Interim Report 2010

DVN (Holdings) Limited

天地數碼（控股）有限公司

Stock Code: 00500

CONTENTS

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

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Legal Advisers

Baker & McKenzie
Kelvin Cheung & Co.

Principal Bankers

Bank of Communications Co., Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China
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

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MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of DVN (Holdings) Limited (the "Company") is pleased to present the unaudited consolidated results and financial position of the Company and its subsidiaries (together, the "Group") for the six-month period ended 30 June 2010, together with the comparative figures for the corresponding period in 2009. These condensed consolidated interim financial statements are unaudited but have been reviewed by the Company's audit committee and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

OPERATIONAL REVIEW AND PROSPECTS

Overall Performance

Summary

The Group recorded consolidated revenue of HK$303.9 million for the first six months of 2010, representing a decline of 7% from the comparative 2009 figure of HK$328.1 million. The consolidated profit after tax for the six-month period ended 30 June 2010 increased about 168% to HK$113.4 million (2009: HK$42.3 million) as a result of the gain of HK$171.7 million from the disposal of the Group's set top box ("STB") business ("STB Business") to Cisco Systems (HK) Limited.

The Board of the Company does not recommend any payment of interim dividend (2009: Nil) but recommends to declare a special dividend of HK$0.01 per ordinary share (2009: Nil) for the six-month period ended 30 June 2010.

Digital Broadcasting Business

For the six-month period ended 30 June 2010, revenue from the digital broadcasting business amounted to HK$289.6 million as compared to HK$314.8 million for the corresponding period in 2009, reflecting the impact of a temporary industry wide slow down in digitisation during the first quarter of this year, continuing price decline in the market, and the decline in the STB Business after the completion of the disposal of the STB Business on 5 May 2010.

The pace of digitisation was below expectation in the first quarter of 2010 as a result of adjustments made in light of the State Council's decision on network convergence and triple play in January. A significant number of procurement tenders were postponed as cable TV operators revised their existing digital conversion engineering blueprints and technical specifications in order to incorporate 2-way network upgrades and interactivity features. The strong government drive to consolidate cable networks at the provincial level also led to many city and county level cable TV operators to put on hold their digitisation schedules. Heavy snow storms at the start of the year also affected the execution of sales orders in the northern provinces.

By the end of the second quarter, nineteen provinces have completed their cable network consolidation and the remaining others are pressing forward. The speed of digital conversion began to rebound in the second quarter and a substantial improvement in the second half of 2010 is expected.

The segmental operating profit of the digital broadcasting business for the six-month period ended 30 June 2010 amounted to HK$114.0 million, representing a 101% increase from HK$56.7 million for the corresponding period in 2009. The increase in operating profit was mainly attributable to the gain on the disposal of the STB Business of HK$171.7 million although write-off of trade receivables, net, of HK$23.2 million, provision for impairment of trade receivables of HK$3.7 million, provision for impairment of other receivables of HK$1.8 million and provision for inventories of HK$7.4 million were made during the current period.

Financial Market Information Business

The revenue from the financial market information business recorded an increase of 7% to HK$14.3 million for the six-month period ended 30 June 2010 (2009: HK$13.3 million). However, its operating profit dropped by 7% to HK$2.2 million (2009: HK$2.4 million) as a result of the increase in operating expenses.

Prospects

Triple play or network convergence has become the most dominant factor influencing the development of cable TV in the People's Republic of China ("PRC") for the next several years. Six months subsequent to the State Council's decision in January 2010 on accelerating triple play development, the central government announced in July details of the trial stage triple play operation policy and the names of the 12 trial site cities thus officially launched triple play into the implementation stage. At the same time, the State Administration of Radio, Film and Television is aggressively promoting the development of next generation broadcasting network ("NGB") as the digital TV triple play platform.

With the disposal of the STB Business to Cisco Systems (HK) Limited finally completed in May, the Group has devoted its resources to pursue opportunities generated from triple play and NGB. The development focus will be in three key areas on the value chain where the Group exhibits demonstrated strength – network infrastructure, application platform, network security and copyright management.

Network Infrastructure

2-way cable network upgrade will be the most pressing issue facing cable TV operators preparing for network convergence and triple play. At the moment, about 90% of the 170 million cable TV households in China are still one-way.

The Group's unique combination of no-frills narrow band device (DOC) and price competitive broadband device (WOC) has found significant appeal with cable TV operators. Given most of the current interactive TV services only required limited return path bandwidth, cable TV operators could select the narrow band device as their standard installation while providing the broadband device only to subscribers of high volume services. This represents a more capital efficient approach for cable TV operators to upgrade their network infrastructure. The Group is in discussions with a number of provincial cable TV operators to supply narrow band + broadband upgrade solutions.

The Group has finished development and will soon release a new series of 2-way upgrade products that is based on technologies that utilise the bottom section of the coaxial cable frequency spectrum for return path, whereas its existing products such as WOC and DOC utilise the top section of the same spectrum. This is mainly due to the uneven conditions of China's cable network at different locations that sometimes cause the low frequency environment be more suitable than the higher spectrum. With the new addition, the Group will boost a full range of 2-way upgrade product solutions. The Group is exploring potential strategic cooperation with a leading telecom equipment supplier for these products.

Application Platform

One of the key objectives of NGB is to convert, in an interactive and triple play environment, the role of TV and STB from that of a pure passive viewing platform into a more comprehensive platform with capabilities of networking and other application tools aimed to deliver convenience at home. To enable these capabilities, new application driven software systems must be added to TVs and STBs.

The Group's DASS (DVN Application Support System) product is an application software system developed with the purpose to equip TV with new application tools. Some of the existing application features such as TV Widget, TV Wiki, real time weather and stock quote, and TV leisure games were developed with the intent to induce TV viewer interest, since using TV as a tool is a habit that will need to be nurtured at the beginning. The system is also designed as an open platform that allows for third party developers to easily add new application features, and is compatible with different hardware systems. The Group is offering trial installation to cable TV operators and is working with TV manufacturers to include the software as a standard feature on TV sets. The strategy is to rapidly expand the system's installation base, so that maintenance fee in the future for upgrades and licensing fee from third party developers can generate a continuous income stream for the Group.

The Hongkou District government in Shanghai is building an open access public digital TV platform to encourage development of new digital TV application products. The Group was selected to supply the application support system to the project as a result of the open design concept of DASS and its large library of design tools.

Network Security and Copyright Management

The Group is expanding the scope of its security product from conditional access system (CA) into digital rights management system (DRM). CA is a system design mainly for traditional TV broadcasting applications that concentrates on providing security for the transmission of content on a simple path from the cable TV operator's head end to the authorised users' STBs. DRM is a more broad based access control concept that allows hardware manufacturers, publishers, copyright holders and individuals to impose limitations on the usage of digital content and devices, given that interactive and triple play applications often involve multiple content and service providers, and more complex content transmission pathways.

The Group is one of the leading CA providers in China with the second highest total CA card installed base in the market and, over the years, has developed one of the highest security standard CA systems in the market. This extensive application knowledge derived from years of CA and STB research and development was transferred into the development of the Group's first commercial DRM system, DDRM (DVN Digital Rights Management), which is designed as an operational support tool for the cable TV industry.

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. No share options were granted to any eligible directors or employees by the Company during the six-month period ended 30 June 2010 (2009: Nil).

The total number of employees of the Group as at 30 June 2010 was 467 (31 December 2009: 635), out of which 405 (31 December 2009: 572) employees were stationed in Mainland China. The significant decrease in the total number of employees was mainly resulted from the completion of the disposal of the Group's STB Business in early May this year. The number of employees as at 30 June 2010 categorised according to their functions is as follows:

Research and development	231
Sales and marketing	106
Technical support	13
Procurement and engineering support	29
Accounting and finance	27
Administration and management	61
	467

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2010, the Group recorded total assets of HK$1,521.4 million (31 December 2009: HK$1,364.3 million) which were financed by liabilities of HK$247.5 million (31 December 2009: HK$195.5 million), non-controlling interests of HK$117.8 million (31 December 2009: HK$117.8 million) and shareholders' equity of HK$1,156.1 million (31 December 2009: HK$1,051.0 million). The Group's net asset value per share (excluding non-controlling interests) as at 30 June 2010 amounted to HK$1.01 (31 December 2009: HK$0.92).

The Group had a total cash and bank balance of HK$445.0 million (31 December 2009: HK$333.6 million) and bank borrowings of HK$4.4 million (31 December 2009: HK$8.0 million) as at 30 June 2010. Its gearing ratio, measured on the basis of total borrowings as a percentage of shareholders' equity, as at 30 June 2010 was 0.004 (31 December 2009: 0.008). 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 Hong Kong dollars ("HKD"), Renminbi ("RMB") and United States dollars ("USD"). Surplus cash is generally placed in short-term bank 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, almost all 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 period under review and 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 STB 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. The disposal was completed on 5 May 2010.

Save as mentioned above, the Group did not have any material acquisitions or disposals of subsidiaries and associates during the six-month period ended 30 June 2010.

Charges on Assets

At 30 June 2010, the Group had a bank deposit of HK$6.0 million (31 December 2009: HK$6.0 million) and trade receivables of approximately HK$4.9 million (31 December 2009: HK$8.8 million) pledged to banks as securities for general banking facilities.

Future Plans for Material Investments or Capital Assets

On 18 August 2010, the Group entered into an agreement to subscribe for approximately 33.33% of the then enlarged registered capital of Beijing Tongfang Ehero Technology Co., Ltd. for a total consideration of RMB30 million (equivalent to approximately HK$34.5 million). Details of the investment are set out in the announcement of the Company dated 18 August 2010.

Save as mentioned above, the Group did not have any future plans for material investments or capital assets as at 30 June 2010.

Capital Commitments

The Group had no material capital expenditure commitments as at 30 June 2010.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2010.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF DVN (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 9 to 31, which comprises the condensed consolidated statement of financial position of DVN (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2010

	Note	Six months ended 30 June 2010 (Unaudited) HK$'000	 2009 (Audited) HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	3	**171,132**	100,122
Cost of sales		**(123,604)**	(34,274)
Gross profit		**47,528**	65,848
Other income		**6,569**	5,337
Marketing, selling and distribution costs		**(21,412)**	(19,213)
Administrative expenses		**(40,403)**	(46,499)
Other operating expenses		**(13,427)**	(3,488)
Operating profit/(loss)		**(21,145)**	1,985
Finance costs	4	**–**	(1,698)
Share of loss of associates		**(235)**	(277)
Profit/(loss) before income tax		**(21,380)**	10
Income tax expenses	5	**(1,382)**	(2,255)
Loss for the period from continuing operations		**(22,762)**	(2,245)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	6(a)	**136,142**	44,515
PROFIT FOR THE PERIOD	7	**113,380**	42,270
Attributable to:			
Equity holders of the Company			
– continuing operations		**(22,762)**	(2,245)
– discontinued operations		**136,142**	44,515
		113,380	42,270
Non-controlling interests			
– continuing operations		**–**	–
– discontinued operations		**–**	–
		–	–
		113,380	42,270
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8		
– continuing operations		**(2.00 cents)**	(0.20 cents)
– discontinued operations		**11.95 cents**	3.91 cents
		9.95 cents	3.71 cents
DIVIDENDS	9	**11,395**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Audited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**113,380**	42,270
Other comprehensive income		
– Currency translation differences	**13,472**	9,331
Other comprehensive income for the period, net of tax	**13,472**	9,331
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**126,852**	51,601
Attributable to:		
Equity holders of the Company	**126,852**	51,601
Non-controlling interests	**–**	–
	126,852	51,601

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	**30 June 2010 (Unaudited) HK$'000**	31 December 2009 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**18,370**	16,077
Intangible assets		**33,830**	33,644
Interest in a jointly controlled entity		**–**	–
Interests in associates		**31,449**	31,266
Deferred income tax assets		**9,360**	7,719
Available-for-sale financial assets	10	**135,556**	–
Trade receivables		**186,548**	258,702
Total non-current assets		**415,113**	347,408
CURRENT ASSETS			
Inventories		**61,050**	47,632
Available-for-sale financial assets	10	**5,519**	–
Trade receivables	11	**481,581**	500,234
Prepayments, deposits and other receivables		**108,652**	89,545
Tax receivables		**4,474**	4,436
Pledged bank deposit		**6,000**	6,000
Short-term bank deposits		**27,186**	23,515
Cash and cash equivalents		**411,791**	304,110
		1,106,253	975,472
Assets of disposal group classified as held for sale	6(b)	**–**	41,451
Total current assets		**1,106,253**	1,016,923
CURRENT LIABILITIES			
Trade payables	12	**122,571**	77,616
Other payables and accruals		**111,293**	100,317
Bank loans		**4,445**	7,964
Tax payables		**7,122**	5,734
Total current liabilities		**245,431**	191,631
Net current assets		**860,822**	825,292
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,275,935**	1,172,700
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		**2,051**	3,892
Total non-current liabilities		**2,051**	3,892
Net assets		**1,273,884**	1,168,808
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**113,953**	113,808
Reserves		**1,042,173**	937,242
		1,156,126	1,051,050
Non-controlling interests		**117,758**	117,758
Total equity		**1,273,884**	1,168,808

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2010

		Attributable to equity holders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	General reserve HK$'000	Share-based compensation reserve HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Audited											
Balance at 1 January 2009		113,808	–	628,235	80,476	187,705	–	38,259	1,048,483	117,758	1,166,241
Profit for the period		–	–	–	–	42,270	–	–	42,270	–	42,270
Other comprehensive income – Currency translation differences		–	–	–	9,331	–	–	–	9,331	–	9,331
Dividends	9	–	–	–	–	(22,762)	–	–	(22,762)	–	(22,762)
Share option scheme – Share-based compensation		–	–	–	–	–	–	5,060	5,060	–	5,060
Transfer to general reserve	14	–	–	–	–	(7,339)	7,339	–	–	–	–
Balance at 30 June 2009		113,808	–	628,235	89,807	199,874	7,339	43,319	1,082,382	117,758	1,200,140
Unaudited											
Balance at 1 January 2010		113,808	–	628,235	88,935	153,529	23,224	43,319	1,051,050	117,758	1,168,808
Profit for the period		–	–	–	–	113,380	–	–	113,380	–	113,380
Other comprehensive income – Currency translation differences		–	–	–	13,472	–	–	–	13,472	–	13,472
Dividends	9	–	–	–	–	(22,791)	–	–	(22,791)	–	(22,791)
Share option scheme – Proceeds from shares issued	13	145	870	–	–	–	–	–	1,015	–	1,015
– Transfer upon options exercised		–	854	–	–	–	–	(854)	–	–	–
– Transfer upon options lapsed		–	–	–	–	41,586	–	(41,586)	–	–	–
Transfer to general reserve	14	–	–	–	–	(3,610)	3,610	–	–	–	–
Balance at 30 June 2010		113,953	1,724	628,235	102,407	282,094	26,834	879	1,156,126	117,758	1,273,884

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Net cash generated from operating activities	**76,811**	4,101
Net cash generated from/(used in) investing activities	**54,889**	(125,049)
Net cash generated from/(used in) financing activities	**(25,295)**	65,032
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**106,405**	(55,916)
Cash and cash equivalents at beginning of the period	**304,110**	332,632
Effect of foreign exchange rate changes	**1,276**	1,946
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**411,791**	278,662
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**155,846**	172,396
Short-term bank deposits with original maturities of three months or less	**255,945**	106,266
	411,791	278,662

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General Information

DVN (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the design, development, integration and sales of smart cards, conditional access systems, 2-way cable network systems, digital set top boxes, digital broadcasting systems and the related software, and the provision of online financial market information.

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 condensed consolidated interim financial statements are presented in Hong Kong dollars ("HKD") and all values are rounded to the nearest thousand (HK$'000), unless otherwise stated.

These condensed consolidated interim financial statements are unaudited but have been reviewed by the Company's audit committee and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated interim financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 20 August 2010.

2 Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by HKICPA. These condensed consolidated interim financial statements should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

These condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets. The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2009 except for the adoption of the new, amended and revised HKFRS, HKASs and Interpretations (hereinafter collectively referred to as "HKFRSs") issued by the HKICPA mandatory for accounting period beginning on 1 January 2010.

2 Basis of Preparation and Accounting Policies *(Continued)*

Adoption of new/amended/revised HKFRSs

The following amended HKFRSs are mandatory for the Group's accounting period beginning on 1 January 2010 and are relevant to the Group's operations:

HKAS 7 (Amendment)	Classification of Expenditures on Unrecognised Assets
HKAS 18 – Appendix (Amendment)	Determining Whether an Entity is Acting as a Principal or as an Agent
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-settled Share-based Payment Transaction
HKFRS 5 (Amendment)	Disclosure of Non-current Assets (or Disposal Groups) Classified as Held for Sale and Discontinued Operations
HKFRS 8 (Amendment)	Disclosure of Information about Segment Assets

The impacts of the adoption of these amended HKFRSs on these condensed consolidated interim financial statements are as follows:

(a) HKAS 7 (Amendment) "Classification of Expenditures on Unrecognised Assets". This amendment states explicitly that only expenditures that result in recognition of an asset can be a cash flow from investing activities. It requires retrospective application. The adoption of this amendment does not have any impact on the presentation of the Group's consolidated statement of cash flows as the Group's accounting policy already complies with this amendment.

(b) HKAS 18 – Appendix (Amendment) "Determining Whether an Entity is Acting as a Principal or as an Agent". Additional guidance is added to the appendix of the standard to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods and services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears the credit risk. This amendment does not have any impact on the Group's results of operations and financial position.

(c) HKFRS 2 (Amendment) "Share-based Payment – Group Cash-settled Share-based Payment Transaction". This amendment clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. This amendment does not have any impact on the Group's financial statements.

(d) HKFRS 5 (Amendment) "Disclosure of Non-current Assets (or Disposal Groups) Classified as Held for Sale and Discontinued Operations". This amendment specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale and discontinued operations. It also clarifies that the general requirements of HKAS 1 (Revised) "Presentation of Financial Statements" still apply, in particular paragraphs 15 (fair presentation) and 125 (sources of estimation uncertainty) of HKAS 1. This amendment does not have any impact on the Group's financial statements.

2 Basis of Preparation and Accounting Policies *(Continued)*

Adoption of new/amended/revised HKFRSs *(Continued)*

(e) HKFRS 8 (Amendment) "Disclosure of Information about Segment Assets". This amendment clarifies that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. It requires retrospective application. The adoption of this amendment does not have any impact on the presentation of the Group's financial statements.

The following amended HKFRSs are mandatory for the Group's accounting period beginning on 1 January 2010, but are not relevant to the Group's operations:

HKAS 1 (Amendment)	Classification of the Liability Components of Convertible Instruments
HKAS 17 (Amendment)	Classification of Leases of Land and Buildings
HKAS 36 (Amendment)	Unit of Accounting for Goodwill Impairment Test
HKAS 39 (Amendment)	Embedded Repayment Penalties, Scope Exemption for Business Combination Contract and Cash Flow Hedge Accounting
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters

The following new, amended and revised standards, amendments and interpretations to existing standards have been issued, but are not effective for the Group's accounting period beginning on 1 January 2010 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 9	Financial Instruments
HK(IFRIC) – Int 13 (Amendment)	Customer Loyalty Programmes
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

3 Segment Information

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 the 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 smart cards, conditional access systems, 2-way cable network systems, digital set top boxes, digital broadcasting systems and the related software;

(ii) Financial market information business ("FMI Business") – Provision of online financial market information; and

(iii) Corporate – Corporate income and expenses.

As further explained in Note 6, the discontinued STB Business under the DVB Business has been classified as discontinued operation for the period.

An analysis of the Group's revenue, results and total assets information for the six-month period ended 30 June 2010 by operating segments is as follows:

	Unaudited						
	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)	156,869	14,263	–	–	171,132	132,757	303,889
Operating profit/(loss)	(19,656)	2,207	(3,696)	–	(21,145)	133,692	112,547
Finance costs	–	–	–	–	–	–	–
Share of loss of associates	(235)	–	–	–	(235)	–	(235)
Profit/(loss) before income tax					(21,380)	133,692	112,312
Income tax credit/(expenses)					(1,382)	2,450	1,068
Profit/(loss) for the period					(22,762)	136,142	113,380
Total assets	1,438,197	23,387	59,782	–	1,521,366	–	1,521,366

3 Segment Information *(Continued)*

The total assets under the continuing operations of the DVB Business include those assets of the discontinued STB Business, which were not transferred to the Seller WFOE and still remain in the Group after the completion of the disposal of the STB Business.

An analysis of the Group's revenue, results and total assets information for the six-month period ended 30 June 2009 by operating segments is as follows:

	Audited						
	Continuing operations					Discontinued operations	Total
	DVB Business	FMI Business	Corporate	Unallocated	Sub-total	DVB Business	
	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)
Revenue (from external customers)	86,811	13,311	–	–	100,122	227,975	328,097
Operating profit/(loss)	6,687	2,385	(7,087)	–	1,985	49,977	51,962
Finance costs	(1,698)	–	–	–	(1,698)	–	(1,698)
Share of loss of associates	(277)	–	–	–	(277)	–	(277)
Profit before income tax					10	49,977	49,987
Income tax expenses					(2,255)	(5,462)	(7,717)
Profit/(loss) for the period					(2,245)	44,515	42,270
Total assets	539,090	18,629	61,854	8,057	627,630	863,697	1,491,327

4 Finance Costs

	Six months ended 30 June	
	2010 (Unaudited) HK$'000	2009 (Audited) HK$'000
Interest on bank borrowings	**–**	1,656
Loan facility fee	**–**	42
	–	1,698

5 Income Tax Expenses

	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Continuing operations (Unaudited) HK$'000	**Discontinued operations (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**	Continuing operations (Audited) HK$'000 (Restated)	Discontinued operations (Audited) HK$'000 (Restated)	Total (Audited) HK$'000 (Restated)
Current						
– Hong Kong	**(367)**	**–**	**(367)**	(394)	–	(394)
– Outside Hong Kong						
– Provision for the period	**(1,043)**	**(672)**	**(1,715)**	(1,855)	(1,554)	(3,409)
– Over/(under) – provision in prior periods	**26**	**(306)**	**(280)**	(3)	(674)	(677)
	(1,384)	**(978)**	**(2,362)**	(2,252)	(2,228)	(4,480)
Deferred income tax						
– Hong Kong	**2**	**–**	**2**	(3)	–	(3)
– Outside Hong Kong	**–**	**3,428**	**3,428**	–	(3,234)	(3,234)
	2	**3,428**	**3,430**	(3)	(3,234)	(3,237)
Income tax credit/(expenses)	**(1,382)**	**2,450**	**1,068**	(2,255)	(5,462)	(7,717)

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

Income tax expenses are recognised, based on management's best estimate of the weighted average annual income tax expected for the full financial year.

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) 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.

The corporate income tax in the People's Republic of China ("PRC") is provided for at the rate of 25% on 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 deduction.

6 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”, a then indirect wholly-owned subsidiary of the Company) entered into a share purchase agreement (the “Share Acquisition Agreement”), pursuant to which the Seller 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 then 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 would 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.

The Company completed the Closing (as defined in the Circular) of the Share Acquisition Agreement on 5 May 2010 and ceased to have any equity interest in the Subject Company and the Seller WFOE.

The following information represents the financial information 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. In addition, comparative figures in the condensed consolidated income statement and the segment information in Note 3 for the six-month period ended 30 June 2009 have been restated to distinguish discontinued operations from continuing operations.

6 Disposal Group Classified as Held for Sale and Discontinued Operations

(Continued)

(a) Profit from the STB Business

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Audited)
	HK$'000	HK$'000
		(Restated)
Revenue	**132,757**	227,975
Cost of sales	**(108,281)**	(148,976)
Gross profit	**24,476**	78,999
Other income	**172,642**	19,957
Marketing, selling and distribution costs	**(14,602)**	(16,247)
Administrative expenses	**(15,229)**	(14,283)
Other operating expenses	**(33,595)**	(18,449)
Profit before income tax	**133,692**	49,977
Income tax credit/(expenses) (Note 5)	**2,450**	(5,462)
Profit for the period	**136,142**	44,515

Other income includes gain on disposal of STB Business of approximately HK$171,717,000 (2009: HK$Nil).

Other operating expenses include write-off of trade receivables, net, of approximately HK$23,200,000 (2009: HK$Nil), provision for impairment of trade receivables of approximately HK$2,998,000 (2009: HK$5,000,000), provision for impairment of other receivables of approximately HK$1,693,000 (2009: HK$Nil) and provision for inventories of approximately HK$598,000 (2009: HK$3,904,000).

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 Group. As these Non-disposed Items are an integral part of the STB Business, the profit from the STB Business for the six-month periods ended 30 June 2010 and 2009 includes the results of operations of these Non-disposed Items on the same basis as those assets to be disposed of by the Group.

6 Disposal Group Classified as Held for Sale and Discontinued Operations

(Continued)

(b) Analysis of the Assets of Disposal Group Classified as Held for Sale

The assets of the STB Business transferred to the Seller WFOE are as follows:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
ASSETS		
Property, plant and equipment	–	1,691
Intangible assets	–	26,285
Inventories	–	13,475
	–	41,451

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") would 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 included in the assets held for sale as at 31 December 2009, as disclosed above, was based on the carrying amount of the inventory items expected to be disposed of by management as at 31 December 2009.

6 Disposal Group Classified as Held for Sale and Discontinued Operations

(Continued)

(c) Analysis of the Cash Flows from Discontinued Operations

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Audited)
	HK$'000	HK$'000
		(Restated)
Net cash generated from/(used in) operating activities	**96,079**	(3,749)
Net cash generated from/(used in) investing activities	**67,931**	(8,152)
	164,010	(11,901)

The cash flows of the STB Business for the six-month periods ended 30 June 2010 and 2009 are prepared based on the results of the STB Business as set out in Note 6(a) and the assets and liabilities directly attributable to the STB Business. As the treasury functions were centrally administered by the Company, the net inflows/(outflows) for the STB Business during the six-month periods ended 30 June 2010 and 2009 are dealt with in the current account with the Company.

The effect on the financial position and the total consideration received in respect of the disposal of the STB Business are as follows:

	30 June
	2010
	HK$'000
Property, plant and equipment	**(1,038)**
Inventories	**(5,321)**
Intangible assets	**(23,243)**
Prepayments, deposits and other receivables	**(16,974)**
Other payables and accruals	**(5,456)**
	(52,032)

	Six months ended
	30 June
	2010
	HK$'000
Consideration received, satisfied in cash	**70,108**
Repayment of shareholders' loan	**38,829**
Cash and cash equivalents disposed of	**(38,934)**
Net cash inflow	**70,003**

7 Profit for the Period

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Cost of inventories sold	**227,625**	179,164
Cost of provision of financial market information	**4,260**	4,086
Depreciation	**2,628**	2,124
Net exchange losses	**170**	1,000
Other operating expenses including:		
Amortisation of deferred development costs	**9,998**	11,649
Write-off of deferred development costs	**338**	299
Provision for inventories	**7,435**	4,467
Write-off of trade receivables, net	**23,200**	–
Provision for impairment of trade receivables	**3,655**	5,000
Provision for impairment of other receivables	**1,761**	–
Other income including:		
Interest income on bank balances	**(732)**	(2,126)
Interest accretions	**(1,700)**	(10,766)
Value-added tax refund	**(3,947)**	(9,030)
Net gain on disposal of property, plant and equipment	**–**	(37)
Government grants	**(612)**	(509)
Non-compete income	**(433)**	–
Gain on disposal of STB Business	**(171,717)**	–
Others	**(70)**	(2,826)

8 Earnings per Share

The calculation of the basic earnings per share for the period is based on the Group's profit/(loss) 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 period.

The calculation of the diluted earnings per share for the period is based on the Group's profit/(loss) 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 period assuming the exercise of the outstanding share options, the dilutive potential ordinary shares of the Company. A calculation is made to determine the number of ordinary shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares over the period) based on the monetary value of the subscription rights attached to the outstanding share options. The weighted average number of ordinary shares for the calculation of the diluted earnings per share is set out as follows:

8 Earnings per Share *(Continued)*

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Audited)
Weighted average number of ordinary shares in issue	**1,139,058,780**	1,138,081,432
Adjustment for share options	**–**	–
Weighted average number of ordinary shares for diluted earnings per share	**1,139,058,780**	1,138,081,432
	HK$'000	HK$'000
		(Restated)
Group's profit/(loss) attributable to the ordinary equity holders of the Company		
– continuing operations	**(22,762)**	(2,245)
– discontinued operations	**136,142**	44,515
	113,380	42,270

The basic and diluted earnings per share for the six-month periods ended 30 June 2010 and 2009 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the periods were anti-dilutive.

9 Dividends

The Board of the Company does not recommend any payment of interim dividend (2009: Nil) but recommends to declare a special dividend of HK$0.01 per ordinary share (2009: Nil) for the six-month period ended 30 June 2010.

The special dividend proposed after the end of the reporting period has not been recognised as a liability as at 30 June 2010.

Special dividends attributable to the ordinary shareholders of the Company in respect of the year ended 31 December 2009 of HK$0.02 (2008: final dividend of HK$0.02) per ordinary share amounting to a total of approximately HK$22,791,000 (2008: HK$22,762,000) were declared by the Board of the Company on 24 April 2010, were approved by the shareholders of the Company in the Annual General Meeting on 21 June 2010 and were paid on 30 June 2010. Such dividends represented for 1,139,531,432 ordinary shares issued and outstanding as at 15 June 2010 and were accounted for in equity as an appropriation of retained earnings during the six-month period ended 30 June 2010 (2009: 1,138,081,432 ordinary shares).

10 Available-for-sale Financial Assets

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Fair value of expected periodic adjustment payments for the disposal of STB Business	**141,075**	–
Less: Non-current portion	**(135,556)**	–
Current portion	**5,519**	–

The periodic adjustment payments are denominated in Renminbi ("RMB") and its fair value was calculated at a discount rate of 6.31% per annum.

11 Trade Receivables

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

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Within 6 months	**206,563**	308,249
7 - 12 months	**151,795**	77,800
Over 12 months	**137,292**	124,599
	495,650	510,648
Less: Provision for impairment	**(14,069)**	(10,414)
	481,581	500,234

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 30 June 2010, a wholly-owned subsidiary of the Company had factored trade receivables of approximately RMB4,303,000 (equivalent to approximately HK$4,939,000) (31 December 2009: RMB7,775,000 equivalent to approximately HK$8,849,000) with maturity dates ranged from 41 to 82 days (31 December 2009: 20 to 263 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 condensed consolidated statement of financial position.

12 Trade Payables

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

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Within 6 months	**114,409**	67,574
7 - 12 months	**758**	127
Over 12 months	**7,404**	9,915
	122,571	77,616

13 Share Capital

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorised		
At 31 December 2009 and 30 June 2010	3,000,000,000	300,000
Issued and fully paid		
At 31 December 2009	1,138,081,432	113,808
Exercise of share options during the period	1,450,000	145
At 30 June 2010	1,139,531,432	113,953

There was no movement in share capital during the six-month period ended 30 June 2009.

14 General Reserve

In accordance with the relevant 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.

15 Commitments and Contingent Liabilities

(a) Capital Commitments

The Group did not have any capital commitments as at 30 June 2010 and 31 December 2009.

(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 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Land and buildings		
Not later than one year	**6,723**	9,623
Later than one year but not later than five years	**5,700**	8,429
	12,423	18,052
Motor vehicle		
Not later than one year	**118**	235
Later than one year but not later than five years	**–**	–
	118	235
Total		
Not later than one year	**6,841**	9,858
Later than one year but not later than five years	**5,700**	8,429
	12,541	18,287

15 Commitments and Contingent Liabilities *(Continued)*

(c) Financial Commitments

At 30 June 2010, the Group had financial commitments in respect of registered capital contributions to a subsidiary in the PRC as described below:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Subsidiary	**10,693**	10,603

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$6,102,000) (31 December 2009: RMB5,316,000 equivalent to approximately HK$6,051,000) that was already paid in 1999 but the capital verification process has not been completed. The remaining balance has been overdue for capital injection (31 December 2009: same).

(d) Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2010 and 31 December 2009.

16 Related Party Transactions

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

(a) Sales or Purchases of Goods and Services

	Six months ended 30 June	
	2010 (Unaudited) HK$'000	2009 (Audited) HK$'000
Sales of goods and services		
– Related companies of a shareholder	**27,446**	174,517
Purchase of goods and services		
– An associate	**2,224**	–

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

16 Related Party Transactions *(Continued)*

(b) Details of Key Management Compensation of the Group

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Short-term employee benefits	**6,059**	5,241
Post-employment benefits	**97**	64
Share-based compensation	**–**	2,915
	6,156	8,220

(c) Financial Position Date Balances Arising from Sales/Purchases and Services Rendered

	30 June	31 December
	2010	2009
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Trade receivables		
– Related companies of a shareholder	**176,954**	241,528
– A group company of a shareholder	**–**	115
Trade payables		
– A jointly controlled entity	**4,934**	4,892
– An associate	**3,759**	1,592
– Related companies of a shareholder	**–**	3,497
– A group company of a shareholder	**–**	490

16 Related Party Transactions *(Continued)*

(d) Other Financial Position Date Balances

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Prepayments, deposits and other receivables		
– Related companies of a shareholder	**2,999**	2,306
– A group company of a shareholder	**–**	78
– A jointly controlled entity	**1**	1
– An associate	**15,735**	4,138
Other payables and accruals		
– Related companies of a shareholder	**3,958**	2,437
– A jointly controlled entity	**359**	356

17 Events after the Financial Position Date

On 18 August 2010, the Group entered into an agreement to subscribe for approximately 33.33% of the then enlarged registered capital of Beijing Tongfang Ehero Technology Co., Ltd. for a total consideration of RMB30 million (equivalent to approximately HK$34.5 million).

Save as mentioned above, there has been no other material event subsequent to the period end which requires adjustment of or disclosure in these condensed consolidated interim financial statements.

18 Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current period's presentation. Further details are set out in Note 6.

OTHER INFORMATION

Directors' Interests and Short Positions in Shares and Underlying Shares of the Company or any Associated Corporations

At 30 June 2010, 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
		Personal	Family	Corporate		share capital of
Name of director	Note	interests	interests	interests	Total	the Company
Mr Ko Chun Shun, Johnson ("Mr Ko")	(i)	–	2,040,816	54,276,719	56,317,535	4.94%
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 as at 30 June 2010 are disclosed under the section "Share option scheme" below.

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 30 June 2010, 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 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 the section "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or children under the age of 18, 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.

Share Option Scheme

The Company adopted a share option scheme (the "Scheme") at a special general meeting held on 26 June 2002 in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

	Six months ended 30 June			
	2010		2009	
	Weighted average exercise price per share (Unaudited) HK$	**Number of options (Unaudited)**	Weighted average exercise price per share (Audited) HK$	Number of options (Audited)
At 1 January	**0.72**	**69,408,000**	0.72	69,408,000
Granted and accepted	**–**	**–**	–	–
Exercised	**0.70**	**(1,450,000)**	–	–
Lapsed	**0.70**	**(66,958,000)**	–	–
At 30 June	**1.99**	**1,000,000**	0.72	69,408,000

Out of the 1,000,000 outstanding options as at 30 June 2010 (30 June 2009: 69,408,000), 1,000,000 options (30 June 2009: 69,408,000 options) were exercisable. Options exercised during the six-month period ended 30 June 2010 resulted in 1,450,000 shares issued with weighted average exercise price of HK$0.70 each. The related weighted average share price at the time of exercise during the six-month period ended 30 June 2010 was HK$0.82. No option was exercised during the six-month period ended 30 June 2009.

Share Option Scheme *(Continued)*

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

Expiry date	Exercise price per share HK$	Number of options Six months ended 30 June 2010 (Unaudited)	2009 (Audited)
25 May 2010	**0.70**	**–**	68,408,000
11 February 2017	**1.99**	**1,000,000**	1,000,000
		1,000,000	69,408,000

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

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

	Outstanding options as at 1 January 2010	Options granted during the period	Options exercised during the period	Options lapsed during the period	Outstanding options as at 30 June 2010	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 Xu Qiang	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	13,774,000	–	(725,000)	(13,049,000)	–	0.82
Held by service providers						
In aggregate	5,260,000	–	–	(5,260,000)	–	–
Total	34,204,000	–	(725,000)	(33,479,000)	–	

Share Option Scheme *(Continued)*

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

	Outstanding options as at 1 January 2010	Options granted during the period	Options exercised during the period	Options lapsed during the period	Outstanding options as at 30 June 2010	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 Xu Qiang	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	13,774,000	–	(725,000)	(13,049,000)	–	0.82
Held by service providers						
In aggregate	5,260,000	–	–	(5,260,000)	–	–
Total	34,204,000	–	(725,000)	(33,479,000)	–	

Share Option Scheme *(Continued)*

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

	Outstanding options as at 1 January 2010	Options granted during the period	Options exercised during the period	Options lapsed during the period	Outstanding options as at 30 June 2010	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 per option HK$1.99
Exercise period 12 February 2008 – 11 February 2017

	Outstanding options as at 1 January 2010	Options granted during the period	Options exercised during the period	Options lapsed during the period	Outstanding options as at 30 June 2010	Weighted average closing price before dates of exercise HK$
Held by service providers						
In aggregate	500,000	–	–	–	500,000	–

Note:

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

Substantial Shareholders' and other Persons' Interests in Shares

At 30 June 2010, 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	20.85%
CITIC United Asia Investments Limited	(i)	–	237,592,607	237,592,607	20.85%
CITIC Projects Management (HK) Limited	(ii)	–	237,592,607	237,592,607	20.85%
CITIC Group	(iii)	–	237,592,607	237,592,607	20.85%
Motorola-Dragon Investment, Inc.		175,500,000	–	175,500,000	15.40%
Motorola, Inc.	(iv)	–	175,500,000	175,500,000	15.40%

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 of the Company, is a director of CITIC Group. Mr Hu Qinggang, an executive director of the Company, 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.

Changes in Directors' Biographical Details

Changes in directors' biographical details since the date of the 2009 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr Liu Tsun Kie, an independent non-executive director of the Company, has resigned as a director of Roly International Holdings Limited.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 8 September 2010 to Friday, 10 September 2010, both dates inclusive. During such period, no transfer of shares will be registered. In order to qualify for the proposed special dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Tuesday, 7 September 2010. The payment of the special dividend will be made and sent to the shareholders on or about 30 September 2010.

Purchase, Redemption or Sale of Listed Securities of the Company

The Company has not redeemed any of its listed securities during the six-month period ended 30 June 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six-month period ended 30 June 2010.

Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the principles in the Code on Corporate Governance Practices (the "Code") and has complied with the code provisions of the Code set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the interim report.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 accounting period covered by the interim report.

Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive directors of the Company.

These unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2010 of the Group now reported have been reviewed by the audit committee.