Annual Report 2009

gearing up

our business for a new era

DVN (Holdings) Limited
天地數碼(控股)有限公司

Stock Code: 00500

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr Ko Chun Shun, Johnson *(Chairman)*
Dr Lui Pan *(Chief Executive Officer)*
Mr Luo Ning
Mr Jin Wei
Mr Xu Qiang *(Chief Operating Officer)*
Mr Hu Qinggang *(Chief Financial Officer)*

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

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Baker & McKenzie
Kelvin Cheung & Co.

PRINCIPAL BANKERS

Bank of Communications Co., Limited
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 Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08, 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

Investor Relations Department
DVN (Holdings) Limited
Telephone: (852) 2548 8781
Facsimile: (852) 2511 5522
Website: www.dvnholdings.com
www.irasia.com/listco/hk/dvn
Email: ir@dvnholdings.com

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2009	2008
Additional number of set top boxes using DVN's solutions	**1,874,000 units**	2,383,000 units
	HK$'000	HK$'000
Revenue	**705,312**	759,833
Profit attributable to equity holders of the Company	**11,810**	92,888
Earnings before interest, tax, depreciation and amortisation	**55,399**	117,803
Basic earnings per share	**1.04 cents**	8.16 cents
Dividends per share	**2.00 cents**	2.00 cents

	As at 31 December	
	2009	2008
	HK$'000	HK$'000
Total assets	**1,364,331**	1,421,206
Shareholders' funds	**1,051,050**	1,048,483
Net asset value per share	**HK$0.92**	HK$0.92
Total cash balance	**333,625**	348,632
Number of staff	**635**	736
Current ratio	**5.31**	4.05
Total liabilities-to-total assets ratio	**0.14**	0.18
Price to book ratio	**0.55**	0.25

SUMMARY OF MAJOR EVENTS

January 2009 * The Group was named as one of the "Top Ten National Brands for Digital Broadcasting Business for 2008" (2008廣電行業(傳輸覆蓋)十大民族品牌) and Dr Lui Pan ("Dr Lui"), the Chief Executive Officer of the Company, was elected as one of the "Ten Most Powerful Executives in China Broadcasting Industry for 2008" (2008廣電行業十大風雲人物).

March 2009 * The Group announced the strategies for Post-Digitisation Era and the use of the Group's self-developed cost efficient technology, Tian De Tong (天地通), for the two-way transformation of the existing digital broadcasting systems and set top boxes.

May 2009 * The Group won the tender for the Cultural Information Resources Sharing Project (文化信息資源共享項目) launched by Liaoning Radio & Television Bureau.

June 2009 * 天柏寬帶網絡科技(北京)有限公司 achieved a maturity level 3 of the Capability Maturity Model Integration "CMMI-L3".

September 2009 * By applying Tian De Tong, the Group won the tender for Digital Home Project for Punyu, Guangzhou.

October 2009 * The Group announced new strategies for television broadcasting development in the forum for digital TV strategies held in Hangzhou.

* The Group entered into a tri-party strategic co-operative agreement with Jincheng Cable TV and Si TV (上海文廣互動電視有限公司) in respect of value added services.

* Agreements were signed between the Group and Cisco Systems (HK) Limited for the disposal of the Group's set top box business.

November 2009 * 天柏寬帶網絡科技(北京)有限公司 was accredited as a new and high technology enterprise.

December 2009	*	Dr Lui has been elected as one of the Outstanding Entrepreneur Award winners of the Asia Pacific Entrepreneurship Awards 2009 in Hong Kong.
	*	The Group won the tender for supplying set top boxes to Oriental Cable Network Co. Ltd., Shanghai.
	*	"DVN Cup Competition — Innovations for Digital TV Applications" (DVN杯大學生數字電視應用創新創業大賽) was held at Shanghai Jiao Tong University (上海交通大學).
January 2010	*	The Group was named as one of the "Top Ten National Brands" (十大民族品牌) and Dr Lui was elected as one of the "Ten Most Powerful Executives" (十大風雲人物) for 2009.
March 2010	*	The Group's HD two-way set top boxes were launched in major cities in Chongqing.
	*	The Group, Tian De Tong (two-way products), DASS (DVN Application Support System) and Dr Lui were awarded as Outstanding Scientific & Technological Innovative Enterprise, Scientific & Technological Innovative Product, and Outstanding Scientific & Technological Innovative Entrepreneur, respectively, of CRTA Scientific and Technological Innovation Adwards for 2009, which was organised by China Radio & TV Equipment Industrial Association (中國廣播電視設備工業協會).

OPERATING REVIEW AND PROSPECTS

OVERALL PERFORMANCE

Summary

In 2009, there was a substantial re-organisation of the Group's digital broadcasting business resulting in Cisco Systems (HK) Limited ("Cisco") entering into an agreement to buy out the Group's set top box ("STB") business. During the year, the management intentionally focused the STB business on lower price out-right sales transactions (cash on delivery or short-term credits) to reduce the Group's working capital requirements. The impact of this decision together with the falling in the average selling prices ("ASP") of other digital TV products, caused the Group's consolidated revenue for the year ended 31 December 2009 to decrease to HK$705.3 million from HK$759.8 million in 2008, representing a drop of 7.2%. Furthermore, the effect of gross margin reduction plus the non-recurring write-off of trade receivables and provision for inventories resulted in consolidated net profit falling to HK$11.8 million from HK$92.9 million in 2008.

After the Cisco transaction, the Group will focus on deploying its 2-way cable network upgrade and interactive TV technologies for the huge market of "triple play" (network convergence of cable, telecom, and internet). For the last 3 years, the Group has been committing to the development of these technologies and products.

Digital Broadcasting Business

2009 represented a year of transformation for the Group where the management completed the corporate strategy of exiting the increasingly commoditised and working capital intensive STB business, to focus resources in the delivery of 2-way cable network upgrade and triple play technology and systems to the cable TV industry. In October 2009, the Group entered into an agreement with Cisco to dispose of its STB business and to set up a strategic go-to-market arrangement with Cisco. After this re-organisation, the Group will be in a position to maximise market impact of its early mover advantage in interactive technologies. At the same time, it will still be in a position to offer a total solution of digital TV products through the new marketing arrangement with Cisco.

Discontinued STB Business Results

During the year, the management intentionally decided to minimise exposure to instalment sales in the STB business and focus principally on out-right sales transactions. As a result, STB revenue for the year ended 31 December 2009 fell 8.3% to HK$514.3 million (2008: HK$560.9 million) and gross margin for the same period in 2009 declined 16.6% to HK$126.7 million (2008: HK$152.0 million). In addition, the non-recurring write-off/provision were made against certain trade receivables and slow moving inventories, which amounted to HK$37.3 million and HK$10.8 million, respectively. The effect of the decline in gross margin and the non-recurring write-off/provision caused operating profit of the STB business to fall to HK$9.8 million for the year ended 31 December 2009 (2008: HK$91.0 million).

Continuing Digital Broadcasting Business Results

For the non-STB business activities, even though business volume increased considerably, market pressure on ASPs caused revenue to retreat to HK$162.7 million for the year ended 31 December 2009 (2008: HK$174.6 million). Operating profit for the same period decreased to HK$19.8 million from HK$24.6 million in 2008.

Aggregate Results for Digital Broadcasting Business

In aggregate, the Group's segmental revenue and operating profit from digital broadcasting business for the year ended 31 December 2009 were HK$677.0 million and HK$29.6 million respectively, corresponding to a 8.0% and 74.4% decrease from 2008.

Financial Market Information Business

Due to a general rebound in global financial markets, the Group recorded a full year segmental revenue and operating profit of HK$28.3 million and HK$4.9 million respectively on its financial market information business in 2009, corresponding to increases of 16.5% and 145.4% from those of 2008.

This operating segment focuses primarily on the provision of online financial market and business information through the internet in Hong Kong and other parts of Asia.

PROSPECTS

Cable TV Market Dynamics

We take the view that 2010 will be looked back upon as the starting point of a fascinating period of development for China's cable TV industry, and that this new wave of "post-digitisation" development both in scale and pace will greatly exceed the development of digital TV in the last 4-5 years. Triggered by a chain of events that took place over the last nine months, we believe industry and market dynamics are now in motion to induce industry-wide re-structuring and consolidation of cable TV in parallel with rapid nationwide cable network infrastructure upgrades to set the stage for turning the family cable outlet into a network gateway capable of delivering triple play services – the combination of TV, internet, and telecom.

Triple Play

In the 13 January 2010 State Council executive meeting, Premier Wen Jiabao decided to accelerate the deployment of triple play. A clear road map was outlined in the decision aimed to formulate a model that ensures orderly convergence of the three types of network activities with proper consideration for network security, content and culture safety, and suitable industry competition. As such, cable TV operators are now allowed to offer certain basic and value added telecom services plus internet services while telecom operators are giving permission to carry pre-censored TV contents. Our interpretation is that the government hopes to promote network convergence while maintaining content guidance, and that cable TV will remain a key part of the resultant industry landscape. Therefore, the three-year trial period from 2010 to 2012 of the road map represents a critical window of opportunity for the cable TV industry to strengthen its competitive capabilities.

Industry Consolidation

The release of the State Council's "Culture Industry Vitalisation Plan" and the State Administration of Radio, Film and Televisions ("SARFT") 57th policy paper of "Remarks on Accelerating Development of Cable TV Network", both at the end of last July, triggered a broad consolidation of the fragmented cable TV industry in the third quarter of 2009 that was further accelerated after the announcement of the State Council decision on triple play. It is forecasted that most provinces will complete their consolidation by the end of 2010, creating a group of unified singular provincial level cable TV holding companies each with a viewer base of several million subscribers. Some analysts are forecasting further inter-provincial consolidations to eventually create a number of regional cable TV operators. In addition, the central government announced a plan to form a national cable TV company.

2-Way Network Upgrade

Cable network 2-way upgrade has become the single most pressing issue for cable TV operators after the reporting of the State Council triple play decision. China's cable TV network is still 90% one way, and the operators must quickly resolve this physical bottle neck in order to take full advantage of the opportunity offered by the triple play trial period. The guideline provided in the 57th SARFT policy paper was for 60% of all major and medium size cities to have 2-way network coverage by 2010; and 80% of all cities in the country to complete 2-way upgrade by 2012.

DVN's Competitive Position

With the disposal of the STB business and with over 3 years of research and development on 2-way upgrade technology and interactive systems, we believe the Group is well positioned for the tremendous opportunities presented by triple play and is well prepared to capture a dominant position in the interactive market similar to its achievements in the digital TV market.

Strategic Positioning Advantage

Strategically, we believe the Group is well prepared to take full advantage of the opportunities presented by 2-way upgrade and triple play. Long ago, while most of the industry was focusing primarily in the cable digitisation business, our management anticipated another wave of development occurring after cable digitisation to be driven by interactivity and value added services. With the triple play decision, it seems not only the scale of this "post digitisation" opportunity would significantly exceed our original expectation, its urgency and diversed scope would require the full attention from participants.

With the STB Business becoming increasingly "commodity like" and working capital intensive, the STB disposal allows the Group to re-sharpen its competitive position as an industry technology leader and focus resources on these new potentials. The Group will still retain its brand and market development capabilities while the strategic go-to-market arrangement with Cisco will allow us to form a close tie with the world's largest networking equipment supplier when developing triple play opportunities.

Early Mover Advantage, Technical Readiness and Broad Product Lines

After spending the last 3 years and considerable resources developing interactive technology and products, the Group now has a broad range of commercially mature products to address both immediate and longer term customer requirements, including:

- Flexible 2-way upgrade solution suitable for diversified operator demands and compatible with 90% of existing one-way STBs.
- Key business software systems such as DBOSS (DVN Business Operation Support System), DASS (DVN Application Support System), and ICAS (Interactive Conditional Access System) designed to handle large scale subscriber operation and multiple hardware systems of the post-consolidation provincial cable TV operators; and to support diversified services and applications of triple play.
- Interactive application and value added service products such as TV browser, TV widget, and interactive advertising for TV based triple play services.

Strategic go-to-market arrangement with Cisco will also allow the Group to leverage Cisco's expertise in network system in triple play opportunities.

Market Recognition

Over the last two years, the Group has spent considerable effort to successfully establish market and industry recognition for its 2-way network upgrade and interactive products. For example:

- The BIOC (Broadcasting and Interactivity Over Cable) system is recommended by SARFT for cable network 2-way upgrades, and has been adopted by a number of the early 2-way upgrade projects including the SARFT praised Shanxi Jincheng project.
- The Group delivered a substantial portion of a RMB35 million contract order for its DBOSS to Henan Provincial Cable Co. The system will be used to support interactive business activities and manage the 5 million plus cable subscribers under Henan Provincial Cable Co. The Henan network will be a 2-way network with considerable interactive value added services being planned including TV home banking etc.
- Formally released last year, the DASS software system has already been field deployed to a significant user base.

Over the past 5-6 years, the Group has developed into a top brand in China's digital TV market with a reputation for being a market leader in technical innovation. This recognition will be valuable in the marketing of the network and interactive products. In addition, the strategic go-to-market arrangement with Cisco enables the Group to leverage both brands.

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. Employees are offered discretionary year-end bonus based on individual merit.

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.

The total number of employees of the Group as at 31 December 2009 was 635 (2008: 736), out of which 572 (2008: 671) employees were stationed in Mainland China. The number of employees as at 31 December 2009 categorised according to their functions is as follows:

Research and development	366
Sales and marketing	122
Technical support	20
Procurement and engineering support	27
Accounting and finance	28
Administration and management	72
	635

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2009, the Group recorded total assets of HK$1,364.3 million (2008: HK$1,421.2 million) which were financed by liabilities of HK$195.5 million (2008: HK$255.0 million), minority interests of HK$117.8 million (2008: HK$117.8 million) and shareholders' equity of HK$1,051.0 million (2008: HK$1,048.4 million). The Group's net asset value per share (excluding minority interests) as at 31 December 2009 amounted to HK$0.92 (2008: HK$0.92).

The Group had a total cash and bank balance of HK$333.6 million (2008: HK$348.6 million) and bank borrowings of HK$8.0 million (2008: HK$33.8 million) as at 31 December 2009. Its gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, as at 31 December 2009 was 0.01 (2008: 0.03). The Group has sufficient banking facilities available from its bankers for its daily operations.

TREASURY POLICIES

The Group adopts conservative treasury policies and has tight controls over its cash and risk management. The Group's cash and cash equivalents are held mainly in HKD, RMB and United States dollars ("USD"). 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 HKD and USD. The exchange rate of USD against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. Due to limitations in financial markets and regulatory constraints in Mainland China, the Group has an increasing exposure to RMB as its investments in Mainland China increase. Given the appreciation of RMB against HKD during the year under review, no financial instrument was used for hedging purposes. It is expected that the appreciation of RMB would have a favourable impact on the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

On 23 October 2009, the Group entered into a share acquisition agreement and an asset purchase agreement in relation to the disposal of the Group's set top box business. Details of the disposal are set out in the announcement of the Company dated 2 November 2009 and the circular of the Company dated 27 November 2009.

Save as mentioned above, the Group did not have any material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2009.

CHARGES ON ASSETS

At 31 December 2009, the Group had a bank deposit of HK$6.0 million and trade receivables of approximately HK$8.8 million pledged to banks as securities for general banking facilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any future plans for material investments or capital assets as at 31 December 2009.

CAPITAL COMMITMENTS

The Group had no material capital expenditure commitments as at 31 December 2009.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2009.

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, subject to amendments afterward.

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 2009.

BOARD OF DIRECTORS

The board of directors of the Company (the "Board") currently comprises 9 directors, including 6 executive directors (Mr Ko Chun Shun, Johnson (Chairman), Dr Lui Pan (Chief Executive Officer), Mr Luo Ning, Mr Jin Wei, Mr Xu Qiang (Chief Operating Officer) and Mr Hu Qinggang (Chief Financial Officer)) 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 and reviewing internal controls, formulating the Company's corporate governance practices, supervising the management's performance while the day-to-day operations and management of the Group are delegated by the Board to the management, and ensuring adequacy of resources, qualifications, experience and training programmes and budget of the financial staff. 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 five board meetings during the year ended 31 December 2009. The attendance of the directors at the board meetings is as follows:

Director	**Attended/Eligible to attend**
Mr Ko Chun Shun, Johnson	5/5
Dr Lui Pan	5/5
Mr Luo Ning	5/5
Mr Jin Wei	5/5
Mr Wang Daoyi (resigned on 23 January 2009)	0/1
Mr Xu Qiang (appointed on 23 January 2009)	4/4
Mr Hu Qinggang	5/5
Mr Chu Hon Pong	5/5
Mr Liu Tsun Kie	5/5
Mr Yap Fat Suan, Henry	5/5

Board minutes are kept by the Company Secretary of the Company and are sent to the directors for endorsement.

In accordance with the Company's Bye-laws, at each annual general meeting of the Company 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.

Each of the non-executive directors is appointed for a specific term and is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws and the Listing Rules.

REMUNERATION COMMITTEE

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 2009, the Remuneration Committee met once to discuss the remuneration packages of the executive directors of the Company. The attendance of the members of the Remuneration Committee at the meeting is as follows:

Committee member	Attended/Eligible to attend
Mr Liu Tsun Kie	1/1
Mr Chu Hon Pong	1/1
Mr Yap Fat Suan, Henry	1/1

AUDIT COMMITTEE

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 and half-year 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 discuss with management and ensure discharge of duties for an effective internal control, to ensure adequacy of resources, qualifications, experience and training programmes and budget of the financial staff, and to engage independent legal or other advisers if necessary to perform investigations.

The Audit Committee held two meetings during the year ended 31 December 2009. 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-exempt continuing connected transactions, discussed the internal control 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	2/2
Mr Chu Hon Pong	2/2
Mr Yap Fat Suan, Henry	2/2

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. A meeting was held by the Board on 23 January 2009 for the appointment of Mr Xu Qiang as executive director of the Company.

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 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 2009.

AUDITORS' REMUNERATION

The Company engaged PricewaterhouseCoopers as its statutory auditors for the year ended 31 December 2009. The remuneration in respect of services provided by PricewaterhouseCoopers to the Group in 2009 is summarised as follows:

	HK$'000
Auditing services	2,153
Non-auditing services	2,943
	5,096

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 system is designed to ensure the financial, operational and compliance controls, and risk management functions are in place and functioning effectively.

The Board also reviews at least annually the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

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 20 clear business days is given. The Chairman and other directors are available to answer questions on the Group's business at the meeting. All shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by the shareholders.

The Group values feedback from the 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 email to the Company's website.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr Ko Chun Shun, Johnson, aged 58, has been the Chairman of the Group since 1998 and is a director of a subsidiary of the Company. He is also the chairman of Varitronix International Limited, and the vice-chairman and an executive director of China WindPower Group Limited, 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 55, joined the Group in 1999. He is the Chief Executive Officer of the Company and is a director of various subsidiaries of the Company. He is one of the founders of the existing business of the Group. Dr Lui has spent near 30 years working in 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 51, is an executive director of the Company since October 2006. 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, a public company listed on the Shenzhen Stock Exchange in the PRC. He is also an executive director of CITIC 21CN Company Limited and a non-executive director of Asia Satellite Telecommunications Holdings Limited and Sino-i Technology Limited, which are listed on the Main Board of the Stock Exchange. He also holds directorships in several other subsidiaries of CITIC Group. Mr Luo has extensive experience in telecommunication business and 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 Jin Wei, aged 48, is an executive director of the Company since October 2006. He has extensive 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.

Mr Xu Qiang, aged 47, is the Chief Operating Officer of the Company since October 2006 and was appointed as an executive director of the Company on 23 January 2009. He is also a director of certain subsidiaries of the Company. He has extensive experience in the telecommunication field. He is an assistant to the general manager of CITIC Networks Co., Ltd.. He also worked in the 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.

Mr Hu Qinggang, aged 35, is the Chief Financial Officer of the Company since October 2006 and is also a director of various subsidiaries of the Company. He has extensive 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Chu Hon Pong, aged 60, is an independent non-executive director of the Company since 2000. He is also a committee member of the Audit Committee and the Remuneration Committee of the Company. He holds a master degree in Business Administration from Stevens Institute of Technology in New Jersey, the United States of America. He has extensive experience in direct investment, international trade, manufacturing, business and industrial management in the PRC, Vietnam and the United States of America. He is also the chairman and an executive director of ZMAY Holdings Limited, which is listed on the Growth Enterprise Market Board of the Stock Exchange.

Mr Liu Tsun Kie, aged 59, is an independent non-executive director of the Company since 2000. He is also the chairman of the Audit Committee and the Remuneration Committee of the Company. He holds a master degree in Business Administration in International Finance from the Graduate School of Keio University, Tokyo in Japan. He has extensive 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 the deputy chairman of Roly International Holdings Limited.

Mr Yap Fat Suan, Henry, aged 64, is an independent non-executive director of the Company since 2004. He is also a committee member of the Audit Committee and the Remuneration Committee of the Company. 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 extensive 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

Ms Chan Ping, aged 52, is the Senior Vice President – China Operations of the Group since 2001. 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 Zhang Yi Jun, aged 45, is the Executive Vice President of 天栢寬帶網絡科技(上海)有限公司, a wholly-owned subsidiary of the Company, and is responsible for the sales, marketing and operational management of the Group in the PRC. Mr Zhang has been working in product research, market strategy and operational management in the PRC since 1991. He holds a master degree in Automation Control from the Southeast University in the PRC.

Mr Jin Jian, aged 43, is a Vice President of the Group and is responsible for the technology research and development of the Group in the PRC. Prior to joining the Group as general manager of the Technology Research and Development Department in 2000, he was a lecturer in Electrical Engineering Research Institute of Zhejiang University (浙江大學電器工程學院研究所) of the PRC and a senior engineer of China Aerospace International Holdings Limited. He holds a master degree in Systems Engineering from Xian Jiaotong University (西安交通大學) of the PRC.

Mr Fung Man Yin, Sammy, aged 50, is the Group Financial Controller 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. Before joining the Company in October 2006, he worked with several international accounting firms and listed companies in England and Hong Kong over 20 years.

Mr Chan Kam Kwan, Jason, aged 36, is the Company Secretary of the Company since 2006. 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.

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2009.

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 2009 are set out in the consolidated income statement on pages 31 and 32.

The directors do not recommend to declare the payment of any final dividend (2008: HK$0.02 per share) but recommend to declare a special dividend of HK$0.02 per share (2008: HK$Nil) for the year.

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 reclassified as appropriate, is set out on page 114 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

There was no movement in the share capital of the Company during the year. Details of the share capital of the Company are set out in Note 27 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 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserves, consisting of contributed surplus and retained earnings, as at 31 December 2009 amounted to approximately HK$878,313,000 (2008: HK$891,202,000).

DONATIONS

During the year, there was no charitable donation made by the Group (2008: HK$115,000).

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 Jin Wei	
Mr Wang Daoyi	(resigned on 23 January 2009)
Mr Xu Qiang	(appointed on 23 January 2009)
Mr Hu Qinggang	

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

In accordance with the Company's Bye-laws, Messrs Ko Chun Shun, Johnson, Chu Hon Pong and Liu Tsun Kie 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 a specific term 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 18 to 20 of the Annual Report.

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

At 31 December 2009, 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				% of the issued
Name of director	Note	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**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	3,200,000	–	5,898,000	0.52%
Mr Chu Hon Pong		450,000	–	–	450,000	0.04%

Note:

(i) Mr Ko was deemed to be interested in the 54,276,719 ordinary shares of the Company held by First Gain International Limited ("First Gain") under the SFO by virtue of his interest in First Gain.

The interests of the directors in the share options of the Company are disclosed in Note 28 to the consolidated financial statements.

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

Save as mentioned above, at 31 December 2009, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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 28 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 2009, 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 IN SHARES OF THE COMPANY

		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)	–	237,592,607	237,592,607	20.88%
Motorola-Dragon Investment, Inc.		175,500,000	–	175,500,000	15.42%
Motorola, Inc.	(iv)	–	175,500,000	175,500,000	15.42%

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 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in CITIC Projects Management (HK) Limited. Mr Luo Ning, an executive director, is a director of CITIC Group. Mr Hu Qinggang, an executive director, is an employee of CITIC Group.

(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 2009, 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 42% (2008: 46%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 13% (2008: 13%). Purchases from the Group's five largest suppliers accounted for approximately 71% (2008: 78%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 41% (2008: 53%).

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

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 34 to the consolidated financial statements also constitute non-exempt 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 sold set top boxes and related software amounting to approximately HK$133,299,000 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$880 million for the year ended 31 December 2009 as approved by the independent shareholders of the Company in a special general meeting held on 22 January 2009.

During the year, the Group had not purchased any set top boxes or headend equipment from group companies of Motorola-Dragon Investment, Inc., a substantial shareholder of the Company. However, the Group had returned set top boxes of approximately HK$40,723,000, which were purchased in previous years, to a group company of Motorola-Dragon Investment, Inc. The independent non-executive directors of the Company have reviewed these purchase returns 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; and

c) These purchase returns were executed in accordance with the relevant agreements governing them and were in the interests of the shareholders of the Company as a whole.

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-upon 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.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ko Chun Shun, Johnson
Chairman

Hong Kong, 24 April 2010

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

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 31 to 113, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

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 2009 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, 24 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	6	**191,060**	198,946
Cost of sales		**(65,314)**	(51,821)
Gross profit		**125,746**	147,125
Other income		**15,571**	20,412
Marketing, selling and distribution costs		**(35,342)**	(50,257)
Administrative expenses		**(79,527)**	(108,427)
Other operating expenses		**(11,692)**	(10,159)
Operating profit/(loss)		**14,756**	(1,306)
Finance costs	7	**(2,181)**	(1,866)
Share of profit/(loss) of associates		**(246)**	4,358
Profit before income tax		**12,329**	1,186
Income tax credits/(expenses)	8	**(1,498)**	3,722
Profit for the year from continuing operations		**10,831**	4,908
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	9(a)	**979**	87,980
PROFIT FOR THE YEAR	10	**11,810**	92,888
Attributable to:			
Equity holders of the Company			
– continuing operations		**10,831**	4,908
– discontinued operations		**979**	87,980
	29	**11,810**	92,888

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
Minority interests			
– continuing operations		–	–
– discontinued operations		–	–
		–	–
		11,810	92,888
DIVIDENDS	13	**22,791**	22,762
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	14		
– continuing operations		**0.95 cents**	0.43 cents
– discontinued operations		**0.09 cents**	7.73 cents
		1.04 cents	8.16 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
PROFIT FOR THE YEAR	**11,810**	92,888
Other comprehensive income		
— Currency translation differences	**8,459**	38,511
Other comprehensive income for the year, net of tax	**8,459**	38,511
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**20,269**	131,399
Attributable to:		
Equity holders of the Company	**20,269**	131,399
Minority interests	**–**	–
	20,269	131,399

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**16,077**	15,105
Intangible assets	16	**33,644**	68,710
Interest in a jointly controlled entity	18	**–**	–
Interests in associates	19	**31,266**	31,948
Trade receivables	22	**258,702**	327,551
Deferred income tax assets	30	**7,719**	9,638
Total non-current assets		**347,408**	452,952
CURRENT ASSETS			
Inventories	20	**47,632**	95,518
Trade receivables	22	**500,234**	443,345
Prepayments, deposits and other receivables	22	**89,545**	70,553
Tax receivables		**4,436**	10,206
Pledged bank deposit	23	**6,000**	6,000
Short-term bank deposits		**23,515**	10,000
Cash and cash equivalents	24	**304,110**	332,632
		975,472	968,254
Assets of disposal group classified as held for sale	9(c)	**41,451**	–
Total current assets		**1,016,923**	968,254
CURRENT LIABILITIES			
Trade payables	25	**77,616**	126,811
Other payables and accruals		**100,317**	89,368
Bank loans	26	**7,964**	21,723
Tax payables		**5,734**	1,154
Total current liabilities		**191,631**	239,056
Net current assets		**825,292**	729,198

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,172,700**	1,182,150
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	30	**3,892**	3,852
Bank loans	26	**–**	12,057
Total non-current liabilities		**3,892**	15,909
Net assets		**1,168,808**	1,166,241
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	27	**113,808**	113,808
Reserves	29	**937,242**	934,675
		1,051,050	1,048,483
Minority interests	31	**117,758**	117,758
Total equity		**1,168,808**	1,166,241

Signed on behalf of the Board on 24 April 2010 by

Ko Chun Shun, Johnson
Director

Lui Pan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to equity holders of the Company			
	Share capital	**Reserves**	**Minority interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	113,808	803,050	117,758	1,034,616
Profit for the year	–	92,888	–	92,888
Other comprehensive income				
– Currency translation differences	–	38,511	–	38,511
Dividends	–	(22,762)	–	(22,762)
Share option scheme				
– Share-based compensation	–	22,988	–	22,988
At 31 December 2008	113,808	934,675	117,758	1,166,241
At 1 January 2009	113,808	934,675	117,758	1,166,241
Profit for the year	–	11,810	–	11,810
Other comprehensive income				
– Currency translation differences	–	8,459	–	8,459
Dividends	–	(22,762)	–	(22,762)
Share option scheme				
– Share-based compensation	–	5,060	–	5,060
At 31 December 2009	113,808	937,242	117,758	1,168,808

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	**56,340**	4,966
Interest paid		**(2,181)**	(1,351)
Tax refund/(paid)		**1,984**	(11,018)
Net cash generated from/(used in) operating activities		**56,143**	(7,403)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment ("PPE")	15	**(7,732)**	(7,589)
Proceeds from disposal of PPE	32	**326**	608
Acquisition of associates		**–**	(25,313)
Acquisition of other supply rights	16	**–**	(7,125)
Payment for deferred development costs	16	**(19,032)**	(29,900)
Increase in short-term bank deposits		**(13,515)**	(10,000)
Interest received		**2,832**	8,220
Net cash used in investing activities		**(37,121)**	(71,099)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of bank loans		**128,781**	42,482
Repayment of bank loans		**(155,878)**	(8,465)
Capital element of finance lease payments		**–**	(8)
Dividends on ordinary shares		**(22,762)**	(22,762)
Net cash generated from/(used in) financing activities		**(49,859)**	11,247
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(30,837)**	(67,255)
Cash and cash equivalents at beginning of the year		**332,632**	397,995
Effect of foreign exchange rate changes		**2,315**	1,892
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	**304,110**	332,632

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**70**	208
Intangible assets	16	**–**	–
Interests in subsidiaries	17	**1,010,959**	965,748
Interest in a jointly controlled entity	18	**–**	–
Total non-current assets		**1,011,029**	965,956
CURRENT ASSETS			
Prepayments, deposits and other receivables		**14,053**	523
Short-term bank deposits		**10,935**	–
Cash and cash equivalents	24	**15,781**	86,683
Total current assets		**40,769**	87,206
CURRENT LIABILITIES			
Other payables and accruals		**16,358**	9,893
Total current liabilities		**16,358**	9,893
Net current assets		**24,411**	77,313
Total assets less current liabilities/Net assets		**1,035,440**	1,043,269
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	27	**113,808**	113,808
Reserves	29	**921,632**	929,461
Total equity		**1,035,440**	1,043,269

Signed on behalf of the Board on 24 April 2010 by

Ko Chun Shun, Johnson
Director

Lui Pan
Director

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 systems, 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 (the "Board") of the Company on 24 April 2010.

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.

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 have been prepared under the historical cost convention.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

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.

Adoption of new/revised HKFRSs

The following new and revised HKFRSs are mandatory for accounting period beginning on 1 January 2009 and are relevant to the Group's operations:

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 1 (Amendment) and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8	Operating Segments

The impacts of the adoption of the new/revised HKFRSs on these consolidated financial statements are as follows:

(a) HKAS 1 (Revised) "Presentation of Financial Statements". This revised standard prohibits the presentation of items of income and expenses (that are "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from "owner changes in equity" in a statement of comprehensive income. As a result, the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so as to conform to the revised standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

(b) HKFRS 1 (Amendment) and HKAS 27 (Amendment) "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate". It requires that dividends out of pre-acquisition profits should not be recognised as a reduction in the carrying amount of the investment in the investee but as income in the separate financial statements of the investor. These amendments are applied prospectively only.

(c) HKFRS 2 (Amendment) "Share-based Payment Vesting Conditions and Cancellations". This amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services. They would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment does not have any impact on the Group's and the Company's financial statements.

(d) HKFRS 7 (Amendment) "Financial Instruments: Disclosures". This amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. This amendment does not have any impact on the Group's and the Company's financial statements.

(e) HKFRS 8 "Operating Segments" replaces HKAS 14 "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. This standard does not have any impact on the Group's results and financial position for the current and prior accounting periods. It only affects the presentation of the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

The following HKFRSs are mandatory for the Group's accounting period beginning on 1 January 2009, but are not relevant to the Group's operations:

HKAS 23 (Revised)	Borrowing Costs
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Financial Instruments: Presentation and Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HK(IFRIC) – Int 9 and HKAS 39	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of Net Investment in a Foreign Operation

The following new standards, amendments and interpretations to existing standards have been issued, but are not effective for the Group's accounting period beginning on 1 January 2009 and have not been early adopted:

HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-settled Share-based Payment Transaction
HKFRS 3 (Revised)	Business Combinations
HKFRS 9	Financial Instruments
HK(IFRIC) - Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) - Int 18	Transfers of Assets from Customers
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs (Amendments)	Improvements to HKFRSs 2009

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 made up to 31 December include the financial statements of the Company and all its subsidiaries and also incorporate the Group's interests in a jointly controlled entity and associates on the basis set out in Note 2.2(b) below.

(a) Subsidiaries

Subsidiaries are 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. 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 statement of financial position, 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 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 2.7).

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 statement of financial position, 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

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.

In prior years, the directors regarded HKD as the functional currency of the Company. During the year ended 31 December 2009, the directors reassessed the Company's functional currency and considered that the functional currency of the Company should be changed from HKD to Renminbi ("RMB") starting from 1 January 2009 as RMB has become the currency that mainly influences the operation of the Group's significant entities. The change of functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates". On the date of the change of functional currency, all assets, liabilities, issued share capital and other components of equity and income statement items were translated into HKD at the exchange rate on that date. The cumulative currency translation differences which had arisen up to the date of the change of functional currency remain in equity.

As the Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited, the directors consider that it will be more appropriate continuing to adopt HKD as the Group's and the Company's 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.

Foreign exchange gains and losses are presented in the consolidated income statement within "administrative expenses".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 *FOREIGN CURRENCY TRANSLATION* *(Continued)*

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(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 operations 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.

2.5 *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 consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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	10% to 33.3%
Motor vehicles	18% to 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position 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.

2.6 INTANGIBLE ASSETS

(a) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 INTANGIBLE ASSETS *(Continued)*

(b) Film rights

Expenditure incurred for the acquisition of film rights is capitalised. The film rights are included in intangible assets and are amortised using the sum-of-digit method over the terms of the licensing period.

(c) Priority and other supply rights

Priority supply rights represent the costs paid for the priority rights to supply certain units of set top boxes to certain cable TV operators. Other supply rights represent the costs paid for the right to demand a third party to assist the Group to secure sales orders of certain units of set top boxes.

Expenditure incurred for the acquisition of the priority and other supply rights is capitalised. The priority and other supply rights are amortised upon consumption of the number of rights.

2.7 IMPAIRMENT OF NON-FINANCIAL 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 TRADE AND OTHER RECEIVABLES

Trade and other receivables are non-derivative financial assets with fixed and 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 financial position 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.

2.10 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.

2.11 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.

2.12 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)*

2.13 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 financial position date.

2.14 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 the 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.

2.15 CURRENT AND DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the financial position date in the countries where the Group, JCEs 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 financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 CURRENT AND DEFERRED INCOME TAX *(Continued)*

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.

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.

2.16 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 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 financial position 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)*

2.16 EMPLOYEE BENEFITS *(Continued)*

(b) Share-based compensation *(Continued)*

The Group recognises the effects of modifications that increase the total fair value of the share-based compensation arrangement or are otherwise beneficial to the employee. The Group shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If an entity cancels or settles a grant of equity instruments during the vesting period, it should treat this as an acceleration of vesting and recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

(c) Employee leave entitlement and long service payment

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the reporting 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sales 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

The Group is engaged in the sales of digital set top boxes and smart cards. 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.

For the instalment sales of digital set top boxes, 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.

(b) 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.

(c) Systems integration contracts

Contract revenue comprises the agreed contract amounts and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, costs of subcontracting, direct labour and an appropriate proportion of variable and fixed overheads.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 REVENUE RECOGNITION *(Continued)*

(c) Systems integration contracts *(Continued)*

Revenue from fixed price systems integration contracts and the related contract costs are recognised on the percentage of completion method, measured by reference to the proportion of work completed to date to the estimated total work of the relevant contracts.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract 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 significant risks and rewards of ownership have been transferred to and the licences are granted to the licensees.

(f) Leasing income

Revenue from the leasing of digital broadcasting network equipment and technical knowhow 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 the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 REVENUE RECOGNITION *(Continued)*

(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.

2.19 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.

2.20 DIVIDENDS DISTRIBUTION

Dividends 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 NON-CURRENT ASSETS HELD FOR SALE AND DISCOUNTED OPERATIONS

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

A discounted operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

The comparative financial information for the year ended 31 December 2008 has been reclassified to conform to current year presentation in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

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, cash flow 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 2009, 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 bank loans.

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 RMB. For majority of transactions conducted in Hong Kong, both sales and cost 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 any 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 2009, if HKD had weakened/strengthened by 3% (2008: 10%) against RMB with all other variables held constant, the Group's profit after income tax and retained earnings would have been approximately HK$170,000 (2008: HK$14,676,000) higher/lower and other components of equity would have been approximately HK$24,927,000 (2008: HK$84,157,000) higher/lower.

The sensitivity analysis had been determined assuming that the change in foreign exchange rates had occurred at the financial position 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, remained constant. The stated changes represented management's assessment of reasonably possible changes in foreign exchange currency rates over the period until the next annual financial position date. The analysis was performed on the same basis for 2008.

ii. *Cash flow and interest rate risk*

The management considers that the Group has no significant cash flow risk.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 *FINANCIAL RISK FACTORS (Continued)*

(a) Market risk *(Continued)*

ii. Cash flow and interest rate risk (Continued)

At 31 December 2009, if interest rates had been increased/decreased by 25 basis points (2008: 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$793,000 (2008: HK$1,505,000). 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.

The sensitivity analysis above had been determined assuming that a change in interest rates had occurred at the financial position 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 remained constant. The stated increase/decrease represented management's assessment of reasonably possible changes in interest rates over the period until the next annual financial position date. The analysis was performed on the same basis for 2008.

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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

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, management will assess the credit quality of the customer taking into account its financial position, past experience and other factors. 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. The 5 highest debtor balances account for 61% of the Group's total trade receivables.

Surplus cash of the Group is generally placed in short to medium term deposits with reputable banks.

(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.

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 bank loans, trade payables and other payables.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 *FINANCIAL RISK FACTORS* *(Continued)*

(c) Liquidity risk *(Continued)*

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

	On demand	Within 1 year	Over 1 year	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2009				
Trade payables	5,690	71,926	–	77,616
Bank loans	–	7,964	–	7,964
	5,690	79,890	–	85,580
As at 31 December 2008				
Trade payables	7,307	119,504	–	126,811
Bank loans	–	21,723	12,057	33,780
	7,307	141,227	12,057	160,591

3.2 *CAPITAL MANAGEMENT*

The Group regards its total equity as capital. 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 2009 and 2008. 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, which shows the proportion of the Group's assets being financed through debt. During 2009, 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 2009 was 14% (2008: 18%).

3.3 FAIR VALUE ESTIMATION

The carrying values less estimated credit adjustments of trade receivables and payables are a reasonable approximation of 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 over a period of 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 imputed rate of interest being used 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 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 the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment provision may be required.

4.4 INTANGIBLE ASSETS

The Group tests regularly whether the capitalised deferred development costs and other intangible assets have suffered any impairment in accordance with HKAS 36. The recoverable amounts have been determined based on the higher of fair value less cost to sell and value in use calculations. These calculations require the use of estimates. In determining the fair value less cost to sell, expected cash flows generated by the intangibles are discounted to their present value, which requires judgement. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling price and operating costs. Had the actual results been different from the management's estimate, the intangible assets might result in impairment.

5 SEGMENT INFORMATION

HKFRS 8 "Operating Segments" replaces HKAS 14 "Segment Reporting" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires the disclosure of information about the Group's operating segments. It replaces the requirements under HKAS 14 to determine the primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the Group's results of operations or financial position. The Group has determined that the operating segments are substantially the same as the business segments previously identified under HKAS 14.

The chief operating decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. The Group's operating segments are structured and managed separately according to products and services provided by different strategic business units that the products and services offered are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

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

(ii) Financial market information business ("FMI Business") – Provision of international financial market information and selective consumer data; and

(iii) Corporate – Corporate income and expenses.

As further explained in Note 9, the discontinued set top box business under the DVB Business has been classified as discontinued operation for the year.

5 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2009 by operating segments is as follows:

	Continuing operations					Discontinued operations	Total
	DVB Business HK$'000	FMI Business HK$'000	Corporate HK$'000	Unallocated HK$'000	Sub-Total HK$'000	DVB Business HK$'000	HK$'000
Revenue (from external customers)	162,733	28,327	–	–	191,060	514,252	705,312
Depreciation	3,461	192	138	–	3,791	1,074	4,865
Amortisation	10,552	–	–	–	10,552	15,666	26,218
Operating profit/(loss)	19,809	4,879	(9,932)	–	14,756	9,806	24,562
Finance costs	(2,181)	–	–	–	(2,181)	–	(2,181)
Share of loss of associates	(246)	–	–	–	(246)	–	(246)
Profit before income tax					12,329	9,806	22,135
Income tax expenses					(1,498)	(8,827)	(10,325)
Profit for the year					10,831	979	11,810
Total assets	522,897	21,953	40,103	7,719	592,672	771,659	1,364,331
Total assets include: Interests in associates	31,266	–	–	–	31,266	–	31,266
Total liabilities	80,044	10,888	12,536	–	103,468	92,055	195,523
Capital expenditure	18,830	75	–	–	18,905	7,859	26,764

5 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2008 by operating segments is as follows:

	Continuing operations					Discontinued operations	Total
	DVB Business	FMI Business	Corporate	Unallocated	Sub-Total	DVB Business	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue (from external customers)	174,639	24,307	–	–	198,946	560,887	759,833
Depreciation	2,477	186	132	–	2,795	1,344	4,139
Amortisation	8,969	–	–	–	8,969	10,601	19,570
Operating profit/(loss)	24,602	1,988	(27,896)	–	(1,306)	91,042	89,736
Finance costs	(1,864)	–	–	(2)	(1,866)	–	(1,866)
Share of profit of associates	4,358	–	–	–	4,358	–	4,358
Profit before income tax					1,186	91,042	92,228
Income tax credits/(expenses)					3,722	(3,062)	660
Profit for the year					4,908	87,980	92,888
Total assets	444,878	11,292	87,414	9,638	553,222	867,984	1,421,206
Total assets include:							
Interests in associates	31,948	–	–	–	31,948	–	31,948
Total liabilities	77,507	4,192	9,302	–	91,001	163,964	254,965
Capital expenditure	24,965	223	35	–	25,223	19,391	44,614

5 SEGMENT INFORMATION *(Continued)*

Reportable segment assets are reconciled to total assets as follows:

	Group					
	2009			2008		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Total segment assets	**584,953**	**771,659**	**1,356,612**	543,584	867,984	1,411,568
Deferred income tax assets	**7,719**	**–**	**7,719**	9,638	–	9,638
Total assets	**592,672**	**771,659**	**1,364,331**	553,222	867,984	1,421,206

The entity is domiciled in Hong Kong. Its revenue from external customers by countries is as follows:

	Group					
	2009			2008		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
The PRC						
– Mainland China	**162,734**	**402,349**	**565,083**	174,639	490,144	664,783
– Hong Kong	**19,919**	**111,903**	**131,822**	16,908	70,743	87,651
Others	**8,407**	**–**	**8,407**	7,399	–	7,399
	191,060	**514,252**	**705,312**	198,946	560,887	759,833

5 SEGMENT INFORMATION *(Continued)*

The total of non-current assets other than financial instruments and deferred income tax assets by countries is as follows:

	Group					
	2009			2008		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
The PRC						
– Mainland China	**60,467**	**2,045**	**62,512**	37,273	32,293	69,566
– Hong Kong	**18,386**	**–**	**18,386**	40,221	5,813	46,034
Others	**89**	**–**	**89**	163	–	163
	78,942	**2,045**	**80,987**	77,657	38,106	115,763

Revenue derived from external customers with amounts equal to or above 10% of the Group's revenue, is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Customer A	**91,921**	100,061
Customer B	**79,650**	–

6 REVENUE

An analysis of revenue is as follows:

	Group					
	2009			2008		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Revenue from sales of goods	**122,001**	**503,276**	**625,277**	149,224	542,386	691,610
Revenue from design, integration and installation of platforms for digital broadcasting systems	**37,598**	**–**	**37,598**	21,338	–	21,338
Revenue from provision of international financial market information and selective consumer data	**28,327**	**–**	**28,327**	24,307	–	24,307
Licensing income	**–**	**10,976**	**10,976**	–	18,501	18,501
Leasing income	**3,134**	**–**	**3,134**	4,077	–	4,077
	191,060	**514,252**	**705,312**	198,946	560,887	759,833

7 FINANCE COSTS

	Group	
	2009 HK$'000	2008 HK$'000
Interest on bank and other borrowings	**2,139**	709
Loan facility fee	**42**	1,155
Interest element of finance leases	**–**	2
	2,181	1,866

8 INCOME TAX CREDITS/(EXPENSES)

	Group					
	2009			2008		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Current						
– Hong Kong	**(940)**	**–**	**(940)**	(130)	–	(130)
– Outside Hong Kong						
– Provision for the year	**1,299**	**(7,844)**	**(6,545)**	3,325	(12,455)	(9,130)
– Over-provision/ (under-provision) in prior years	**(233)**	**(604)**	**(837)**	–	9,393	9,393
	126	**(8,448)**	**(8,322)**	3,195	(3,062)	133
Deferred income tax						
– Hong Kong	**(1,624)**	**–**	**(1,624)**	(3,676)	–	(3,676)
– Outside Hong Kong	**–**	**(379)**	**(379)**	4,203	–	4,203
	(1,624)	**(379)**	**(2,003)**	527	–	527
Income tax credits/ (expenses)	**(1,498)**	**(8,827)**	**(10,325)**	3,722	(3,062)	660

8 INCOME TAX CREDITS/(EXPENSES) *(Continued)*

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%) for the year on the estimated assessable profits less estimated available tax losses arising in Hong Kong.

Tax outside Hong Kong has been provided for 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.

PRC corporate income tax is provided for at the rate of 25% for the year of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose. Certain subsidiaries of the Group are entitled to preferential tax treatments including two years exemption followed by three years of a 50% tax reduction.

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 for the year is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Profit before income tax		
— continuing operations	**12,329**	1,186
— discontinued operations	**9,806**	91,042
	22,135	92,228
Notional tax calculated at the rates applicable in the countries concerned	**3,028**	(14,223)
Tax incentives	**12,839**	21,767
Income not subject to taxation	**6,575**	9,383
Expenses not deductible for taxation purposes	**(20,395)**	(6,943)
Utilisation of previously unrecognised tax losses	**2,807**	1,818
Temporary differences not recognised	**110**	2,143
Tax losses not recognised	**(14,211)**	(22,377)
Over-provision/(under-provision) in prior years	**(837)**	9,393
Tax effect on change in tax rate	**(241)**	(301)
Income tax credits/(expenses)	**(10,325)**	660

The weighted average applicable tax rate for the year was 14% (2008: 15%). 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.

9 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 23 October 2009, the Company, Crystal Cube Limited (the "Seller", a wholly-owned subsidiary of the Company), Cisco Systems (HK) Limited (the "Acquirer") and Billion Champion International Limited (the "Subject Company", an indirect wholly-owned subsidiary of the Company) entered into a share purchase agreement (the "Share Acquisition Agreement"), pursuant to which the Seller has agreed to sell 100% of the issued share capital of the Subject Company to the Acquirer (the "Disposal").

On the same date, 億添視頻技術(上海)有限公司 (the "Seller WFOE", a wholly-owned subsidiary of the Subject Company) and a number of the Company's indirect wholly-owned subsidiaries (the "Group Vendor Companies") entered into an asset purchase agreement (the "Asset Purchase Agreement"), pursuant to which the Group Vendor Companies will transfer the digital set top box business (the "STB Business", as defined in the Company's circular dated 27 November 2009, the "Circular") and the set top box assets (the "STB Assets", as defined in the Circular) to the Seller WFOE.

As additional time is required to fulfill certain conditions precedent to the Closing (as defined in the Circular) of the Disposal, the Long-stop Date (as defined in the Circular) of the Share Acquisition Agreement was extended to 20 June 2010. Details of the extension of the Long-stop Date are set out in the Company's announcement dated 22 April 2010.

The following information represents the financial information of the results, assets, liabilities and cash flows of the STB Business presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" following the approval of the shareholders of the Company on 15 December 2009.

(a) PROFIT FROM THE STB BUSINESS

	2009 **HK$'000**	2008 HK$'000
Profit from the STB Business	**979**	87,980

9 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS *(Continued)*

(a) *PROFIT FROM THE STB BUSINESS (Continued)*

(i) The analysis of the profit from the STB Business is as follows:

	2009	2008
	HK$'000	HK$'000
Revenue (Note 6)	**514,252**	560,887
Cost of sales	**(387,504)**	(408,872)
Gross profit	**126,748**	152,015
Other income	**34,688**	48,850
Marketing, selling and distribution costs	**(33,744)**	(50,267)
Administrative expenses	**(53,780)**	(42,168)
Other operating expenses	**(64,106)**	(17,388)
Profit before income tax	**9,806**	91,042
Income tax expenses (Note 8)	**(8,827)**	(3,062)
Profit for the year	**979**	87,980
Attributable to:		
Equity holders of the Company	**979**	87,980
Minority interests	**–**	–
	979	87,980

Other operating expenses include write-off of trade receivables of approximately HK$37,265,000 (2008: HK$Nil) and provision for inventories of approximately HK$10,323,000 (2008: HK$Nil).

9 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS *(Continued)*

(a) PROFIT FROM THE STB BUSINESS *(Continued)*

(ii) Historically, the STB Business formed part of the business operation of the Group. In the preparation of separate results of the STB Business, all revenues and related costs, expenses and charges that are directly attributable to the STB Business are included in the results of the STB Business. Costs for which a specific identification method could not be practically applied, which mainly represent the staff costs attributable directly to sales department and administrative functions, other than the interest income on bank balances, finance costs on bank loans and head office overheads as further explained below, had been charged by the estimated time used by the staff engaged in the STB Business during the years 2009 and 2008. The amount of staff costs attributable directly to sales department and administrative functions charged to the STB Business during the years 2009 and 2008 is as follows:

	2009	2008
	HK$'000	HK$'000
Marketing, selling and distribution costs	**(11,735)**	(9,711)
Administrative expenses	**(9,478)**	(11,875)

The directors consider that the methods of allocation of the above expenses present a reasonable basis of estimating what the expenses of STB Business would have been on a stand-alone basis during the years 2009 and 2008.

(iii) Interest income on bank balances and finance costs on bank loans incurred at the central treasury of the Company are not reflected in the profit from the STB Business during the years 2009 and 2008 as the STB Business did not individually and separately manage any bank balances or bank borrowings. Staff costs incurred at the head office level, which could not be allocated on a fair basis, are also not reflected in the profit from the STB Business. The amount of these unallocated items during the years 2009 and 2008 is as follows:

	2009	2008
	HK$'000	HK$'000
Interest income on bank balances	**2,832**	8,220
Finance costs on bank loans	**(2,181)**	(1,866)
Head office overheads	**(18,300)**	(19,579)

9 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS *(Continued)*

(b) *ASSETS AND LIABILITIES OF THE STB BUSINESS*

(i) Assets and liabilities that are directly attributable to the STB Business are as follows:

	2009 **HK$'000**	2008 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**3,736**	3,501
Intangible assets	**26,285**	34,605
Trade receivables	**239,498**	312,575
CURRENT ASSETS		
Inventories	**21,814**	66,060
Trade receivables	**423,909**	392,966
Prepayments, deposits and other receivables	**56,417**	55,958
Tax receivables	**—**	2,319
	771,659	867,984
CURRENT LIABILITIES		
Trade payables	**62,048**	122,440
Other payables and accruals	**26,154**	37,661
Tax payables	**—**	1,154
NON-CURRENT LIABILITIES		
Deferred income tax liabilities	**3,853**	2,709
	92,055	163,964
Net assets	**679,604**	704,020
FINANCED BY:		
Account with the Company	**679,604**	704,020

9 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS *(Continued)*

(b) ASSETS AND LIABILITIES OF THE STB BUSINESS (Continued)

(ii) The treasury functions of the STB Business were centrally administrated by the Company. As such, cash and cash equivalents, bank deposits and bank loans are dealt with in the current account. These balances are not allocated to the STB Business as there is no fair basis to allocate these balances to the STB Business. The amount of these unallocated items during the years 2009 and 2008 is as follows:

	2009 **HK$'000**	2008 HK$'000
Current assets		
Cash and cash equivalents	**304,110**	332,632
Bank deposits	**29,515**	16,000
Current liabilities		
Bank loans	**7,964**	21,723
Non-current liabilities		
Bank loans	**–**	12,057

(c) ANALYSIS OF THE ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Pursuant to the Asset Purchase Agreement, certain assets and liabilities (collectively, the "Non-disposed Items") which were historically associated with the STB Business are not disposed of by the Company. As these Non-disposed Items are an integral part of the STB Business, the above financial information for the years 2009 and 2008 includes these Non-disposed Items and their results of operations on the same basis as those assets to be disposed of by the Company. The assets of the STB Business to be transferred to the Seller WFOE are as follows:

	2009 **HK$'000**
Assets	
Property, plant and equipment	**1,691**
Intangible assets	**26,285**
Inventories	**13,475**
	41,451

9 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS *(Continued)*

(c) *ANALYSIS OF THE ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE* *(Continued)*

Pursuant to the Asset Purchase Agreement, all finished goods inventory and key components of the Group Vendor Companies at Closing, but excluding certain specified models of set top boxes, agreed to be purchased by the Acquirer at Closing ("STB Finished Goods Inventory") will form part of the assets of the STB Business for the Disposal. Since the value of STB Finished Goods Inventory is determinable only at Closing, the value of inventories being included in the assets held for sale, as disclosed above, is based on the carrying amount of the inventory items expected to be disposed of by management as at 31 December 2009.

(d) *ANALYSIS OF THE CASH FLOWS FROM DISCONTINUED OPERATIONS*

	2009	2008
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**33,255**	(14,490)
Net cash used in investing activities	**(7,860)**	(18,920)
	25,395	(33,410)

The cash flows of the STB Business for the years 2009 and 2008 are prepared based on the profit from the STB Business as set out in Note 9(a)(i) and the assets and liabilities directly attributable to the STB Business as set out in Note 9(b)(i). As the treasury functions were centrally administered by the Company, the net inflows/(outflows) for the STB Business during the years 2009 and 2008 are dealt with in the current account with the Company.

10 PROFIT FOR THE YEAR

The Group's profit for the year is arrived at after charging/(crediting):

	Group	
	2009	2008
	HK$'000	HK$'000
Cost of inventories sold	**445,491**	453,366
Cost of provision of international financial market information and selective consumer data	**7,327**	7,327
Depreciation (Note 15)	**4,865**	4,139
Auditors' remuneration		
– Provision for the year	**1,738**	1,587
– Under-provision for the previous year	**464**	337
Employee benefit expenses (Note 11)	**115,771**	128,331
Operating lease rentals on land and buildings	**11,322**	12,060
Operating lease rentals on motor vehicle	**235**	235
Net exchange losses	**844**	1,573
Net loss on disposal of property, plant and equipment	**16**	139
Other operating expenses including:		
Amortisation of intangibles (Note 16)	**26,218**	19,570
Write-off of deferred development costs (Note 16)	**1,925**	969
Provision for inventories	**10,822**	1,000
Write-off of trade receivables (Note 22)	**37,265**	–
Provision for impairment of trade receivables, prepayments, deposits and other receivables	**180**	5,868
Reversal of previous write-off of trade receivables	**(925)**	–
Other income including:		
Interest income on bank balances	**(2,832)**	(8,220)
Interest accretions	**(16,244)**	(14,272)
Value-added tax refund	**(21,958)**	(32,294)
Government grants	**(4,127)**	(2,747)
Short-term investment income	**(267)**	–

11 EMPLOYEE BENEFIT EXPENSES

	Group	
	2009	2008
	HK$'000	HK$'000
Wages and salaries	**110,359**	111,414
Share-based compensation	**4,727**	22,746
Pension costs – defined contribution plans	**6,043**	7,184
Termination benefits	**916**	916
Unutilised annual leave	**(476)**	663
Other benefits	**11,005**	9,741
	132,574	152,664
Less: Costs capitalised	**(16,803)**	(24,333)
	115,771	128,331

(a) DIRECTORS' EMOLUMENTS

The remuneration of each director of the Company for the year ended 31 December 2009 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits HK$'000 Note (i)	Share-based compensation HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr Ko Chun Shun, Johnson	120	–	1,450	–	246	–	1,816
Dr Lui Pan	144	4,055	1,450	253	511	36	6,449
Mr Luo Ning	–	–	–	–	–	–	–
Mr Jin Wei	–	–	–	–	287	–	287
Mr Wang Daoyi (Note (ii))	–	–	–	–	61	–	61
Mr Xu Qiang (Note (iii))	–	1,033	1,270	–	457	–	2,760
Mr Hu Qinggang	–	1,098	1,350	46	548	62	3,104
Mr Chu Hon Pong	144	–	–	–	53	–	197
Mr Liu Tsun Kie	144	–	–	–	53	–	197
Mr Yap Fat Suan, Henry	144	–	–	–	53	–	197
Total	696	6,186	5,520	299	2,269	98	15,068

11 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) DIRECTORS' EMOLUMENTS (Continued)

The remuneration of each director of the Company for the year ended 31 December 2008 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	–	1,350	–	1,139	–	2,609
Dr Lui Pan	144	4,051	1,350	239	2,291	36	8,111
Mr Luo Ning	–	–	–	–	–	–	–
Mr Qiu Yiyong (Note (iv))	–	–	–	–	–	–	–
Mr Jin Wei	–	–	–	–	1,476	–	1,476
Mr Wang Daoyi (Note (ii))	–	–	–	–	1,476	–	1,476
Mr Hu Qinggang	–	1,095	1,230	–	2,399	–	4,724
Mr Shaw Sun Kan, Gordon (Note (v))	–	–	–	–	179	–	179
Mr Jerry Sze (Note (vi))	–	–	–	–	246	–	246
Mr Chu Hon Pong	144	–	–	–	246	–	390
Mr Liu Tsun Kie	144	–	–	–	246	–	390
Mr Yap Fat Suan, Henry	144	–	–	–	246	–	390
Total	696	5,146	3,930	239	9,944	36	19,991

Notes:

(i) Other benefits include staff quarter, club membership fee, housing allowance, insurance and other statutory welfare contributions.

(ii) Mr Wang Daoyi resigned as an executive director on 23 January 2009.

(iii) Mr Xu Qiang was appointed as an executive director on 23 January 2009.

(iv) Mr Qiu Yiyong resigned as an executive director on 31 October 2008.

(v) Mr Shaw Sun Kan, Gordon retired as a non-executive director and did not offer for re-election on 12 June 2008.

(vi) Mr Jerry Sze resigned as a non-executive director on 15 December 2008.

11 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2008: three) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals during the year are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**3,781**	3,248
Discretionary bonuses	**4,034**	2,460
Share-based compensation	**464**	4,450
Contributions to pension schemes	**36**	36
	8,315	10,194

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2009**	2008
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**–**	1

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 2009 dealt with in the financial statements of the Company was approximately HK$9,873,000 (2008: HK$180,368,000).

13 DIVIDENDS

No interim dividend was paid during the year and previous year. The Board does not recommend to declare the payment of any final dividend (2008: HK$0.02 per share) but recommends to declare a special dividend of HK$0.02 per share (2008: HK$Nil) for the year ended 31 December 2009 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

The special dividend proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2009.

14 EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the Group's profit from continuing operations and discontinued operations attributable to the ordinary equity holders of the Company and the weighted average number of 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 from continuing operations and discontinued operations attributable to the ordinary equity holders of the Company 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 year) 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:

	Group	
	2009	2008
Weighted average number of ordinary shares in issue	**1,138,081,432**	1,138,081,432
Adjustment for share options	**–**	–
Weighted average number of ordinary shares for diluted earnings per share	**1,138,081,432**	1,138,081,432
	HK$'000	HK$'000
Group's profit attributable to the ordinary equity holders of the Company		
– continuing operations	**10,831**	4,908
– discontinued operations	**979**	87,980
	11,810	92,888

The basic and diluted earnings per share for the years ended 31 December 2009 and 2008 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

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 2008						
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
Year ended 31 December 2008						
Opening net carrying amount	2,644	2,328	4,580	899	1,421	11,872
Exchange differences	111	3	305	42	69	530
Additions	680	1,343	2,982	1,431	1,153	7,589
Disposals	–	–	(324)	(228)	(195)	(747)
Depreciation (Note 10)	(1,363)	(125)	(2,000)	(266)	(385)	(4,139)
Closing net carrying amount	2,072	3,549	5,543	1,878	2,063	15,105
At 31 December 2008						
Cost	3,971	70,732	13,103	2,412	3,550	93,768
Accumulated depreciation and impairment	(1,899)	(67,183)	(7,560)	(534)	(1,487)	(78,663)
Net carrying amount	2,072	3,549	5,543	1,878	2,063	15,105
Year ended 31 December 2009						
Opening net carrying amount	2,072	3,549	5,543	1,878	2,063	15,105
Exchange differences	15	12	71	19	21	138
Additions	559	4,908	749	428	1,088	7,732
Disposals	–	(2)	(168)	(26)	(146)	(342)
Depreciation (Note 10)	(1,259)	(689)	(2,045)	(405)	(467)	(4,865)
Transfer	–	(2,121)	2,247	(85)	(41)	–
Transfer to discontinued operations (Note 9(c))	–	–	(1,292)	(399)	–	(1,691)
Closing net carrying amount	1,387	5,657	5,105	1,410	2,518	16,077
At 31 December 2009						
Cost	4,441	76,979	11,655	2,169	3,851	99,095
Accumulated depreciation and impairment	(3,054)	(71,322)	(6,550)	(759)	(1,333)	(83,018)
Net carrying amount	1,387	5,657	5,105	1,410	2,518	16,077

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements
	HK$'000
At 1 January 2008	
Cost	379
Accumulated depreciation	(74)
Net carrying amount	305
Year ended 31 December 2008	
Opening net carrying amount	305
Additions	35
Depreciation	(132)
Closing net carrying amount	208
At 31 December 2008	
Cost	414
Accumulated depreciation	(206)
Net carrying amount	208
Year ended 31 December 2009	
Opening net carrying amount	208
Depreciation	(138)
Closing net carrying amount	70
At 31 December 2009	
Cost	414
Accumulated depreciation	(344)
Net carrying amount	70

16 INTANGIBLE ASSETS

Group

	Deferred development costs HK$'000	Film rights HK$'000	Priority supply rights HK$'000	Other supply rights HK$'000	Total HK$'000
At 1 January 2008					
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
Year ended 31 December 2008					
Opening net carrying amount	50,324	–	–	–	50,324
Exchange differences	1,235	–	–	–	1,235
Additions	29,900	–	–	7,125	37,025
Transfer	665	–	–	–	665
Amortisation charge (Note 10)	(18,591)	–	–	(979)	(19,570)
Write-off (Note 10)	(969)	–	–	–	(969)
Closing net carrying amount	62,564	–	–	6,146	68,710
At 31 December 2008					
Cost	111,581	49,309	–	7,125	168,015
Accumulated amortisation and impairment	(49,017)	(49,309)	–	(979)	(99,305)
Net carrying amount	62,564	–	–	6,146	68,710
Year ended 31 December 2009					
Opening net carrying amount	62,564	–	–	6,146	68,710
Exchange differences	330	–	–	–	330
Additions	19,032	–	–	–	19,032
Amortisation charge (Note 10)	(23,346)	–	–	(2,872)	(26,218)
Write-off (Note 10)	(1,925)	–	–	–	(1,925)
Transfer to discontinued operations (Note 9(c))	(23,011)	–	–	(3,274)	(26,285)
Closing net carrying amount	33,644	–	–	–	33,644
At 31 December 2009					
Cost	57,386	–	–	–	57,386
Accumulated amortisation and impairment	(23,742)	–	–	–	(23,742)
Net carrying amount	33,644	–	–	–	33,644

16 INTANGIBLE ASSETS *(Continued)*

Company

	Priority supply rights
	HK$'000
At 1 January 2008	
Cost	686,642
Accumulated amortisation and impairment	(686,642)
Net carrying amount	–
Year ended 31 December 2008	
Opening net carrying amount	–
Additions	–
Amortisation charge	–
Write-off	–
Closing net carrying amount	–
At 31 December 2008	
Cost	–
Accumulated amortisation and impairment	–
Net carrying amount	–
Year ended 31 December 2009	
Opening net carrying amount	–
Additions	–
Amortisation charge	–
Write-off	–
Closing net carrying amount	–
At 31 December 2009	
Cost	–
Accumulated amortisation and impairment	–
Net carrying amount	–

17 INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted investments, at cost	**106,322**	68,307
Less: Provision for impairment	**(85,989)**	(68,307)
	20,333	–
Loan to a subsidiary	**26,736**	26,736
Amounts due from subsidiaries	**1,040,965**	1,057,074
	1,067,701	1,083,810
Less: Provision for amounts due from subsidiaries	**(77,075)**	(118,062)
	990,626	965,748
	1,010,959	965,748

The balances with subsidiaries are unsecured, interest-free and without fixed terms of repayment. The fair values of amounts due from subsidiaries approximate their carrying amounts.

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.

17 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation or registration/operation	Nominal value of issued ordinary shares/ preference shares/ paid-up capital	Percentage of attributable equity interest held by the Company Directly	Indirectly	Principal activities
DVN (Group) Limited	British Virgin Islands	US$10 ordinary US$15,000,000 preference	100%	–	Investment holding
DVN (Management) Limited	Hong Kong	HK$2 ordinary	100%	–	Provision of administrative services
DVN Technology Limited	Hong Kong	HK$2 ordinary	100%	–	Design, development, integration and sales of digital set top boxes, digital broadcasting systems and related software
Billion Champion International Limited	Hong Kong	HK$1 ordinary	–	100%	Investment holding
Digital Video Networks Company Limited	[1]Mainland China	US$13,000,000 paid-up 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	[1]Mainland China	US$20,000,000 paid-up 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	[1]Mainland China	RMB100,000,000 paid-up capital	–	100%	Design, development, integration and sales of digital set top boxes, digital broadcasting systems and related software
廣西天柏寬帶網絡科技有限公司	Mainland China	RMB3,000,000 paid-up 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	[1]Mainland China	US$10,000,000 paid-up capital	–	100%	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/ paid-up capital	Percentage of attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
億添視頻技術(上海)有限公司	[1]Mainland China	US$5,000,000 paid-up capital	–	100%	Design, development, integration and sales of digital set top boxes, digital broadcasting systems and related software
柏視數碼科技(上海)有限公司	[1]Mainland China	US$3,500,000 paid-up capital	–	100%	Design, development, integration and sales of digital broadcasting systems and related software
北京信柏視訊技術有限公司	Mainland China	RMB100,000,000 paid-up capital	–	100%	Design, development, integration and sales of digital broadcasting systems and related software
Digital Video Networks Limited	Hong Kong	HK$2 ordinary	100%	–	Holding of patents
Rich Linkage Limited	British Virgin Islands	US$1 ordinary	–	100%	Investment holding
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	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 Registered as wholly foreign owned enterprise with limited liability under the PRC law

18 INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2009	2008
	HK$'000	HK$'000
Beginning of the year	**–**	–
Share of loss of a JCE	**–**	–
Provision for impairment	**–**	–
End of the year	**–**	–

As the JCE has been dormant since July 2006, an impairment provision of HK$3,285,000 was recognised in 2007 for the amount by which the carrying value of the interest exceeds its recoverable amount.

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted investment outside Hong Kong, at cost	**14,200**	14,200
Provision for impairment	**(14,200)**	(14,200)
	–	–

It represents the Company's 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. As the JCE has been dormant since July 2006, an impairment provision of HK$14,200,000 was recognised in 2006 for the whole amount of the investment cost of the JCE.

19 INTERESTS IN ASSOCIATES

	Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets of associates	**31,266**	31,948

Details of the associates, all of which are unlisted, incorporated and operated in the PRC with limited liability, as at 31 December 2009, are 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
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
北京華信新媒技術有限公司	RMB20,000,000	40%	Integration and sales of digital broadcasting systems and related software
雷科通技術(杭州)有限公司 ("Laketune (HZ)")	USD2,900,000	51%	Design, development and sales of 2-way networking products

In March 2008, the Group had completed the acquisition of 51% equity interest in Laketune (HZ) for a cash consideration of approximately HK$12,695,000. Pursuant to the terms of the investment agreement, the Group considered it has no control, but only significant influence, over the financing and operating policies of Laketune (HZ) and therefore, the investment has been treated as an associate.

19 INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information based on the unaudited management accounts of the associates is as follows:

	2009 HK$'000	2008 HK$'000
Assets	89,304	65,816
Liabilities	(31,560)	(7,406)
Equity	57,744	58,410
Revenue	47,198	28,657
Profit/(loss)	(1,792)	2,848

20 INVENTORIES

	Group	
	2009 HK$'000	2008 HK$'000
Raw materials	4,566	9,203
Work-in-progress	38,189	25,061
Finished goods	4,877	61,254
	47,632	95,518

The provision for inventories recognised as expenses and included in "Other operating expenses" amounted to HK$10,822,000 (2008: HK$1,000,000).

21 FINANCIAL INSTRUMENTS BY CATEGORY

Loans and receivables

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (Note 22)	**758,936**	770,896	**–**	–
Prepayments, deposits and other receivables excluding prepayments	**46,938**	48,538	**204**	204
Pledged bank deposit (Note 23)	**6,000**	6,000	**–**	–
Short-term bank deposits	**23,515**	10,000	**10,935**	–
Cash and cash equivalents (Note 24)	**304,110**	332,632	**15,781**	86,683
	1,139,499	1,168,066	**26,920**	86,887

Other financial liabilities at amortised cost

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (Note 25)	**77,616**	126,811	**–**	–
Other payables and accruals	**100,317**	89,638	**16,358**	9,893
Bank loans (Note 26)	**7,964**	33,780	**–**	–
	185,897	250,229	**16,358**	9,893

22 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**769,350**	781,130
Less: Non-current portion	**(258,702)**	(327,551)
	510,648	453,579
Less: Provision for impairment	**(10,414)**	(10,234)
Current portion	**500,234**	443,345
Prepayments, deposits and other receivables, net	**89,545**	70,553
	589,779	513,898

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

The effective interest rates on trade receivables ranged from 2.7% to 9.1% (2008: 6.5% to 7.8%) per annum.

The Group's trading terms with its customers are payment in advance or on credit. The credit period to direct sales customers 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 over a period of 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.

At 31 December 2009, trade receivables of approximately HK$37,265,000 (2008: HK$Nil) (Note 10) were impaired and written off. The impaired receivables mainly relate to the discounts offered to some customers in order to speed up the settlement process of the outstanding receivables for instalment sales.

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

An aging analysis of the current trade receivables as at the financial position date is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 6 months	**308,249**	202,414
7 – 12 months	**77,800**	139,888
Over 12 months	**124,599**	111,277
	510,648	453,579
Less: Provision for impairment	**(10,414)**	(10,234)
	500,234	443,345

Trade receivables that are less than six months past due are not considered impaired. At 31 December 2009, trade receivables of HK$45,768,000 (2008: HK$60,664,000) were past due six months or more. After considering their creditworthiness, past collection history and settlement after the financial position date, these overdue trade receivables are not considered impaired. The aging analysis of these trade receivables without provision made is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
7 – 12 months	**30,245**	20,833
Over 12 months	**15,523**	39,831
	45,768	60,664

22 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	
	2009	2008
	HK$'000	HK$'000
RMB	**500,234**	432,203
USD	**–**	11,142
	500,234	443,345

The maximum exposure to credit risk at the financial position 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	
	2009	2008
	HK$'000	HK$'000
At 1 January	**10,234**	5,306
Provision for impairment	**180**	4,928
At 31 December	**10,414**	10,234

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.

At 31 December 2009, a wholly-owned subsidiary of the Company had factored trade receivables of approximately RMB7,775,000 (equivalent to approximately HK$8,849,000) (2008: RMB35,411,000 equivalent to approximately HK$39,873,000) with maturity dates ranged from 20 to 263 days (2008: 33 to 513 days) to a bank on a recourse basis for cash. The Group continued to retain the risks and rewards of ownership associated with those trade receivables. Accordingly, the bank advances from the factoring of the trade receivables have been accounted for as liabilities in the consolidated statement of financial position (Note 26).

23 PLEDGED BANK DEPOSIT

At 31 December 2009, the Group had a bank deposit of HK$6 million (2008: HK$6 million) 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.

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**146,845**	234,986	**714**	1,575
Short-term bank deposits, with original maturities of three months or less	**157,265**	97,646	**15,067**	85,108
	304,110	332,632	**15,781**	86,683

At 31 December 2009, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$150,167,000 (2008: HK$214,069,000). 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.

25 TRADE PAYABLES

An aging analysis of the trade payables as at the financial position date is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 6 months	**67,574**	95,910
7 – 12 months	**127**	20,353
Over 12 months	**9,915**	10,548
	77,616	126,811

26 BANK LOANS

	Group	
	2009	2008
	HK$'000	HK$'000
Bank loans – secured		
Wholly repayable within five years	**7,964**	33,780
Current portion	**(7,964)**	(21,723)
Non-current portion	**–**	12,057

26 BANK LOANS *(Continued)*

The Group's bank loans are repayable as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**7,964**	21,723
Between one and two years	**–**	12,057
	7,964	33,780

At 31 December 2009, the bank loans were denominated in RMB and bore various fixed interest rates with maturity dates in 2010. The bank loans were related to the factoring of certain trade receivables of a subsidiary of the Company totalling RMB7,775,000 (equivalent to approximately HK$8,849,000) (2008: RMB35,411,000, equivalent to approximately HK$39,873,000) and were secured by a corporate guarantee granted by another subsidiary of the Company.

At 31 December 2009, the effective interest rates of the bank loans ranged from 1.8% to 2.6% (2008: 4.5% to 7.5%) per annum.

At 31 December 2009, the fair values of the bank loans approximated their carrying amounts as the impact of discounting was not significant. The fair values of the bank loans were HK$7,964,000 (2008: HK$33,208,000). The fair values were based on cash flows discounted using the borrowing rates ranged from 1.8% to 2.6% (2008: 4.5% to 7.5%) per annum.

27 SHARE CAPITAL

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorised		
At 31 December 2009 and 2008	3,000,000,000	300,000
Issued and fully paid		
At 31 December 2009 and 2008	1,138,081,432	113,808

28 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. The Scheme limit was refreshed by a resolution passed at the annual general meeting held on 12 June 2008. The maximum number of options that can be granted by the Company was refreshed to 113,808,143. At the date of this report, the total number of options that can be granted was 113,808,143, representing 9.99% of the issued share capital of the Company.

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.

28 SHARE OPTION SCHEME *(Continued)*

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

	2009		2008	
	Weighted average exercise price per share HK$	**Number of options**	Weighted average exercise price per share HK$	Number of options
At 1 January	**0.72**	**69,408,000**	1.73	88,003,001
Granted and accepted	**–**	**–**	0.70	68,408,000
Exercised	**–**	**–**	–	–
Lapsed	**–**	**–**	1.42	(28,801,001)
Cancelled	**–**	**–**	1.88	(58,202,000)
At 31 December	**0.72**	**69,408,000**	0.72	69,408,000

Out of the 69,408,000 outstanding options at 31 December 2009 (2008: 69,408,000), 69,408,000 options (2008: 35,204,000) were exercisable. No option was exercised during the years ended 31 December 2009 and 2008. Subsequent to the financial position date, there were 1,450,000 options exercised.

Share options outstanding at the financial position date have the following expiry dates and exercise prices:

Expiry date	**Exercise price per share**	**Number of options**	
	HK$	**2009**	2008
25 May 2010	**0.70**	**68,408,000**	68,408,000
11 February 2017	**1.99**	**1,000,000**	1,000,000
		69,408,000	69,408,000

28 SHARE OPTION SCHEME *(Continued)*

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

Date of share options granted	29 January 2008
Exercise price	HK$0.70
Exercise period	26 May 2008 – 25 May 2010

	Outstanding options at 1 January 2009	Options granted during the year	Options exercised during the year	Options reclassified during the year	Outstanding options at 31 December 2009	Weighted average closing price before dates of exercise HK$
Held by directors						
Mr Ko Chun Shun, Johnson	1,600,000	–	–	–	1,600,000	–
Dr Lui Pan	1,940,000	–	–	–	1,940,000	–
Dr Lui Pan (Note (i))	3,940,000	–	–	–	3,940,000	–
Mr Jin Wei	4,560,000	–	–	–	4,560,000	–
Mr Wang Daoyi (Note (ii))	4,560,000	–	–	(4,560,000)	–	–
Mr Xu Qiang (Note (iii))	–	–	–	1,040,000	1,040,000	–
Mr Hu Qinggang	1,040,000	–	–	–	1,040,000	–
Mr Chu Hon Pong	350,000	–	–	–	350,000	–
Mr Liu Tsun Kie	350,000	–	–	–	350,000	–
Mr Yap Fat Suan, Henry	350,000	–	–	–	350,000	–
Held by employees						
In aggregate	14,814,000	–	–	(1,040,000)	13,774,000	–
Held by service providers						
In aggregate	700,000	–	–	4,560,000	5,260,000	–
	34,204,000	–	–	–	34,204,000	

28 SHARE OPTION SCHEME *(Continued)*

Date of share options granted	29 January 2008
Exercise price	HK$0.70
Exercise period	26 May 2009 – 25 May 2010

	Outstanding options at 1 January 2009	Options granted during the year	Options exercised during the year	Options reclassified during the year	Outstanding options at 31 December 2009	Weighted average closing price before dates of exercise HK$
Held by directors						
Mr Ko Chun Shun, Johnson	1,600,000	–	–	–	1,600,000	–
Dr Lui Pan	1,940,000	–	–	–	1,940,000	–
Dr Lui Pan (Note (i))	3,940,000	–	–	–	3,940,000	–
Mr Jin Wei	4,560,000	–	–	–	4,560,000	–
Mr Wang Daoyi (Note (ii))	4,560,000	–	–	(4,560,000)	–	–
Mr Xu Qiang (Note (iii))	–	–	–	1,040,000	1,040,000	–
Mr Hu Qinggang	1,040,000	–	–	–	1,040,000	–
Mr Chu Hon Pong	350,000	–	–	–	350,000	–
Mr Liu Tsun Kie	350,000	–	–	–	350,000	–
Mr Yap Fat Suan, Henry	350,000	–	–	–	350,000	–
Held by employees						
In aggregate	14,814,000	–	–	(1,040,000)	13,774,000	–
Held by service providers						
In aggregate	700,000	–	–	4,560,000	5,260,000	–
	34,204,000	–	–	–	34,204,000	

28 SHARE OPTION SCHEME *(Continued)*

Date of share options granted	12 February 2007
Exercise price	HK$1.99
Exercise period	12 August 2007 – 11 February 2017

	Outstanding options at 1 January 2009	Options granted during the year	Options exercised during the year	Options reclassified during the year	Outstanding options at 31 December 2009	Weighted average closing price before dates of exercise HK$
Held by service providers						
In aggregate	500,000	–	–	–	500,000	–

Date of share options granted	12 February 2007
Exercise price	HK$1.99
Exercise period	12 February 2008 – 11 February 2017

	Outstanding options at 1 January 2009	Options granted during the year	Options exercised during the year	Options reclassified during the year	Outstanding options at 31 December 2009	Weighted average closing price before dates of exercise HK$
Held by service providers						
In aggregate	500,000	–	–	–	500,000	–

Notes:

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

(ii) Mr Wang Daoyi resigned as an executive director on 23 January 2009 and was appointed as a consultant for the Company.

(iiI) Mr Xu Qiang was appointed as an executive director on 23 January 2009.

29 RESERVES

Group

	Contributed surplus HK$'000 (Note (i))	Exchange reserve HK$'000	Retained earnings HK$'000	General reserve HK$'000 (Note (ii))	Share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2008	628,235	41,965	105,202	–	27,648	803,050
Profit for the year	–	–	92,888	–	–	92,888
Other comprehensive income						
– Currency translation differences	–	38,511	–	–	–	38,511
Dividends	–	–	(22,762)	–	–	(22,762)
Share option scheme						
– Share-based compensation	–	–	–	–	22,988	22,988
– Transfer upon options lapsed	–	–	12,377	–	(12,377)	–
Balance at 31 December 2008	628,235	80,476	187,705	–	38,259	934,675
Representing:						
Proposed dividend	–	–	22,762	–	–	22,762
Others	628,235	80,476	164,943	–	38,259	911,913
	628,235	80,476	187,705	–	38,259	934,675
Balance at 1 January 2009	628,235	80,476	187,705	–	38,259	934,675
Profit for the year	–	–	11,810	–	–	11,810
Other comprehensive income						
– Currency translation differences	–	8,459	–	–	–	8,459
Dividends	–	–	(22,762)	–	–	(22,762)
Share option scheme						
– Share-based compensation	–	–	–	–	5,060	5,060
Transfer to general reserve	–	–	(23,224)	23,224	–	–
Balance at 31 December 2009	628,235	88,935	153,529	23,224	43,319	937,242
Representing:						
Proposed dividend	–	–	22,791	–	–	22,791
Others	628,235	88,935	130,738	23,224	43,319	914,451
	628,235	88,935	153,529	23,224	43,319	937,242

29 RESERVES *(Continued)*

Company

	Contributed surplus HK$'000 (Note (i))	Retained earnings HK$'000	Share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2008	558,899	162,320	27,648	748,867
Profit for the year	–	180,368	–	180,368
Dividends	–	(22,762)	–	(22,762)
Share option scheme				
– Share-based compensation	–	–	22,988	22,988
– Transfer upon options lapsed	–	12,377	(12,377)	–
Balance at 31 December 2008	558,899	332,303	38,259	929,461
Representing:				
Proposed dividend	–	22,762	–	22,762
Others	558,899	309,541	38,259	906,699
	558,899	332,303	38,259	929,461
Balance at 1 January 2009	558,899	332,303	38,259	929,461
Profit for the year	–	9,873	–	9,873
Dividends	–	(22,762)	–	(22,762)
Share option scheme				
– Share-based compensation	–	–	5,060	5,060
Balance at 31 December 2009	558,899	319,414	43,319	921,632
Representing:				
Proposed dividend	–	22,791	–	22,791
Others	558,899	296,623	43,319	898,841
	558,899	319,414	43,319	921,632

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), a company incorporated in Bermuda is not permitted to pay dividends or make a distribution out of the 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) In accordance with the relevant People's Republic of China ("PRC") regulations, each of the Group's PRC subsidiaries is required to transfer not less than 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations, to the general reserve until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the board of directors of the PRC subsidiaries in accordance with their articles of association.

30 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 tax assets and liabilities relate to the same tax authority. The offset amounts are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Deferred income tax assets to be recovered within 12 months	**7,719**	9,638
Deferred income tax liabilities to be recovered within 12 months	**(3,892)**	(3,852)
	3,827	5,786

The movements in deferred income tax assets and liabilities during the year, without taking into consideration of the offsetting of balances within the same jurisdiction, are as follows:

Deferred income tax assets

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**13,405**	9,814
Credited/(charged) to consolidated income statement	**(2,304)**	3,591
At 31 December	**11,101**	13,405

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. At 31 December 2009, the Group did not recognise deferred income tax assets of HK$45,057,000 (2008: HK$36,152,000) in respect of unrecognised tax losses of HK$250,899,000 (2008: HK$214,893,000) that can be carried forward to offset against future taxable income and these tax losses will not expire.

30 DEFERRED TAXATION *(Continued)*

Deferred income tax liabilities

	Group					
	Accelerated tax depreciation		Deferred development costs and others		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
At 1 January	**83**	101	**7,536**	4,452	**7,619**	4,553
Charged/(credited) to consolidated income statement	**17**	(18)	**(362)**	3,084	**(345)**	3,066
At 31 December	**100**	83	**7,174**	7,536	**7,274**	7,619

31 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.

32 CASH GENERATED FROM OPERATIONS

The reconciliation of profit for the year to cash generated from operations is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Profit for the year from continuing operations	**10,831**	4,908
Profit for the year from discontinued operations	**979**	87,980
	11,810	92,888
Adjustments for:		
Income tax (credits)/expenses	**10,325**	(660)
Depreciation	**4,865**	4,139
Amortisation of intangibles	**26,218**	19,570
Write-off of trade receivables	**37,265**	—
Provision for impairment of trade receivables, prepayments, deposits and other receivables	**180**	5,868
Reversal of previous write-off of trade receivables	**(925)**	—
Provision for inventories	**10,822**	1,000
Net loss on disposal of property, plant and equipment	**16**	139
Write-off of deferred development costs	**1,925**	969
Share-based compensation	**5,060**	22,988
Interest income	**(2,832)**	(8,220)
Finance costs	**2,181**	1,866
Share of loss/(profit) of associates	**246**	(4,358)
Changes in working capital:		
Inventories	**23,589**	44,371
Trade receivables, prepayments, deposits and other receivables	**(43,552)**	(101,010)
Trade payables, other payables and accruals	**(38,246)**	(108,770)
Exchange differences	**7,393**	34,186
Cash generated from operations	**56,340**	4,966

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Group	
	2009	2008
	HK$'000	HK$'000
Net carrying amount (Note 15)	**342**	747
Net loss on disposal of property, plant and equipment	**(16)**	(139)
Proceeds from disposal of property, plant and equipment	**326**	608

33 COMMITMENTS AND CONTINGENT LIABILITIES

(a) CAPITAL COMMITMENTS

The Group and the Company did not have any capital commitments at 31 December 2009 and 2008.

(b) OPERATING LEASE COMMITMENTS

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

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Land and buildings		
Not later than one year	**9,623**	7,769
Later than one year but not later than five years	**8,429**	9,057
	18,052	16,826
Motor vehicle		
Not later than one year	**235**	235
Later than one year but not later than five years	**–**	235
	235	470
Total		
Not later than one year	**9,858**	8,004
Later than one year but not later than five years	**8,429**	9,292
	18,287	17,296

The Company did not have any commitments under operating lease at 31 December 2009 and 2008.

33 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(c) FINANCIAL COMMITMENTS

At 31 December 2009, the Group had financial commitments in respect of registered capital contribution to a subsidiary as described below:

	Group	
	2009	2008
	HK$'000	HK$'000
Subsidiary (Note (i))	**10,603**	10,490

Note:

(i) Included in the financial commitments in respect of registered capital contribution to a subsidiary is an amount of RMB5,316,000 (equivalent to approximately HK$6,051,000) (2008: RMB5,316,000 equivalent to approximately HK$5,986,000) that was paid in 1999 but the capital verification process has not been completed. The remaining balance has been overdue for capital injection (2008: same).

The Company did not have any significant financial commitments at 31 December 2009 and 2008.

(d) CONTINGENT LIABILITIES

During the year ended 31 December 2009, 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 2009, such facilities were drawn down by the wholly-owned subsidiary to the extent of HK$5,373,000 (2008: HK$5,801,000) and the maximum liability of the Company under the guarantees was HK$5,373,000 (2008: HK$5,801,000).

Apart from above mentioned, the Company and the Group did not have any significant contingent liabilities at 31 December 2009 (2008: Nil).

34 RELATED PARTY TRANSACTIONS

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

(a) SALES OR PURCHASES OF GOODS AND SERVICES

	Group	
	2009	2008
	HK$'000	HK$'000
Sales of goods and services		
– Related companies of a shareholder	**133,299**	243,659
Purchase returns of goods		
– A group company of a shareholder	**40,723**	–

The sales and purchase returns 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

	Group	
	2009	2008
	HK$'000	HK$'000
Short-term employee benefits	**18,271**	17,597
Post-employment benefits	**162**	72
Share-based compensation	**2,915**	14,973
	21,348	32,642

34 RELATED PARTY TRANSACTIONS *(Continued)*

(c) YEAR-END BALANCES ARISING FROM SALES/PURCHASES AND SERVICES RENDERED

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables		
– Related companies of a shareholder	**241,528**	442,908
– A group company of a shareholder	**115**	122
Trade payables		
– Related companies of a shareholder	**3,497**	1,950
– A group company of a shareholder	**490**	417
– JCE	**4,892**	4,840
– An associate	**1,592**	1,407

(d) OTHER YEAR-END BALANCES

	Group	
	2009	2008
	HK$'000	HK$'000
Prepayments, deposits and other receivables		
– Related companies of a shareholder	**2,306**	837
– A group company of a shareholder	**78**	3
– JCE	**1**	353
– An associate	**4,138**	5,396
Other payables		
– Related companies of a shareholder	**2,437**	7,211
– A group company of a shareholder	**–**	45
– JCE	**356**	–

35 EVENTS AFTER THE FINANCIAL POSITION DATE

Save as the extension of the Long-stop Date mentioned in Note 9, there has been no other material event subsequent to the year end which requires adjustment of or disclosure in these consolidated financial statements.

36 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 are summarised below.

	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**705,312**	759,833	991,293	972,540	304,618
Profit/(loss) before income tax	**22,135**	92,228	125,546	(624,572)	(33,922)
Income tax credits/(expenses)	**(10,325)**	660	(8,910)	(1,544)	–
Minority interests	**–**	–	–	3	–
Dividends on preference shares	**–**	–	(1,453)	(5,812)	(5,812)
Profit/(loss) attributable to the equity holders of the Company	**11,810**	92,888	115,183	(631,925)	(39,734)
Assets and liabilities					
Property, plant and equipment	**16,077**	15,105	11,872	10,284	20,404
Intangible assets	**33,644**	68,710	50,324	42,082	30,880
Investments	**31,266**	31,948	1,846	5,576	13,092
Other non-current assets	**266,421**	337,189	178,274	6,120	956
Net current assets	**825,292**	729,198	792,300	660,725	108,255
	1,172,700	1,182,150	1,034,616	724,787	173,587
Non-current liabilities	**(3,892)**	(15,909)	–	(8)	(44)
Net assets	**1,168,808**	1,166,241	1,034,616	724,779	173,543
Shareholders' equity	**1,051,050**	1,048,483	916,858	607,021	55,782
Minority interests	**117,758**	117,758	117,758	117,758	117,761
	1,168,808	1,166,241	1,034,616	724,779	173,543