231**	17,469	**–**	–	**–**	–	**991,293**	972,540
Segment results	**147,677**	80,114	**3,817**	1,269	**(26,011)**	(706,477)	**–**	–	**125,483**	(625,094)
Finance costs							**(8)**	(56)	**(8)**	(56)
Share of loss of a JCE	**–**	(1)							**–**	(1)
Share of profits of associates	**71**	579							**71**	579
Profit/(loss) before income tax									**125,546**	(624,572)
Income tax expenses									**(8,910)**	(1,544)
Profit/(loss) after income tax									**116,636**	(626,116)
Dividends on preference shares									**(1,453)**	(5,812)
Profit/(loss) for the year									**115,183**	(631,928)

5 SEGMENT INFORMATION *(Continued)*

(a) Business segment *(Continued)*

	DVB Business		Other		Corporate		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**674,148**	535,775	**8,994**	5,131	**685,275**	433,307	**1,368,417**	974,213
Interest in a JCE	**–**	3,285	**–**	–	**–**	–	**–**	3,285
Interests in associates	**1,846**	2,291	**–**	–	**–**	–	**1,846**	2,291
Total assets	**675,994**	541,351	**8,994**	5,131	**685,275**	433,307	**1,370,263**	979,789
Segment liabilities	**324,696**	249,085	**3,534**	1,351	**7,417**	4,574	**335,647**	255,010
Capital expenditure	**35,852**	21,493	**281**	177	**379**	686,642	**36,512**	708,312
Depreciation	**6,604**	9,823	**179**	137	**74**	–	**6,857**	9,960
Amortisation	**15,702**	5,046	**–**	–	**–**	195,179	**15,702**	200,225

(b) Geographical segment

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the years ended 31 December 2007 and 2006 by geographical segments is as follows:

	Mainland China		Hong Kong		Other Southeast Asian countries		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue	**885,720**	923,550	**97,801**	43,150	**7,772**	5,840	**991,293**	972,540
Other segment information								
Segment assets	**961,169**	401,095	**406,079**	576,762	**3,015**	1,932	**1,370,263**	979,789
Capital expenditure	**31,247**	704,268	**5,169**	3,985	**96**	59	**36,512**	708,312

6 REVENUE

An analysis of revenue is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Revenue from sales of goods	**921,676**	900,767
Revenue from design, integration and installation of platforms for digital broadcasting systems	**9,624**	25,583
Revenue from provision of international financial market information and selective consumer data	**21,231**	17,469
Licensing income	**35,188**	24,360
Leasing income	**3,574**	4,361
	991,293	972,540

7 OTHER INCOME

	Group	
	2007	2006
	HK$'000	HK$'000
Interest income on bank balances	**19,391**	5,729
Value-added tax refund	**18,048**	11,917
Short-term investment income	**5,065**	–
Government grants	**608**	1,546
Gain on disposal of an associate	**–**	124
Others	**8,375**	1,645
	51,487	20,961

Notes to Consolidated Financial Statements

8 OPERATING PROFIT/(LOSS)

The Group's operating profit/(loss) is arrived at after charging/(crediting):

	Group	
	2007	2006
	HK$'000	HK$'000
Cost of inventories sold	**680,166**	713,973
Cost of provision of financial market information and selective consumer data	**5,823**	4,559
Depreciation	**6,857**	9,960
Auditors' remuneration:		
Provision for the year	**1,938**	1,800
Under-provision for previous years	**327**	325
Employee benefit expenses *(Note 9)*	**87,670**	59,280
Operating lease rentals on land and buildings	**8,305**	5,809
Net exchange gains	**(3,607)**	(5,448)
Net loss/(gain) on disposal of property, plant and equipment	**400**	(94)
Other operating expenses including:		
Write-off of priority supply rights *(Note 16)*	**–**	491,463
Amortisation of priority supply rights *(Note 16)*	**–**	195,179
Amortisation of deferred development costs *(Note 16)*	**15,702**	5,046
Write-off of deferred development costs *(Note 16)*	**4,513**	–
Provision for impairment of property, plant and equipment	**–**	5,621
Provision for impairment of a JCE	**3,285**	3,124
Provision for impairment of associates	**1,207**	–
Provision for impairment of goodwill in interests in associates	**547**	–
Provision for inventories	**7,012**	41,194
Provision for impairment of trade receivables, prepayments, deposits and other receivables	**8,545**	8,585
Write-off of bad debts	**–**	210

Notes to Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES

	Group	
	2007	2006
	HK$'000	HK$'000
Wages and salaries	**86,092**	54,716
Share options granted to directors and employees	**15,067**	15,029
Pension costs – defined contribution plans	**1,594**	1,449
Termination benefits	**137**	3
Unutilised annual leave	**854**	859
Long service payment	**418**	614
	104,162	72,670
Less: costs capitalised	**(16,492)**	(13,390)
	87,670	59,280

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments

The remuneration of every director of the Company for the year ended 31 December 2007 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Share-based compensation	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000 *Note (i)*	HK$'000	HK$'000	HK$'000
Mr Ko Chun Shun, Johnson	120	–	1,500	–	696	–	2,316
Dr Lui Pan	144	3,796	1,500	20	1,864	81	7,405
Mr Luo Ning	–	–	–	–	–	–	–
Mr Qiu Yiyong	–	–	–	–	–	–	–
Mr Jin Wei	–	–	–	–	–	–	–
Mr Wang Daoyi	–	–	–	–	–	–	–
Mr Hu Qinggang	–	1,040	1,100	–	2,311	50	4,501
Mr Shaw Sun Kan, Gordon	–	–	–	–	149	–	149
Mr Jerry Sze	–	–	–	–	149	–	149
Mr Itzhak Shenberg	–	–	–	–	–	–	–
Mr Chu Hon Pong	144	–	–	–	149	–	293
Mr Liu Tsun Kie	144	–	–	–	149	–	293
Mr Yap Fat Suan, Henry	144	–	–	–	149	–	293
Total	696	4,836	4,100	20	5,616	131	15,399

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of every director of the Company for the year ended 31 December 2006 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Share-based compensation	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000 *Note (i)*	HK$'000	HK$'000	HK$'000
Mr Ko Chun Shun, Johnson	–	120	1,500	–	891	–	2,511
Dr Lui Pan	144	3,147	1,000	151	–	12	4,454
Mr Luo Ning	–	–	–	–	–	–	–
Mr Qiu Yiyong	–	–	–	–	–	–	–
Mr Jin Wei	–	–	–	–	–	–	–
Mr Wang Daoyi	–	–	–	–	–	–	–
Mr Hu Qinggang	–	252	63	–	–	–	315
Mr Shaw Sun Kan, Gordon	–	–	–	–	–	–	–
Mr Jerry Sze	–	–	–	–	363	–	363
Mr Itzhak Shenberg	–	–	–	–	–	–	–
Ms Cheung Sum Yu, Fiona	–	–	–	–	–	–	–
Mr Chu Hon Pong	144	–	–	–	–	–	144
Mr Liu Tsun Kie	–	–	–	–	–	–	–
Mr Yap Fat Suan, Henry	144	–	–	–	–	–	144
Total	432	3,519	2,563	151	1,254	12	7,931

Note (i) Other benefits include staff quarter and club membership fee.

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: two) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: three) individuals during the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**4,008**	1,630
Discretionary bonuses	**4,000**	3,914
Share-based compensation	**3,544**	4,895
Contributions to pension schemes	**20**	9
	11,572	10,448

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2007**	2006
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**–**	1
HK$4,000,001 – HK$4,500,000	**1**	1
HK$4,500,001 – HK$5,000,000	**1**	–

10 FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank and other borrowings	**–**	49
Interest element of finance leases	**8**	7
	8	56

11 INCOME TAX EXPENSES

	Group	
	2007	2006
	HK$'000	HK$'000
Current – outside Hong Kong	**8,051**	7,664
Deferred income tax	**859**	(6,120)
Total tax expenses for the year	**8,910**	1,544

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the operations in Hong Kong either did not have any assessable profit for the year or had sufficient tax losses brought forward to offset against the assessable profit arising during the year.

Taxes on overseas profits have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The current PRC corporate income tax has been provided in respect of operations in the PRC at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

According to the new Corporate Income Tax Law in the PRC, the tax rate of certain PRC entities will be changed from 33% to 25% with effect from 1 January 2008.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rate applicable to each of the Group companies as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Profit/(loss) before income tax	**125,546**	(624,572)
Notional tax calculated at the rates applicable in the countries concerned	**65,817**	(81,900)
Tax incentives	**(62,453)**	(15,542)
Income not subject to taxation	**(2,962)**	(1,792)
Expenses not deductible for taxation purposes	**6,260**	126,279
Utilisation of previously unrecognised tax losses	**(938)**	(27,961)
Temporary differences not recognised	**(4,046)**	–
Tax losses not recognised	**7,232**	2,460
Tax expenses	**8,910**	1,544

The weighted average applicable tax rate for the year was 52% (2006: 13%). The change in weighted average applicable tax rate was mainly caused by a change in mix of profits earned in different Group companies which are subject to different tax rates, while there were no significant changes in the respective tax rates.

12 PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY

The profit attributable to the ordinary equity holders of the Company for the year ended 31 December 2007 dealt with in the financial statements of the Company was approximately HK$158,807,000 (2006: loss of HK$758,594,000).

13 DIVIDENDS

No interim dividend was paid during the year and previous year. The Board of Directors of the Company recommends to declare a final dividend of HK$0.02 per share for the year ended 31 December 2007 (2006: Nil) subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The dividend has not been provided for in the consolidated financial statements.

14 EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to the ordinary equity holders of the Company of approximately HK$115,183,000 (2006: loss of HK$631,925,000) and the weighted average number of 1,128,390,172 (2006: 722,900,813) ordinary shares in issue during the year.

The calculation of the diluted earnings per share for the year is based on the Group's profit attributable to the ordinary equity holders of the Company of approximately HK$115,183,000 and the weighted average number of ordinary shares in issue during the year assuming the exercise of the outstanding share options, the dilutive potential ordinary shares of the Company. A calculation is made to determine the number of ordinary shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares over the period) based on the monetary value of the subscription rights attached to the outstanding share options. The weighted average number of ordinary shares for the calculation of the diluted earnings per share is set out as follows:

Weighted average number of ordinary shares in issue	1,128,390,172
Adjustment for share options	6,862,889
Weighted average number of ordinary shares for diluted earnings per share	1,135,253,061

Diluted loss per share for the year ended 31 December 2006 had not been calculated as the impact of the outstanding share options was anti-dilutive.

Notes to Consolidated Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Network equipment and tooling HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006						
Cost	3,992	74,979	12,858	2,512	4,339	98,680
Accumulated depreciation and impairment	(3,422)	(56,790)	(12,578)	(1,870)	(3,616)	(78,276)
Net carrying amount	570	18,189	280	642	723	20,404
Year ended 31 December 2006						
Opening net carrying amount	570	18,189	280	642	723	20,404
Exchange differences	7	264	64	18	25	378
Additions	681	2,669	1,717	82	447	5,596
Disposals	(18)	(401)	(16)	(10)	(68)	(513)
Transfer	–	–	(9)	9	–	–
Depreciation *(Note 8)*	(463)	(7,930)	(1,049)	(338)	(180)	(9,960)
Impairment losses *(Note 8)*	–	(5,621)	–	–	–	(5,621)
Closing net carrying amount	777	7,170	987	403	947	10,284
At 31 December 2006						
Cost	4,808	72,183	14,029	2,614	4,300	97,934
Accumulated depreciation and impairment	(4,031)	(65,013)	(13,042)	(2,211)	(3,353)	(87,650)
Net carrying amount	777	7,170	987	403	947	10,284
Year ended 31 December 2007						
Opening net carrying amount	777	7,170	987	403	947	10,284
Exchange differences	45	233	88	28	63	457
Additions	2,051	133	4,893	665	825	8,567
Disposals	—	(205)	(124)	(87)	(163)	(579)
Depreciation *(Note 8)*	(229)	(5,003)	(1,264)	(110)	(251)	(6,857)
Closing net carrying amount	2,644	2,328	4,580	899	1,421	11,872
At 31 December 2007						
Cost	3,471	68,035	4,718	2,599	4,566	83,389
Accumulated depreciation and impairment	(827)	(65,707)	(138)	(1,700)	(3,145)	(71,517)
Net carrying amount	2,644	2,328	4,580	899	1,421	11,872

At 31 December 2006, the closing net carrying amount of the Group's office equipment included an amount of HK$11,000 in respect of assets held under finance leases.

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Network equipment HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Total HK$'000
At 1 January 2006				
Cost	939	–	18	957
Accumulated depreciation	(939)	–	(18)	(957)
Net carrying amount	–	–	–	–
Year ended 31 December 2006				
Opening net carrying amount	–	–	–	–
Disposals	–	–	–	–
Closing net carrying amount	–	–	–	–
At 31 December 2006				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Net carrying amount	–	–	–	–
Year ended 31 December 2007				
Opening net carrying amount	–	–	–	–
Additions	–	379	–	379
Depreciation	–	(74)	–	(74)
Closing net carrying amount	–	305	–	305
At 31 December 2007				
Cost	–	379	–	379
Accumulated depreciation	–	(74)	–	(74)
Net carrying amount	–	305	–	305

16 INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Deferred development costs HK$'000	Film rights HK$'000	Priority supply rights HK$'000 *(Note (i))*	Total HK$'000
At 1 January 2006					
Cost	95,905	56,397	49,309	–	201,611
Accumulated amortisation and impairment	(95,905)	(25,517)	(49,309)	–	(170,731)
Net carrying amount	–	30,880	–	–	30,880
Year ended 31 December 2006					
Opening net carrying amount	–	30,880	–	–	30,880
Additions	–	16,074	–	686,642	702,716
Amortisation charge *(Note 8)*	–	(5,046)	–	(195,179)	(200,225)
Write-off *(Note 8)*	–	–	–	(491,463)	(491,463)
Exchange differences	–	174	–	–	174
Closing net carrying amount	–	42,082	–	–	42,082
At 31 December 2006					
Cost	95,905	72,493	49,309	686,642	904,349
Accumulated amortisation and impairment	(95,905)	(30,411)	(49,309)	(686,642)	(862,267)
Net carrying amount	–	42,082	–	–	42,082
Year ended 31 December 2007					
Opening net carrying amount	–	42,082	–	–	42,082
Additions	–	27,945	–	–	27,945
Amortisation charge *(Note 8)*	–	(15,702)	–	–	(15,702)
Write-off *(Note 8)*	–	(4,513)	–	–	(4,513)
Exchange differences	–	512	–	–	512
Closing net carrying amount	–	50,324	–	–	50,324
At 31 December 2007					
Cost	–	83,483	49,309	686,642	819,434
Accumulated amortisation and impairment	–	(33,159)	(49,309)	(686,642)	(769,110)
Net carrying amount	–	50,324	–	–	50,324

16 INTANGIBLE ASSETS *(Continued)*

Company

	Priority supply rights HK$'000 *(Note (i))*
At 1 January 2006	
Cost	–
Accumulated amortisation and impairment	–
Net carrying amount	–
Year ended 31 December 2006	
Opening net carrying amount	–
Additions	686,642
Amortisation charge	(195,179)
Write-off	(491,463)
Closing net carrying amount	–
At 31 December 2006	
Cost	686,642
Accumulated amortisation and impairment	(686,642)
Net carrying amount	–
Year ended 31 December 2007	
Opening net carrying amount	–
Additions	–
Amortisation charge	–
Write-off	–
Closing net carrying amount	–
At 31 December 2007	
Cost	686,642
Accumulated amortisation and impairment	(686,642)
Net carrying amount	–

Notes to Consolidated Financial Statements

16 INTANGIBLE ASSETS *(Continued)*

Note (i) On 18 October 2006, the Company issued 237,592,607 new ordinary shares to Easy Flow Investments Limited as consideration to acquire priority supply rights for the Group to supply in aggregate of no less than 6 million set top boxes and to appoint the Group as the priority technical service and set top box provider within a period of three years (the "Priority Supply Rights"). The fair value of these shares, based on the market value at the completion date of the acquisition, 18 October 2006, was approximately HK$686,642,000 *(Note 26)*.

In accounting for the acquisition, the Group engaged an external valuer to appraise the fair value of the Priority Supply Rights acquired. The fair value was approximately HK$195,179,000 at the completion date.

According to the applicable accounting standards, the excess of the fair value of the consideration shares issued over the fair value of the Priority Supply Rights acquired of HK$491,463,000 was charged to the consolidated income statement within "Other Operating Expenses" in 2006.

During 2006, the Group received more than 6 million Priority Supply Rights. Accordingly, the entire balance of the Priority Supply Rights was fully amortised. The amortisation expense of HK$195,179,000 was charged to the consolidated income statement within "Other Operating Expenses".

17 INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted investments, at cost	**67,732**	67,732
Less: Provision for impairment	**(67,732)**	(67,732)
	–	–
Loan to a subsidiary	**26,736**	25,284
Amounts due from subsidiaries	**1,139,388**	592,166
	1,166,124	617,450
Less: Provision for amounts due from subsidiaries	**(338,309)**	(502,191)
	827,815	115,259
	827,815	115,259

17 INTERESTS IN SUBSIDIARIES *(Continued)*

The balances with subsidiaries are unsecured, interest-free and without fixed terms of repayment.

The table below lists out the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation or registration/operation	Nominal value of issued ordinary shares/preference shares/registered capital	Interest held	Principal activities
DVN (Group) Limited	British Virgin Islands	US$10 ordinary US$15,000,000 preference	[1]100%	Investment holding
DVN (Management) Limited	Hong Kong	HK$2 ordinary	[1]100%	Provision of administrative services
DVN Technology Limited	Hong Kong	HK$2 ordinary	[1]100%	Design, development, integration and sales of digital set top boxes, digital broadcasting systems and related software
Digital Video Networks Company Limited	[2]Mainland China	US$13,000,000 registered capital	100%	Design, development, integration and sales of digital set top boxes, digital broadcasting systems and related software
天栢寬帶網絡科技（上海）有限公司	[2]Mainland China	US$10,000,000 registered capital	100%	Design, development, integration and sales of digital set top boxes, digital broadcasting systems and related software
天柏寬帶網絡科技(北京)有限公司	[2]Mainland China	RMB100,000,000 registered capital	100%	Design, development, integration and sales of digital set top boxes, digital broadcasting systems and related software

17 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/operation	Nominal value of issued ordinary shares/preference shares/registered capital	Interest held	Principal activities
DVN Technology (Shenzhen) Company Limited	[2]Mainland China	HK$6,000,000 registered capital	100%	Development of hardware and software in relation to digital broadcasting
廣西天柏寬帶網絡科技有限公司	[2]Mainland China	RMB3,000,000 registered capital	100%	Design, development, integration and sales of digital set top boxes, digital broadcasting systems and related software
天數寬頻科技(上海)有限公司	[2]Mainland China	US$10,000,000 registered capital	100%	Sales of digital set top boxes, digital broadcasting systems and related software
Digital Video Networks Limited	Hong Kong	HK$2 ordinary	[1]100%	Holding of patents
Rich Linkage Limited	British Virgin Islands	US$1 ordinary	100%	Investment holding
Rise Reach Limited	British Virgin Islands	US$1 ordinary	100%	Provision of marketing services
Step Success Trading Company Limited	British Virgin Islands	US$1 ordinary	100%	Investment holding
Whizz Kid Limited	British Virgin Islands	US$1 ordinary	100%	Investment holding
Dynamic Network Limited	British Virgin Islands	US$1 ordinary	[1]100%	Investment holding
Telequote Data International Limited	Hong Kong	HK$10,000 ordinary	100%	Provision of international financial market information and selective consumer data
Telequote Network (Singapore) Pte Limited	Singapore	SGD2 ordinary	100%	Provision of international financial market information and selective consumer data

1 Shares held directly by the Company.

2 Registered as wholly foreign owned enterprise under the PRC law.

18 INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2007	2006
	HK$'000	HK$'000
Beginning of the year	**3,285**	6,410
Share of loss of a JCE	**–**	(1)
Provision for impairment	**(3,285)**	(3,124)
End of the year	**–**	3,285

As the JCE has been dormant since July 2006, an impairment provision of HK$3,285,000 (2006: HK$3,124,000) was recognised for the amount by which the carrying value of the interest exceeds its recoverable amount.

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted investment outside Hong Kong, at cost	**14,200**	14,200
Provision for impairment	**(14,200)**	(14,200)
End of the year	**–**	–

The Company has a 50% equity interest in a JCE, Jiangsu Hongtian Broad Communication Co., Ltd, an unlisted company incorporated and operated in the PRC, which provides design, development, integration and sales of digital set top boxes, digital broadcasting systems and related software.

19 INTERESTS IN ASSOCIATES

	Group	
	2007	2006
	HK$'000	HK$'000
Cost of investment	**2,767**	1,658
Exchange differences	**157**	60
Impairment of goodwill	**(547)**	–
Provision for impairment	**(1,207)**	–
Share of the cumulative post-acquisition results of associates	**676**	573
	1,846	2,291

19 INTERESTS IN ASSOCIATES *(Continued)*

Details of the associates, all of which are unlisted, incorporated and operated in the PRC, as at 31 December 2007, were as follows:

Name	Nominal value of registered capital	Interest held	Principal activities
廣西潤眾數字電視傳媒技術有限公司	RMB3,000,000	20%	Integration and sales of digital set top boxes, digital broadcasting systems and related software
包頭羅拉數字傳媒信息網絡有限公司	RMB10,000,000	22.5%	Integration and sales of digital set top boxes, digital broadcasting systems and related software
常州盛圖網絡信息有限公司	RMB4,000,000	25%	Integration and sales of digital broadcasting systems and related software

20 INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**14,364**	5,915
Work-in-progress	**38,261**	13,063
Finished goods	**88,929**	50,552
	141,554	69,530

21 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**698,852**	132,926
Less: Non-current portion	**(173,013)**	–
	525,839	132,926
Less: Provision for impairment	**(5,306)**	(3,809)
Current portion	**520,533**	129,117
Prepayments, deposits and other receivables, net	**52,761**	190,185
	573,294	319,302

The fair values of trade receivables, prepayments, deposits and other receivables, net approximate their carrying values.

Non-current trade receivables, that are neither past due nor impaired, are related to instalment sales of digital set top boxes and are receivable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Between 1 and 2 years	**31,116**	–
Between 2 and 5 years	**115,336**	–
Over 5 years	**26,561**	–
	173,013	–

The effective interest rates on non-current trade receivables ranged from 6.5% to 7.8% per annum.

21 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The Group's trading terms with its customers are payment in advance or on credit. The credit period is generally for a period of three months, extending up to nine months for certain major customers. The Group also has instalment sales to certain customers with repayments within several years. The Group seeks to maintain strict control over its outstanding receivables. The Group performs ongoing credit evaluation of its customers and makes frequent contact with its customers. The Group believes that no significant credit risk exists as credit losses, when realised, have been within the range of management's expectation.

An aging analysis of the current trade receivables, net of provision, as at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
1 – 6 months	**433,079**	123,144
7 – 12 months	**87,347**	5,973
Over 12 months	**107**	–
	520,533	129,117

At 31 December 2007, trade receivables that are less than six months past due are not considered impaired. Trade receivables of HK$87,454,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables without provision made are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
7 – 12 months	**87,347**	5,973
Over 12 months	**107**	–
	87,454	5,973

21 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The carrying amounts of the Group's current trade receivables are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
RMB	**503,119**	127,680
United States dollars	**17,414**	1,437
	520,533	129,117

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables mentioned above. The Group does not hold any collateral as security.

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**3,809**	17,833
Provision for impairment	**1,441**	4,742
Amounts recovered	**–**	(18,642)
Exchange differences	**56**	(124)
At 31 December	**5,306**	3,809

Such provision was determined after taking into account the aging of the individual trade receivable balances, the creditworthiness and the past collection history of the customers.

Subsequent to the balance sheet date, a subsidiary of the Company extended the credit terms to a debtor, amounting to HK$17,854,000, which is allowed to settle the outstanding balance as at 31 December 2007 in the coming 6 years. The subsidiary has assessed the repayment ability of this customer before entering into this new arrangement. The subsidiary will record the outstanding balance with maturities greater than 12 months as non-current trade receivables, which will be measured at amortised cost using the effective interest method. Given the receivable is interest bearing at a rate close to the prevailing bank interest rate, no provision for impairment is required.

22 PLEDGED BANK DEPOSIT

At 31 December 2007, the Group had a bank deposit pledged to a bank to secure the banking facilities granted to the Group. The carrying amount of the pledged bank deposit approximates its fair value.

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**83,583**	86,638	**2,357**	5,449
Short-term bank deposits	**314,412**	429,775	**38,983**	421,321
	397,995	516,413	**41,340**	426,770

At 31 December 2007, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$38,283,000 (2006: HK$51,413,000). RMB is not freely convertible into other currencies. However, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business in the PRC.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the cash requirements of the Group, and earn interest at the respective short-term bank deposit rates. The carrying amounts of the cash and cash equivalents approximate their fair values.

24 TRADE PAYABLES

An aging analysis of the trade payables as at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
1 – 6 months	**198,448**	123,360
7 – 12 months	**16,147**	1,325
Over 12 months	**8,320**	14,060
	222,915	138,745

25 OBLIGATIONS UNDER FINANCE LEASES

	Group 2007 HK$'000	2006 HK$'000
Wholly repayable within five years	**8**	44
Current portion	**(8)**	(36)
Non-current portion	**–**	8

At 31 December 2007, the Group's finance lease liabilities were repayable as follows:

	Group 2007 HK$'000	2006 HK$'000
Within one year	**10**	44
In the second to fifth year	**–**	10
	10	54
Future finance charges on finance leases	**(2)**	(10)
Present value of finance lease liabilities	**8**	44

The present value of finance lease liabilities is as follows:

	Group 2007 HK$'000	2006 HK$'000
Within one year	**8**	36
In the second to fifth year	**–**	8
	8	44

26 ORDINARY SHARES

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorised		
At 31 December 2007 and 2006	3,000,000,000	300,000
Issued and fully paid		
At 1 January 2006	583,418,488	58,342
Issue of shares on 14 July 2006 *(Note (i))*	117,000,000	11,700
Issue of shares on 18 October 2006 *(Note (ii))*	237,592,607	23,759
Issue of shares on 27 December 2006 *(Note (iii))*	118,000,000	11,800
Exercise of share options	25,660,337	2,566
At 31 December 2006	1,081,671,432	108,167
Issue of shares on 5 March 2007 *(Note (iv))*	50,000,000	5,000
Exercise of share options	6,410,000	641
At 31 December 2007	1,138,081,432	113,808

Notes:

(i) Pursuant to the share subscription agreement entered into between Motorola-Dragon Investment, Inc. ("Motorola-Dragon") and the Company on 18 May 2004 (the "Subscription Agreement"), the third and fourth tranches of the subscription rights of Motorola-Dragon under the Subscription Agreement were completed on 14 July 2006 and the Company issued to Motorola-Dragon 117,000,000 new ordinary shares at a consideration of HK$140.4 million.

(ii) Pursuant to an agreement entered into between Easy Flow Investments Limited (the "Strategic Partner") and the Company on 13 June 2006 (as amended by a supplemental agreement dated 10 July 2006), the Strategic Partner has conditionally agreed to transfer or procure its associates to transfer to the Group within a period of three years priority rights to supply in aggregate of no less than 6 million set top boxes and to appoint the Group as the priority technical service and set top box provider (the "Cooperation"). On 18 October 2006, the Company issued to the Strategic Partner 237,592,607 new ordinary shares as consideration for the Cooperation.

26 ORDINARY SHARES *(Continued)*

Notes:

(iii) Pursuant to a share subscription agreement entered into between the Company, the Strategic Partner and CITIC United Asia Investments Limited on 14 December 2006, the Company issued to the Strategic Partner 118,000,000 new ordinary shares at HK$2.85 per share at a total consideration of approximately HK$336.3 million. Such shares were subscribed by the Strategic Partner following the placing of the same amount of shares at the same price in a "top-up placement" fund raising exercise of the Company.

(iv) Pursuant to a share subscription agreement entered into between Mr Ko Chun Shun, Johnson ("Mr Ko") and the Company on 14 December 2006, the Company issued to Mr Ko 50,000,000 new ordinary shares at HK$2.85 per share at a total consideration of approximately HK$142.5 million. Such shares were subscribed by Mr Ko on 5 March 2007 following the placing of the same amount of shares at the same price in a "top-up placement" fund raising exercise of the Company on 27 December 2006.

The proceeds of the above issues of shares were utilised as additional working capital of the Group.

27 SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") at a special general meeting held on 26 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 limited to the directors, employees, partners, associates of the Group and its shareholders) to the Group. The Scheme is designed to motivate executives and key employees and other persons who make contributions to the Group and enable the Group to attract and retain individuals with experience and ability and to reward them for their 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 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 (the "Stock Exchange") daily quotation sheet 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 Stock Exchange'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.

27 SHARE OPTION SCHEME *(Continued)*

During the year, certain share options as stated below were granted under the Scheme with fair values estimated to be HK$0.8798, HK$0.8798, HK$0.5198 and HK$0.5998 respectively using the Black-Scholes option pricing model with the following input variables:

Date of grant of share options	Number of options	Exercise price per option HK$	Exercise period of share options	Date of appraisal	Risk-free interest rate	Expected dividend yield per share	Expected volatility	Closing price of shares before the date of grant of share options HK$	Expected life
12/2/2007	500,000	1.99	12/8/2007 to 11/2/2017	12/2/2007	4.29%	0%	45.93%	1.99	12/2/2007 to 11/2/2017
12/2/2007	500,000	1.99	12/2/2008 to 11/2/2017	12/2/2007	4.29%	0%	45.93%	1.99	12/2/2007 to 11/2/2017
25/5/2007 *(Note (ii))*	29,101,000	1.88	26/5/2008 to 25/5/2010	25/5/2007	4.11%	0%	53.67%	1.77	25/5/2007 to 25/5/2010
25/5/2007 *(Note (ii))*	29,101,000	1.88	26/5/2009 to 25/5/2010	25/5/2007	4.11%	0%	53.67%	1.77	25/5/2007 to 25/5/2010

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

	2007		2006	
	Weighted average exercise price per share HK$	**Number of options**	Weighted average exercise price per share HK$	Number of options
At 1 January	**1.40**	**35,211,001**	1.03	37,371,338
Granted and accepted	**1.88**	**59,202,000**	1.50	23,500,000
Exercised	**1.34**	**(6,410,000)**	0.94	(25,660,337)
At 31 December	**1.73**	**88,003,001**	1.40	35,211,001

27 SHARE OPTION SCHEME *(Continued)*

Out of the 88,003,001 outstanding options as at 31 December 2007 (2006: 35,211,001), 29,301,001 options (2006: 11,711,001) were exercisable. Options exercised in 2007 resulted in 6,410,000 shares (2006: 25,660,337) issued with weighted average exercise price of HK$1.34 each (2006: HK$0.94). The related weighted average share price at the time of exercise was HK$1.83 (2006: HK$2.07) per share.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price per share	Number of options	
	HK$	**2007**	2006
30 June 2008 *(Note (i))*	**1.500**	**19,070,000**	23,500,000
23 July 2008	**1.470**	**6,548,000**	7,028,000
31 December 2008	**0.824**	**3,183,001**	4,683,001
25 May 2010 *(Note (ii))*	**1.880**	**58,202,000**	–
11 February 2017	**1.990**	**1,000,000**	–
		88,003,001	35,211,001

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

Date of share options granted	27 January 2006
Exercise price	HK$1.500
Exercise period	1 January 2007 – 30 June 2008 *(Note (i))*

	Outstanding options as at 1 January 2007	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options as at 31 December 2007	Weighted average closing price before dates of exercise
						HK$
Held by employees						
In aggregate	23,500,000	–	(4,430,000)	–	19,070,000	1.955

27 SHARE OPTION SCHEME *(Continued)*

Date of share options granted	23 July 2002
Exercise price	HK$1.470
Exercise period	24 July 2002 – 23 July 2008

	Outstanding options as at 1 January 2007	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options as at 31 December 2007	Weighted average closing price before dates of exercise HK$
Held by directors						
Mr Ko Chun Shun, Johnson	3,000,000	–	–	–	3,000,000	–
Dr Lui Pan	1,500,000	–	–	–	1,500,000	–
Held by employees						
In aggregate	2,528,000	–	(480,000)	–	2,048,000	2.170
Total	7,028,000	–	(480,000)	–	6,548,000	

27 SHARE OPTION SCHEME *(Continued)*

Date of share options granted	10 December 2003
Exercise price	HK$0.824
Exercise period	1 January 2004 – 31 December 2008

	Outstanding options as at 1 January 2007	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options as at 31 December 2007	Weighted average closing price before dates of exercise
						HK$
Held by directors						
Mr Ko Chun Shun, Johnson	450,000	–	–	–	450,000	–
Mr Jerry Sze	183,334	–	–	–	183,334	–
Held by employees						
In aggregate	4,049,667	–	(1,500,000)	–	2,549,667	2.200
Total	4,683,001	–	(1,500,000)	–	3,183,001	

27 SHARE OPTION SCHEME *(Continued)*

Date of share options granted	25 May 2007
Exercise price	HK$1.880
Exercise period	26 May 2008 – 25 May 2010 *(Note (ii))*

	Outstanding options as at 1 January 2007	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options as at 31 December 2007	Weighted average closing price before dates of exercise HK$
Held by directors						
Mr Ko Chun Shun, Johnson	–	1,400,000	–	–	1,400,000	–
Dr Lui Pan	–	3,750,000	–	–	3,750,000	–
Dr Lui Pan *(Note (iii))*	–	1,750,000	–	–	1,750,000	–
Mr Hu Qinggang	–	4,650,000	–	–	4,650,000	–
Mr Shaw Sun Kan, Gordon	–	300,000	–	–	300,000	–
Mr Jerry Sze	–	300,000	–	–	300,000	–
Mr Chu Hon Pong	–	300,000	–	–	300,000	–
Mr Liu Tsun Kie	–	300,000	–	–	300,000	–
Mr Yap Fat Suan, Henry	–	300,000	–	–	300,000	–
Held by employees						
In aggregate	–	16,051,000	–	–	16,051,000	–
Total	–	29,101,000	–	–	29,101,000	

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27 SHARE OPTION SCHEME *(Continued)*

Date of share options granted	25 May 2007
Exercise price	HK$1.880
Exercise period	26 May 2009 – 25 May 2010 *(Note (ii))*

	Outstanding options as at 1 January 2007	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options as at 31 December 2007	Weighted average closing price before dates of exercise HK$
Held by directors						
Mr Ko Chun Shun, Johnson	–	1,400,000	–	–	1,400,000	–
Dr Lui Pan	–	3,750,000	–	–	3,750,000	–
Dr Lui Pan *(Note (iii))*	–	1,750,000	–	–	1,750,000	–
Mr Hu Qinggang	–	4,650,000	–	–	4,650,000	–
Mr Shaw Sun Kan, Gordon	–	300,000	–	–	300,000	–
Mr Jerry Sze	–	300,000	–	–	300,000	–
Mr Chu Hon Pong	–	300,000	–	–	300,000	–
Mr Liu Tsun Kie	–	300,000	–	–	300,000	–
Mr Yap Fat Suan, Henry	–	300,000	–	–	300,000	–
Held by employees						
In aggregate	–	16,051,000	–	–	16,051,000	–
Total	–	29,101,000	–	–	29,101,000	

27 SHARE OPTION SCHEME *(Continued)*

Date of share options granted	12 February 2007
Exercise price	HK$1.990
Exercise period	12 August 2007 – 11 February 2017

	Outstanding options as at 1 January 2007	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options as at 31 December 2007	Weighted average closing price before dates of exercise HK$
Held by supplier of service						
In aggregate	–	500,000	–	–	500,000	–

Date of share options granted	12 February 2007
Exercise price	HK$1.990
Exercise period	12 February 2008 – 11 February 2017

	Outstanding options as at 1 January 2007	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options as at 31 December 2007	Weighted average closing price before dates of exercise HK$
Held by supplier of service						
In aggregate	–	500,000	–	–	500,000	–

Notes:

(i) Pursuant to a board resolution passed on 31 December 2007, the exercise period of the options was extended further for half year to 30 June 2008.

(ii) Pursuant to a board resolution passed on 29 January 2008, the share options with exercise price of HK$1.88 per option were cancelled.

(iii) Options were held by the spouse of Dr Lui Pan, who is also an employee of the Group.

28 RESERVES

Group

	Share premium HK$'000	Contributed surplus HK$'000 *(Note (i))*	Exchange reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Share-based compensation reserve HK$'000	Total HK$'000
At 1 January 2006	264,019	222,122	2,631	(495,330)	3,998	(2,560)
Exchange differences	–	–	4,556	–	–	4,556
Loss for the year	–	–	–	(631,925)	–	(631,925)
Total recognised income and expenses for the year ended 31 December 2006	–	–	4,556	(631,925)	–	(627,369)
Share option scheme:						
– share-based compensation	–	–	–	–	15,029	15,029
– proceeds from shares issued	21,611	–	–	–	–	21,611
– transfer upon options exercised	3,219	–	–	–	(3,219)	–
Issue of ordinary shares, net of issuing expenses	1,092,143	–	–	–	–	1,092,143
	1,116,973	–	–	–	11,810	1,128,783
At 31 December 2006	1,380,992	222,122	7,187	(1,127,255)	15,808	498,854
At 1 January 2007	1,380,992	222,122	7,187	(1,127,255)	15,808	498,854
Exchange differences	–	–	34,778	–	–	34,778
Profit for the year	–	–	–	115,183	–	115,183
Total recognised income and expenses for the year ended 31 December 2007	–	–	34,778	115,183	–	149,961
Share option scheme:						
– share-based compensation	–	–	–	–	15,895	15,895
– proceeds from shares issued	7,946	–	–	–	–	7,946
– transfer upon options exercised	4,055	–	–	–	(4,055)	–
Issue of ordinary shares, net of issuing expenses	130,394	–	–	–	–	130,394
	142,395	–	–	–	11,840	154,235
Capital reorganisation *(Note (ii))*	(1,523,387)	406,113	–	1,117,274	–	–
At 31 December 2007	–	628,235	41,965	105,202	27,648	803,050
Representing:						
Proposed dividend	–	–	–	22,762	–	22,762
Others	–	628,235	41,965	82,440	27,648	780,288
	–	628,235	41,965	105,202	27,648	803,050

28 RESERVES *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000 *(Note (i))*	Retained earnings/ (accumulated losses) HK$'000	Share-based compensation reserve HK$'000	Total HK$'000
At 1 January 2006	264,019	152,786	(355,167)	3,998	65,636
Share option scheme:					
– share-based compensation	–	–	–	15,029	15,029
– proceeds from shares issued	21,611	–	–	–	21,611
– transfer upon options exercised	3,219	–	–	(3,219)	–
Issue of ordinary shares, net of issuing expenses	1,092,143	–	–	–	1,092,143
Loss for the year	–	–	(758,594)	–	(758,594)
At 31 December 2006	1,380,992	152,786	(1,113,761)	15,808	435,825
At 1 January 2007	1,380,992	152,786	(1,113,761)	15,808	435,825
Share option scheme:					
– share-based compensation	–	–	–	15,895	15,895
– proceeds from shares issued	7,946	–	–	–	7,946
– transfer upon options exercised	4,055	–	–	(4,055)	–
Issue of ordinary shares, net of issuing expenses	130,394	–	–	–	130,394
Profit for the year	–	–	158,807	–	158,807
Capital reorganisation *(Note (ii))*	(1,523,387)	406,113	1,117,274	–	–
At 31 December 2007	–	558,899	162,320	27,648	748,867
Representing:					
Proposed dividend	–	–	22,762	–	22,762
Others	–	558,899	139,558	27,648	726,105
	–	558,899	162,320	27,648	748,867

28 RESERVES *(Continued)*

Notes:

(i) The contributed surplus of the Company and of the Group arose from a scheme of arrangement on 31 October 1989 and capital reorganisations on 2 November 2001 and 18 December 2007. Pursuant to the Bermuda Companies Act 1981 (as amended) (the "Act"), a company incorporated in Bermuda is not permitted to pay dividends or make a distribution out of contributed surplus if there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(ii) Pursuant to a resolution passed in the special general meeting of the Company on 17 December 2007, the capital reorganisation has become effective on 18 December 2007 that the entire credit balance in the share premium account of the Company at HK$1,523,387,000 be transferred to the contributed surplus account of the Company and then applied to eliminate the entire balance in the accumulated losses account of the Company as at 30 June 2007 on a dollar for dollar basis.

29 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Deferred tax assets to be recovered within 12 months	**9,814**	25,805
Deferred tax liabilities to be recovered within 12 months	**(4,553)**	(19,685)
	5,261	6,120

29 DEFERRED TAXATION *(Continued)*

Movements in deferred tax assets and liabilities (prior to offsetting of balances within the same jurisdiction) during the year are as follows:

Deferred tax assets

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**25,805**	10,986
Credited/(charged) to consolidated income statement	**(15,991)**	14,819
At 31 December	**9,814**	25,805

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group had unrecognised tax losses of HK$194,757,000 at 31 December 2007 (2006: HK$220,000,000) carried forward to offset against future taxable income and these tax losses will not expire.

Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Deferred development costs and others		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**2,825**	2,189	**16,860**	8,797	**19,685**	10,986
Charged/(credited) to consolidated income statement	**(2,724)**	636	**(12,408)**	8,063	**(15,132)**	8,699
At 31 December	**101**	2,825	**4,452**	16,860	**4,553**	19,685

30 MINORITY INTERESTS

Included in minority interests is US$15,000,000 (equivalent to HK$116,250,000) preference shares issued by DVN (Group) Limited, a wholly-owned subsidiary of the Company, on 31 March 1999. The preference shareholder has the right at any time starting from 1 July 2000 to exchange all (but not part) of the preference shares into 31,250,000 ordinary shares of the Company at an exchange price which has been subsequently adjusted to HK$3.72 per share, pursuant to the Company's announcement dated 28 September 2006. The Company has the right, at its discretion, to request the preference shareholder to exercise its exchange right to exchange all (but not part) of the preference shares into the Company's ordinary shares at the exchange price at any time from 1 July 2000, provided that the average of the closing prices of the Company's ordinary shares for the 20 consecutive trading days ending on the trading day immediately preceding the date of giving notice of such compulsory exchange is not less than HK$10 per share.

31 CASH USED IN OPERATIONS

The reconciliation of profit for the year to cash used in operations is as follows:

	2007 HK$'000	2006 HK$'000
Profit/(loss) for the year	**115,183**	(631,928)
Adjustments for:		
Income tax expenses	**8,910**	1,544
Depreciation	**6,857**	9,960
Amortisation of intangibles	**15,702**	200,225
Write-off of priority supply rights	**–**	491,463
Impairment loss on property, plant and equipment	**–**	5,621
Net loss/(gain) on disposal of property, plant and equipment	**400**	(94)
Write-off of deferred development costs	**4,513**	–
Provision for impairment of a JCE	**3,285**	3,124
Provision for impairment of associates	**1,207**	–
Provision for impairment of goodwill in interests in associates	**547**	–
Share-based compensation	**15,895**	15,029
Interest income	**(19,391)**	(5,729)
Finance costs	**8**	56
Share of loss of a JCE	**–**	1
Share of profits of associates	**(71)**	(573)
Dividends on preference shares	**1,453**	5,812
Gain on disposal of an associate	**–**	(124)
Gain on disposal of financial assets through profit or loss	**(5,065)**	(235)
Changes in working capital:		
Amounts due from related companies	**475**	294
Inventories	**(72,024)**	8,367
Trade receivables, prepayments, deposits and other receivables	**(427,005)**	(161,033)
Trade payables, other payables and accruals	**79,526**	36,205
Exchange differences	**30,581**	1,298
Cash used in operations	**(239,014)**	(20,717)

32 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At 31 December 2007, the Group had capital commitments in respect of the acquisition of a subsidiary in the PRC as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted but not provided for	**14,815**	–

(b) Operating lease commitments

The Group leases certain of its office, warehouse properties and staff quarters under operating lease arrangements, which are negotiated for terms ranging from one to five years.

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2007	2006
	HK$'000	HK$'000
Not later than one year	**7,275**	5,071
Later than one year but not later than five years	**11,703**	8,200
	18,978	13,271

The Company did not have any commitments under operating lease as at 31 December 2007 and 2006.

32 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(c) Financial commitments

At 31 December 2007, the Group and the Company had financial commitments in respect of registered capital contributions to a subsidiary, a JCE and an associate in the PRC as described below:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Subsidiary *(Note (i))*	**9,996**	9,279	**–**	–
JCE *(Note (ii))*	**–**	29,880	**–**	29,880
Associate	**1,207**	1,121	**–**	–
	11,203	40,280	**–**	29,880

Notes:

(i) Included in the financial commitments in respect of registered capital contributions to a subsidiary is an amount of RMB5,316,000 (equivalent to approximately HK$5,704,000) (2006: RMB5,316,000 equivalent to approximately HK$5,039,000) that was paid in 1999 but the capital verification process has not been completed. The remaining balance has been overdue for capital injection (2006: same).

(ii) Pursuant to a special resolution passed at a general meeting of the JCE on 8 October 2007, the registered capital of the JCE was reduced from RMB90,000,000 to RMB30,000,000. The capital contributed by the Company before the capital reduction was RMB15,000,000. Consequently, there was no financial commitment in respect of the registered capital contribution to the JCE at 31 December 2007 (2006: RMB30,000,000 equivalent to approximately HK$29,880,000).

(d) Contingent liabilities

During the years ended 31 December 2007 and 2006, the Company had given corporate guarantees to banks in respect of banking facilities granted by the banks to a wholly-owned subsidiary. At 31 December 2007, such facilities were drawn down by the wholly-owned subsidiary to the extent of HK$17,829,000 (2006: HK$20,950,000). The maximum liability of the Company under the guarantees was HK$17,829,000 (2006: HK$3,143,000). The financial guarantee liability was not provided in the financial statements of the Company because the fair value of the financial guarantees was insignificant and the directors considered that a claim would not be probably made against the Company under any of the guarantees.

32 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(d) Contingent liabilities *(Continued)*

At 31 December 2007, the Company has a pending court case regarding infringement of certain European patents in the Netherlands. After seeking legal advice, the management considers that the chance of significant potential damages is remote and no provision is necessary to be made in the consolidated financial statements.

Apart from above mentioned, the Company and the Group did not have any significant contingent liabilities as at 31 December 2007 (2006: Nil).

33 RELATED PARTY TRANSACTIONS

The following transactions were carried out by the Group with related parties:

(a) Sales or purchases of goods and services

	Year ended 31 December	
	2007	2006
	HK$'000	HK$'000
Sales of goods and services		
– Group companies of shareholders	**238,368**	–
Purchases of goods		
– A group company of a shareholder	**87,837**	79,258
Dividends on preference shares		
– A related company of a shareholder	**1,453**	5,812

The sales and purchases of goods were negotiated with related parties on normal commercial terms or in accordance with the agreements governing those transactions.

(b) Details of key management compensation of the Group

	Year ended 31 December	
	2007	2006
	HK$'000	HK$'000
Short-term employee benefits	**18,398**	18,370
Post-employment benefits	**52**	60
Share-based compensation	**9,160**	6,283
	27,610	24,713

33 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Year-end balances arising from sales/purchases and services rendered

	2007	2006
	HK$'000	HK$'000
Trade receivables		
– Group companies of a shareholder	**245,526**	754
Trade payables		
– Group companies of a shareholder	**63,264**	58,319
– A JCE	**4,612**	4,281

(d) Other year-end balances

	2007	2006
	HK$'000	HK$'000
Amounts due from related companies		
– Group companies of a shareholder	**–**	475
Prepayments, deposits and other receivables		
– A JCE	**135**	996

34 EVENTS AFTER THE BALANCE SHEET DATE

On 10 March 2008, the Group has acquired 51% equity interest of an entity incorporated in the PRC for a consideration of US$3 million (equivalent to approximately HK$23 million). The principal activity of the acquired entity is the design and development of digital broadcasting network equipment and systems.

35 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

Five Year Financial Summary

The consolidated results, and assets and liabilities of the Group for the last five financial years, restated and reclassified as appropriate, are summarised below. The results for each of the years ended 31 December 2004 and 2003 and the assets and liabilities as at the respective balance sheet dates have been restated as a result of the adoption of the new/revised standards and interpretations of Hong Kong Financial Reporting Standards.

	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	(Restated)
Results					
Revenue	**991,293**	972,540	304,618	169,236	73,252
Profit/(loss) before income tax	**125,546**	(624,572)	(33,922)	(55,757)	(139,432)
Income tax expenses	**(8,910)**	(1,544)	–	–	–
Minority interests	–	3	–	502	3,847
Dividends on preference shares	**(1,453)**	(5,812)	(5,812)	(5,812)	(5,812)
Profit/(loss) attributable to the equity holders of the Company	**115,183**	(631,925)	(39,734)	(61,067)	(141,397)
Assets and liabilities					
Property, plant and equipment	**11,872**	10,284	20,404	36,343	61,768
Intangible assets	**50,324**	42,082	30,880	28,075	27,752
Investments	**1,846**	5,576	13,092	6,685	7,717
Other non-current assets	**173,013**	–	956	956	–
Net current assets	**797,561**	666,845	108,255	74,672	48,530
	1,034,616	724,787	173,587	146,731	145,767
Non-current liabilities	**–**	(8)	(44)	(80)	(116)
Net assets	**1,034,616**	724,779	173,543	146,651	145,651
Shareholders' funds	**916,858**	607,021	55,782	28,890	27,388
Minority interests	**117,758**	117,758	117,761	117,761	118,263
	1,034,616	724,779	173,543	146,651	145,651

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr Ko Chun Shun, Johnson *(Chairman)*
Dr Lui Pan *(Chief Executive Officer)*
Mr Luo Ning
Mr Qiu Yiyong
Mr Jin Wei
Mr Wang Daoyi
Mr Hu Qinggang *(Chief Financial Officer)*

Non-executive directors

Mr Shaw Sun Kan, Gordon
Mr Jerry Sze

Independent non-executive directors

Mr Chu Hon Pong
Mr Liu Tsun Kie
Mr Yap Fat Suan, Henry

Audit Committee

Mr Liu Tsun Kie *(Chairman)*
Mr Chu Hon Pong
Mr Yap Fat Suan, Henry

Remuneration Committee

Mr Liu Tsun Kie *(Chairman)*
Mr Chu Hon Pong
Mr Yap Fat Suan, Henry

COMPANY SECRETARY

Mr Chan Kam Kwan, Jason

QUALIFIED ACCOUNTANT

Mr Fung Man Yin, Sammy

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Baker & McKenzie
Kelvin Cheung & Co.

PRINCIPAL BANKERS

Bank of Communications Co., Limited, Hong Kong Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Street West
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Rooms 1304-05
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrars

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, Bermuda

Hong Kong branch share registrars and transfer office

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

LISTING INFORMATION

Main board of The Stock Exchange of Hong Kong Limited
Stock code: 00500
Board lot: 1,000 shares

INVESTOR RELATIONS

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DVN (Holdings) Limited

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