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

CAPTURE
the wind of success

Annual Report **2010**

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

PRINCIPAL BANKERS

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

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

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	www.irasia.com/listco/hk/dvn
Email:	ir@dvnholdings.com

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2010	2009
	HK$'000	HK$'000
Revenue	**787,710**	705,312
Profit attributable to equity holders of the Company	**41,736**	11,810
Earnings before interest, tax, depreciation and amortisation	**98,530**	55,399
Basic earnings per share	**3.66 cents**	1.04 cents
Dividends per share	**3.00 cents**	2.00 cents

	As at 31 December	
	2010	2009
	HK$'000	HK$'000
Total assets	**1,697,506**	1,364,331
Shareholders' funds	**1,102,763**	1,051,050
Net asset value per share	**HK$0.97**	HK$0.92
Total cash balance	**465,849**	333,625
Number of staff	**484**	635
Current ratio	**2.96**	5.31
Total liabilities-to-total assets ratio	**0.28**	0.14
Price to book ratio	**0.54**	0.55

SUMMARY OF MAJOR EVENTS

January 2010	•	The Group was named as one of the "Top Ten National Brands" (十大民族品牌) and Dr Lui Pan ("Dr Lui") was elected as one of the "Ten Most Powerful Executive" (十大風雲人物) for 2009.
February 2010	•	The Group's "Push VOD system based on Digital Right Management" was awarded for outstanding contribution to the industry of communication and information.
March 2010	•	The Group, Tian De Tong (two-way products), DASS (DVN Application Support System) and Dr Lui were awarded as Outstanding Science & Technology Innovative Enterprise (科技創新優秀企業), Science & Technology Innovative Product (科技創新產品), and Outstanding Science & Technology Innovative Entrepreneur (科技創新優秀企業家) by China Radio & TV Equipment Industrial Association (中國廣播電視設備工業協會).
May 2010	•	The disposal of the Group's set top box business was completed on 5 May 2010.
June 2010	•	The Group entered into an agreement with the Science & Technology Commission of Hong Kou District, Shanghai (上海市虹口區科學技術委員會) in respect of the sponsorship for the project initiation of "Shanghai digital TV platform for public services" (「上海市數字電視公共服務平台」建設資助立項協議).
September 2010	•	The Group entered into a co-operative agreement with Chang Zhou Cable TV in respect of digital TV value-added financial products.
	•	For the network two-way upgrade project of Hunan Province, the Wifi over cable technology of the Group won the tender for 8 cities and 10 counties.
October 2010	•	The Group held forum on strategies for new generation broadcasting and displayed the Group's new products to the cable TV operators.
	•	The first "DVN Cup Competition — Innovation for Digital TV Applications" (DVN杯大學生數字電視應用創新創業大賽) was completed fruitfully. The Group entered into co-operative agreements with the winners of the competition.
December 2010	•	The Group entered into a co-operative agreement in respect of digital terrestrial TV project in Hubei.
	•	The Group obtained new order from Yunnan Digital TV Company Limited for 350,000 pieces of smart cards. As a result, the cumulative number of smart cards distributed in Yunnan Province exceeded one million pieces.
	•	The Group's video management system "Any View" (「隨心看」) and Interactive Conditional Access System (ICAS) won the "2010 Science & Technology Innovative Award".

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Overall Performance

Summary

The disposal of the Group's set top box ("STB") business to Cisco Systems (HK) Limited was completed on 5 May 2010 ("STB Disposal Transaction"). Despite slow general market conditions for cable TV during the first half of 2010, the Group's consolidated revenue for the year ended 31 December 2010 grew by 12% to HK$787.7 million (2009: HK$705.3 million) on the strength of stronger smart card and cable two-way upgrade products ("EOC", or "EOC products") businesses in the second half and the clearing of STB backlog orders. Consolidated operating profit and net profit for the year recorded growth of 218% and 253% year-on-year to HK$78.1 million (2009: HK$24.6 million) and HK$41.7 million (2009: HK$11.8 million) respectively after booking a gain from the STB Disposal Transaction and the write-off and provision for certain trade receivables and inventories.

Digital Broadcasting Business

The cable TV industry resumed its pace of digitisation during the second half of 2010 after a temporary pause in the first half in response to the State Council's decision on triple play development. At the same time, triple play also has jump started the market for cable two-way upgrade products in 2010. Digitisation and triple play will be the two main drivers of future market dynamics for cable TV.

Continuing business results

Shipment for the Group's smart card and EOC products grew in 2010. Our EOC business has become a new product line for the Group. The Group offers one of the most complete EOC product lines in the market today.

In 2010, the Group has reached agreement with over a dozen of the main STB manufacturers to include DVN Application Support System ("DASS") as a standard software option in their STB software libraries. By the end of the year, cable operators with a combined subscriber base exceeding 10 million households have signed DASS contracts. DASS, developed by the Group as an STB operating software system to be compatible with all existing hardware systems, includes a substantial collection of pre-developed applications. More importantly, it offers a full set of software development tools to support new application developments.

Revenue from continuing business for the year ended 31 December 2010 was HK$624.6 million (2009: HK$162.7 million). The substantial increase in revenue from continuing operations was resulted mainly from the substantial STB backlog orders left after completing the STB Disposal Transaction in May. However, due to the very thin margin priced for those backlog orders plus the increase in R&D spending and marketing expenses for new products, operating results from continuing business for the year ended 31 December 2010 recorded a slight net loss of HK$2.5 million while the 2009 results was a net profit of HK$10.8 million.

Discontinued business results

For the period prior to the completion of the STB Disposal Transaction, revenue from the discontinued STB business was HK$132.8 million. Net profit from the discontinued STB business for the year was HK$44.2 million after booking a gain from the STB Disposal Transaction of HK$171.5 million and the write-off and provision for certain trade receivables and STB inventories.

Aggregated results

In aggregate, the Group's segmental revenue and operating profit from the digital broadcasting business for the year ended 31 December 2010 were HK$757.4 million and HK$84.4 million respectively, corresponding to a 12% and 185% increase from 2009.

Financial Market Information Business

Due to the continuing rebound in the global financial markets since 2009, the Group recorded an increase of 7% in the segmental revenue from its financial market information business in 2010, amounting to HK$30.3 million (2009: HK$28.3 million). However, the segmental operating profit dropped by 17% to HK$4.1 million (2009: HK$4.9 million) as a result of the increase in operating expenses.

Prospects

The State Council's decision in January 2010 to accelerate the development of triple play and network convergence and the subsequent selection of the first batch of triple play trial sites have induced positive profound changes to the broadcasting industry. After several failed attempts in the past, the current industry consolidation seems to be well advanced with about 70% of the provinces having completed or are close to completing consolidation of their networks. Fragmentation and lack of critical scale have been key competitive weaknesses for the industry. In addition, triple play is drawing capital market interest towards TV media related opportunities and the broadcasting industry as a whole. The pending listing of the Hubei provincial cable company is an example of broadening funding access for the industry which traditionally has relied primarily on bank borrowing and supplier financing. The availability of longer term equity capital will help to stimulate industry growth including in the areas of both new product developments and new market entrants.

The development of the broadcasting industry to triple play will be a long term process. In the short term the primary focus will be to rapidly upgrade the cable network infrastructures to become two-way interactive and prepare for the delivery of triple play services. Equally important is the nourishment, development, and over time proliferation of interactive TV and TV based triple play products, services, income generating business models, and service providers. However, this will involve long term developments. With the broadcasting industry as a whole is still providing pre-dominantly one-way services, the nature of the products and services are still quite singular, and the number of industry participants is substantially smaller if compared to that of the telecom or internet sectors.

In 2011, the Group is expecting to derive majority of its revenue from businesses in EOC products and smart cards while the STB backlog orders will phase out eventually. Cable operators are estimated to intensify their effort in network two-way upgrades while continuing with the current pace in digitisation. At the same time, the Group will continue with its development of interactive products and services. The disposal of its STB business has freed the Group from the pressure of intensive working capital investment while the proceeds from the disposal will be able to support the Group's development work on interactive TV products and services at least for the next two years.

The Group is one of the earliest providers of cable two-way upgrade solutions and has been devoting substantial resources in the development of value added services since 2007. Involvement in some of the earlier cable two-way upgrade projects has been valuable in helping the Group to gain early insights in two-way operating environments particularly in areas such as customer demand and behaviour. This will provide valuable guidance in the development of new products and allow the Group to focus resources into products with stronger viewer appeal. The Group's prior investment participation in two-way cable network projects ("DVN 2-way Sites") will also be valuable bases to accelerate some of its interactive business development works and serve as the Group's test sites for future new product launch. For example, the Group has reached an agreement to form a joint venture with a team of seasoned veterans from the advertising industry. This new joint venture will focus on the development and provision of targeting-enhanced advertising products using the interactive TV platform. New services from this joint venture will be launched in the DVN 2-way Sites. Once proven successful, these products and services can be introduced to other cable operators, especially those invested by our substantial shareholder, CITIC Group.

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 year ended 31 December 2010 (2009: Nil).

The total number of employees of the Group as at 31 December 2010 was 484 (2009: 635), out of which 421 (2009: 572) employees were stationed in Mainland China. The significant decrease in the total number of employees was resulted mainly from the completion of the STB Disposal Transaction on 5 May 2010. The number of employees as at 31 December 2010 categorised according to their functions is as follows:

Research and development	205
Sales and marketing	95
Technical support	70
Production and sales management	26
Accounting and finance	25
Administration and management	63
	484

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2010, the Group recorded total assets of HK$1,697.5 million (2009: HK$1,364.3 million) which were financed by liabilities of HK$477.0 million (2009: HK$195.5 million), non-controlling interests of HK$117.8 million (2009: HK$117.8 million) and shareholders' equity of HK$1,102.7 million (2009: HK$1,051.0 million). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2010 amounted to HK$0.97 (2009: HK$0.92).

The Group had a total cash and bank balance of HK$465.8 million (2009: HK$333.6 million) without any bank borrowings (2009: HK$8.0 million) as at 31 December 2010. The great improvement in the cash and bank balances was attributable to the cash inflow generated from operations and the net proceeds from the STB Disposal Transaction. 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 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 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 the limitations in financial markets and the 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. The disposal was completed on 5 May 2010.

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. at a total consideration of RMB30.0 million (equivalent to approximately HK$34.9 million). Details of the investment in the jointly controlled entity are set out in the announcement of the Company dated 18 August 2010.

Save as mentioned above, the Group did not have any material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2010.

Charges on Assets

At 31 December 2010, the Group did not have any assets (2009: bank deposit of HK$6.0 million and trade receivables of HK$8.8 million) pledged to banks as securities for general banking facilities.

Future Plans for Material Investments or Capital Assets

At 31 December 2010, the Group did not have any future plans for material investments or capital assets.

Capital Commitments

The Group had no material capital expenditure commitments as at 31 December 2010.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2010.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company is firmly committed to the overall standards of corporate governance and has always recognised the importance of accountability, transparency and protection of shareholders' interest in general. Following the issue of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company adopted the code provisions of the Code as its own corporate governance code in 2005, 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 2010.

BOARD OF DIRECTORS

The board of directors of the Company (the "Board") currently comprises nine directors, including six 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 three 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 independent auditor of the Company about their reporting responsibilities.

The Board held six board meetings during the year ended 31 December 2010. The attendance of the directors at the board meetings is as follows:

Director	**Attended/Eligible to attend**
Mr Ko Chun Shun, Johnson	6/6
Dr Lui Pan	6/6
Mr Luo Ning	6/6
Mr Jin Wei	6/6
Mr Xu Qiang	6/6
Mr Hu Qinggang	6/6
Mr Chu Hon Pong	6/6
Mr Liu Tsun Kie	6/6
Mr Yap Fat Suan, Henry	6/6

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 independent 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 the executive directors' 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 2010, 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 independent auditor, to review the Group's preliminary results, interim results, and annual and interim 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 2010. At these meetings, the Audit Committee, among other matters, reviewed reports from the independent auditor regarding the review on interim results, 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 independent auditor. 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. No meeting was held by the Board for the nomination of director during the year ended 31 December 2010.

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 2010.

AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers as its statutory auditors for the year ended 31 December 2010. The remuneration in respect of services provided by PricewaterhouseCoopers to the Group in 2010 is summarised as follows:

	HK$'000
Auditing services	2,600
Non-auditing services	710
	3,310

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 59, 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 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 56, 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 the Chinese government in 2007. He is 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 People's Republic of China ("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 52, has been 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, 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.

Mr Jin Wei, aged 49, has been 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 48, has been the Chief Operating Officer of the Company since October 2006 and an executive director of the Company since 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 36, has been 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 61, has been 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 of ZMAY Holdings Limited, which is listed on the Growth Enterprise Market Board of the Stock Exchange.

Mr Liu Tsun Kie, aged 60, has been 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 of Singapore in 2000.

Mr Yap Fat Suan, Henry, aged 65, has been 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. He is also an independent non-executive director of China WindPower Group Limited.

SENIOR MANAGEMENT

Ms Chan Ping, aged 55, has been the Senior Vice President – China Operations of the Group since 2001 and is a director of various subsidiaries of the Company. 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 Jin Jian, aged 43, is a Senior Vice President of the Group's China Operations and is responsible for the management of the Group's operations in Shanghai. He is also a director of various subsidiaries of the Company. Prior to joining the Group as general manager of the Research and Development Department in 2000, he was a lecturer in Electrical Engineering Research Institute of Zhejiang University in the PRC and a senior engineer of China Aerospace International Holdings Limited. He holds a master degree in Systems Engineering from Xian Jiaotong University in the PRC.

Mr Fung Man Yin, Sammy, aged 51, 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. 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 37, has been 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 extensive experience in accounting and corporate finance.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2010.

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 2010 are set out in the consolidated income statement on page 26.

A special interim dividend of HK$0.01 per ordinary share amounting to approximately HK$11.4 million (2009: HK$Nil) was paid during the year.

The directors recommend to declare a final dividend of HK$0.02 per ordinary share for the year (2009: special final dividend of HK$0.02 per ordinary share) subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling 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 110 of the Annual Report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in Note 29 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 30 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 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserves, consisting of contributed surplus and retained earnings, as at 31 December 2010 amounted to approximately HK$854,964,000 (2009: HK$878,313,000).

DONATIONS

During the year, the Group made charitable donations totalling HK$100,000 (2009: Nil).

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS

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

Executive Directors

Mr Ko Chun Shun, Johnson
Dr Lui Pan
Mr Luo Ning
Mr Jin Wei
Mr Xu Qiang
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, Dr Lui Pan, Mr Jin Wei and Mr Yap Fat Suan, Henry will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Messrs Chu Hon Pong, Liu Tsun Kie and Yap Fat Suan, Henry and considers them to be independent. Under the terms of their appointment, the independent non-executive directors are appointed for 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 14 to 16 of the Annual Report.

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

At 31 December 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

Name of director	Note	Number of ordinary shares held – Personal interests	Family interests	Corporate interests	Total	% of the issued share capital of the Company
Mr Ko Chun Shun, Johnson	(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 Chun Shun, Johnson 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 31 December 2010 are disclosed in Note 30 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 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 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 30 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 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			% of the issued
Name	Note	Directly beneficially owned	Through controlled corporations	Total	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.

Save as disclosed above, at 31 December 2010, 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 60% (2009: 42%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 41% (2009: 13%). Purchases from the Group's five largest suppliers accounted for approximately 85% (2009: 71%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 61% (2009: 41%).

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 35 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 and products, and provided systems integration and anciliary related services amounting to approximately HK$74,575,000 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$900 million for the year ended 31 December 2010 as approved by the independent shareholders of the Company in a special general meeting held on 22 January 2009.

The Board of Directors engaged the independent auditor 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 Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has 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.

AUDITOR

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, 22 March 2011

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 26 to 109, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 control. 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 consolidated 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 2010, 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, 22 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
CONTINUING OPERATIONS			
Revenue	6	**654,953**	191,060
Cost of sales		**(507,584)**	(65,314)
Gross profit		**147,369**	125,746
Other income		**36,729**	15,571
Marketing, selling and distribution costs		**(51,969)**	(35,342)
Administrative expenses		**(111,341)**	(79,527)
Other operating expenses		**(19,848)**	(11,692)
Operating profit		**940**	14,756
Finance costs	7	**–**	(2,181)
Share of loss of jointly controlled entities	18	**(862)**	–
Share of loss of associates		**(636)**	(246)
Profit/(loss) before income tax		**(558)**	12,329
Income tax expenses	8	**(1,937)**	(1,498)
Profit/(loss) for the year from continuing operations		**(2,495)**	10,831
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	9(a)	**44,231**	979
PROFIT FOR THE YEAR	10	**41,736**	11,810
Attributable to:			
Equity holders of the Company			
– continuing operations		**(2,495)**	10,831
– discontinued operations		**44,231**	979
	31	**41,736**	11,810
Non-controlling interests			
– continuing operations		**–**	–
– discontinued operations		**–**	–
		–	–
		41,736	11,810
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	13		
– continuing operations		**(0.22) cents**	0.95 cents
– discontinued operations		**3.88 cents**	0.09 cents
		3.66 cents	1.04 cents
DIVIDENDS	14	**34,186**	22,791

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010 HK$'000**	2009 HK$'000
PROFIT FOR THE YEAR		**41,736**	11,810
Other comprehensive income			
– Available-for-sale financial assets	22 & 31	**4,788**	–
– Currency translation differences	31	**38,360**	8,459
Other comprehensive income for the year, net of tax		**43,148**	8,459
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**84,884**	20,269
Attributable to:			
Equity holders of the Company		**84,884**	20,269
Non-controlling interests		**–**	–
		84,884	20,269

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**18,182**	16,077
Intangible assets	16	**37,233**	33,644
Interests in jointly controlled entities	18	**34,535**	–
Interests in associates	19	**25,848**	31,266
Deferred income tax assets	20	**7,892**	7,719
Available-for-sale financial assets	22	**139,429**	–
Trade receivables	23	**129,691**	258,702
Restricted cash	24	**3,542**	–
Total non-current assets		**396,352**	347,408
CURRENT ASSETS			
Inventories	25	**53,562**	47,632
Available-for-sale financial assets	22	**5,677**	–
Trade receivables	23	**678,338**	500,234
Prepayments, deposits and other receivables	26	**96,400**	89,545
Tax receivables		**4,870**	4,436
Restricted cash	24	**946**	–
Pledged bank deposit	24	**–**	6,000
Short-term bank deposits	24	**5,059**	23,515
Cash and cash equivalents	24	**456,302**	304,110
		1,301,154	975,472
Assets of disposal group classified as held for sale	9(b)	**–**	41,451
Total current assets		**1,301,154**	1,016,923
CURRENT LIABILITIES			
Trade payables	27	**289,155**	77,616
Other payables and accruals		**147,890**	100,317
Bank loans	28	**–**	7,964
Tax payables		**2,815**	5,734
Total current liabilities		**439,860**	191,631
Net current assets		**861,294**	825,292
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,257,646**	1,172,700
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	20	**37,125**	3,892
Net assets		**1,220,521**	1,168,808

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	29	**113,953**	113,808
Reserves	31	**988,810**	937,242
		1,102,763	1,051,050
Non-controlling interests	32	**117,758**	117,758
Total equity		**1,220,521**	1,168,808

Signed on behalf of the Board on 22 March 2011 by

Ko Chun Shun, Johnson
Director

Lui Pan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

		Attributable to equity holders of the Company			
	Notes	Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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	31	–	8,459	–	8,459
Dividends					
– 2008 final dividend paid		–	(22,762)	–	(22,762)
Share option scheme					
– Share-based compensation	31	–	5,060	–	5,060
At 31 December 2009		113,808	937,242	117,758	1,168,808
At 1 January 2010		113,808	937,242	117,758	1,168,808
Profit for the year		–	41,736	–	41,736
Other comprehensive income					
– Available-for-sale financial assets	22 & 31	–	4,788	–	4,788
– Currency translation differences	31	–	38,360	–	38,360
Dividends					
– 2009 special final dividend paid	14	–	(22,791)	–	(22,791)
– 2010 special interim dividend paid	14	–	(11,395)	–	(11,395)
Share option scheme					
– Proceeds from shares issued	29 & 31	145	870	–	1,015
At 31 December 2010		113,953	988,810	117,758	1,220,521

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	**145,887**	56,340
Interest paid		**–**	(2,181)
Tax refund/(paid)		**(5,162)**	1,984
Net cash generated from operating activities		**140,725**	56,143
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment ("PPE")	15	**(7,315)**	(7,732)
Proceeds from disposal of PPE	33	**742**	326
Acquisition of a jointly controlled entity	18	**(34,888)**	–
Acquisition of an associate		**(578)**	–
Net proceeds from disposal of an associate		**9,091**	–
Payment for deferred development costs	16	**(17,669)**	(19,032)
Decrease/(increase) in short-term bank deposits		**18,456**	(13,515)
Net proceeds from disposal of STB Business	9(c)	**70,003**	–
Interest received		**3,228**	2,832
Net cash generated from/(used in) investing activities		**41,070**	(37,121)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in pledged deposit		**6,000**	–
Drawdown of bank loans		**–**	128,781
Repayment of bank loans		**(8,034)**	(155,878)
Proceeds from exercise of share options		**1,015**	–
Dividends paid to equity holders of the Company		**(34,186)**	(22,762)
Net cash used in financing activities		**(35,205)**	(49,859)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**146,590**	(30,837)
Cash and cash equivalents at beginning of the year		**304,110**	332,632
Exchange differences		**5,602**	2,315
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	**456,302**	304,110

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**6**	70
Interests in subsidiaries	17	**963,723**	1,010,959
Interest in a jointly controlled entity	18	**–**	–
Total non-current assets		**963,729**	1,011,029
CURRENT ASSETS			
Trade receivables	23	**341**	–
Prepayments, deposits and other receivables	26	**512**	14,053
Short-term bank deposits	24	**–**	10,935
Cash and cash equivalents	24	**28,386**	15,781
Total current assets		**29,239**	40,769
CURRENT LIABILITIES			
Other payables and accruals		**21,448**	16,358
Total current liabilities		**21,448**	16,358
Net current assets		**7,791**	24,411
Total assets less current liabilities/Net assets		**971,520**	1,035,440
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	29	**113,953**	113,808
Reserves	31	**857,567**	921,632
Total equity		**971,520**	1,035,440

Signed on behalf of the Board on 22 March 2011 by

Ko Chun Shun, Johnson	**Lui Pan**
Director	*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 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 (the "Stock Exchange").

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 22 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with 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 and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements 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, as modified by the revaluation of available-for-sale financial assets.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

Adoption of new/amended/revised HKFRSs

The following amended and revised 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
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 38 (Amendment)	Additional Consequential Amendments Arising from HKFRS 3 (Revised 2008)
HKFRS 2 (Amendment)	Share-based Payment – Scope of HKFRS 2
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-settled Share-based Payment Transaction
HKFRS 3 (Revised 2008)	Business Combinations
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 and revised HKFRSs on these consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

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

(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) HKAS 27 (Revised) "Consolidated and Separate Financial Statements". This revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic equity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining result in the entity is re-measured to fair value and the resulting gain or loss is recognised in the income statement. As there was no transaction during the year in which this revised standard is applicable, there was no effect on the Group's consolidated financial statements.

(d) HKAS 38 (Amendment) "Additional Consequential Amendments Arising from HKFRS 3 (Revised 2008)". This amendment clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. This amendment has no financial impact on the Group.

(e) HKFRS 2 (Amendment) "Share-based Payment – Scope of HKFRS 2". This amendment confirms that, in addition to business combinations as defined by HKFRS 3 (Revised 2008) "Business Combinations", contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of HKFRS 2. This amendment has no financial impact on the Group.

(f) 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 consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

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

(g) HKFRS 3 (Revised 2008) "Business Combinations". This revised standard continues to apply the acquisition method to business combinations, with some significant changes, include, but not limited to (i) all payments to acquire a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement; (ii) there is an option on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at their fair value or at the non-controlling interests' proportionate share of the acquiree's net assets; (iii) when a business combination achieved in stages, the acquirer should re-measure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising gains or losses in the income statement; and (iv) all acquisition-related costs should be expensed. This amendment has no financial impact on the Group.

(h) 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 consolidated financial statements.

(i) 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 consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

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

The following new, amended and revised HKFRSs are mandatory for the Group's accounting period beginning on 1 January 2010, but are not currently 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)	Eligible Hedge Items
HKAS 39 (Amendment)	Embedded Repayment Penalties, Scope Exemption for Business Combination Contract and Cash Flow Hedge Accounting
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary
HK(IFRIC) – Int 9 (Amendment)	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HK – Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Leases
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

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

The following new, amended and revised HKFRSs 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 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 31 (Amendment)	Interests in Joint Ventures
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8 (Amendment)	Disclosure of Information about Major Customers
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 HKFRSs 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 jointly controlled entities and associates on the basis set out in Note 2.2(b) below.

(a) Subsidiaries

Subsidiaries are all 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. 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 accounted for 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 entities ("JCE")

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. JCE is a joint venture that involves the establishment of a cooperation, for which there is a contractual arrangement between the venturers establishing joint control over the economic activity of the entity. Investments in associates and JCE are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates and JCE include goodwill identified on acquisition, net of any accumulated impairment loss (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 other comprehensive income is recognised in other comprehensive income. 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 interest 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 interests 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 accounted for 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 and the functional currency of the Company is Renminbi ("RMB"). As the Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited, the directors consider that it is more appropriate 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 or valuation where items are re-measured. 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.

(c) Group companies

The results and financial position of all the group 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 rate (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 other comprehensive income.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, Plant and Equipment

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

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

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

Leasehold improvements	Over the shorter of the term of the lease and the estimated useful life
Furniture and fixtures	18% to 30%
Office equipment	18% to 25%
Network equipment and tooling	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 of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within other income 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) Other supply rights

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 other supply rights is capitalised. The other supply rights are amortised upon consumption of the number of rights.

2.7 Impairment of Non-Financial Assets

Non-financial assets are tested annually for impairment. Assets 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 financial position date.

Impairment test of inventories is described in Note 2.10.

2.8 Financial Assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial Assets *(Continued)*

(a) Classification *(Continued)*

ii. Loans and receivables

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the financial position date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, other receivables, and cash and bank balances in the statement of financial position.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months after the financial position date.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transactions costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other income or other operating expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial Assets *(Continued)*

(b) Recognition and measurement *(Continued)*

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustment recognised in equity are included in the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.9 Impairment of Financial Assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) Significant financial difficulty of the issuer or obligor;

(ii) A breach of contract, such as default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties; or

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of Financial Assets *(Continued)*

(a) Assets carried at amortised cost *(Continued)*

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio;

- national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade and other receivables is described in Note 2.11.

Impairment testing of the investments in subsidiaries, associates or JCE is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or JCE in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of Financial Assets *(Continued)*

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to Note 2.9(a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

2.10 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)*

2.11 Trade and Other Receivables

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

Trade and other receivables are initially recognised 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.

2.12 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.

2.13 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.

2.14 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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)*

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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 twelve months after the financial position date.

2.16 Government Grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Government grants relating to the depreciable assets are included in liabilities as deferred income and are released to the consolidated income statement on a straight-line basis over the useful lives of the related assets. Government grants relating to expense items are deferred and recognised in the same period as those expenses are charged to the consolidated income statement and are deducted in reporting the related expenses.

2.17 Current and Deferred Income Tax

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

Deferred income tax is recognised, 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 substantively enacted by 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and Deferred Income Tax *(Continued)*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and JCE, except for deferred income tax liability 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.

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 income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 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 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, including any market performance conditions (for example, an entity's share price) and 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 Group 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.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 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 the Group cancels or settles a grant of equity instruments during the vesting period, the Group 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.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(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)*

2.19 Provisions and Contingent Liabilities

(a) Provisions

Provisions 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 expenditures expected to be required to settle the obligation using a pre-tax rate 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.

2.20 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 when 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Revenue Recognition *(Continued)*

(a) Sales of goods

The Group is engaged in the sales of digital broadcasting equipment. 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 broadcasting equipment, 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 digital broadcasting systems

Revenue from the design, integration and installation of 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Revenue Recognition *(Continued)*

(d) Rendering of services

Service fee income for the provision of online financial market information 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.

(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.

2.21 Operating Leases

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.

2.22 Dividend Distribution

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Non-Current Assets (or Disposal Groups) Held for Sale and Discontinued 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 discontinued 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.

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 the Group's exposure to market risk (including foreign currency risk, cash flow and fair value 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 2010, the Group's financial instruments mainly consisted of trade receivables, other receivables, available-for-sale financial assets, cash and bank balances, trade payables and other payables.

(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 either HKD or USD. 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 hedging purposes. Given the recent 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(a) Market risk *(Continued)*

i. Foreign currency risk (Continued)

At 31 December 2010, if HKD had weakened/strengthened by 4% (2009: 3%) against RMB with all other variables held constant, the Group's profit after income tax and retained earnings would have been approximately HK$3,918,000 (2009: HK$170,000) higher/lower and other components of equity would have been approximately HK$41,501,000 (2009: HK$24,927,000) higher/lower.

The sensitivity analysis above had been determined assuming that the change in foreign exchange rate 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, had 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 2009.

ii. Cash flow and fair value interest rate risk

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

The Group's fair value interest rate risk arises primarily from interest-bearing current bank balances and deposits, and available-for-sale financial assets.

At 31 December 2010, if interest rates had increased/decreased by 100 basis points (2009: 25 basis points) with all other variables held constant, the Group's profit after income tax and retained earnings would have had insignificant impact (2009: HK$793,000). Other components of equity would have had no significant impact as the Group had recognised interest income/expense arisen from operating transactions in the consolidated income statement.

The sensitivity analysis above had been determined assuming that the 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 had 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 2009.

iii. Price risk

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(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 amounts of the respective recognised financial assets as stated in the respective notes to the consolidated financial statements.

The Group's trade receivables are mainly receivables from the customers in the People's Republic of China ("PRC") arising from sales of goods and design, integration and installation of digital broadcasting systems. According to the industry 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 five highest debtor balances account for 62% (2009: 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 long 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 trade payables, other payables and bank loans.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(c) Liquidity risk *(Continued)*

The financial liabilities that had contractual maturities as at the financial position date were summarised as follow:

	On demand	Within 1 year	Total
	HK$'000	HK$'000	HK$'000
Group			
At 31 December 2010			
Trade payables	5,903	283,252	289,155
Other payables and accruals	–	70,691	70,691
	5,903	353,943	359,846
At 31 December 2009			
Trade payables	5,690	71,926	77,616
Other payables and accruals	–	100,317	100,317
Bank loans	–	7,964	7,964
	5,690	180,207	185,897
Company			
At 31 December 2010			
Other payables and accruals	–	15,382	15,382
At 31 December 2009			
Other payables and accruals	–	16,358	16,358

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital Risk 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 2010 and 2009. The Group is not subject to externally imposed capital requirements.

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 2010, 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 2010 was 28% (2009: 14%).

3.3 Fair Value Estimation

At 31 December 2010, the Group's financial instruments disclosed in Note 22 are grouped into level 3 whereas the inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). The fair value for disclosure purpose is estimated by discounting the future contractual cash flows at the market interest rate that is available to the Group for similar financial instruments. The fair value of the financial instruments that are not traded in an active market (for example, over-the-counter derivates) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The changes in level 3 financial instruments for the year ended 31 December 2010 are presented in Note 22.

There was no fair value of financial liabilities grouped into level 3 as at 31 December 2010 and 2009.

At 31 December 2010, if the market interest rate would be increased/decreased by 100 basis points (2009: Not applicable) with all other variables held constant, the Group's profit after income tax and retained earnings would have been increased/decreased by approximately HK$3,991,000 (2009: HK$Nil).

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.

4.2 Deferred Income Tax

Deferred income tax is recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits.

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 management. A considerable amount of judgement is required in assessing the 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 provision might be required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.4 Intangible Assets

The Group tests regularly whether the capitalised deferred development costs and other intangible assets have suffered any impairment. 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.

4.5 Available-for-Sale Financial Assets

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivates) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for available-for-sale financial assets that are not traded in active markets.

At 31 December 2010, if the expected sales quantity applied in the discount cash flow analysis had increased/decreased by 10% (2009: Not applicable) from management's estimates, the Group's profit after income tax and retained earnings would have increased/decreased by approximately HK$14,153,000 (2009: HK$Nil).

5 SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports reviewed by the chief operating decision-maker that are used 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 9, the discontinued STB Business (as defined in Note 9) under the DVB Business has been classified as discontinued operations.

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 2010 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)	624,639	30,314	–	–	654,953	132,757	787,710
Depreciation	4,641	295	64	–	5,000	490	5,490
Amortisation	11,341	–	–	–	11,341	5,094	16,435
Operating profit/(loss)	7,212	4,053	(10,325)	–	940	77,163	78,103
Finance costs	–	–	–	–	–	–	–
Share of loss of jointly controlled entities	(862)	–	–	–	(862)	–	(862)
Share of loss of associates	(636)	–	–	–	(636)	–	(636)
Profit/(loss) before income tax					(558)	77,163	76,605
Income tax expenses					(1,937)	(32,932)	(34,869)
Profit/(loss) for the year					(2,495)	44,231	41,736
Total assets (Notes (i) and (ii))	1,635,487	24,883	29,244	7,892	1,697,506	–	1,697,506
Total assets include:							
Interests in jointly controlled entities	34,535	–	–	–	34,535	–	34,535
Interests in associates	25,848	–	–	–	25,848	–	25,848
Total liabilities	444,836	10,796	21,353	–	476,985	–	476,985
Capital expenditure	22,667	245	–	–	22,912	2,072	24,984
Interest income	9,075	1	194	–	9,270	323	9,593
Interest expenses	–	–	–	–	–	–	–

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 jointly controlled entities	–	–	–	–	–	–	–
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 (Notes (i) and (ii))	522,897	21,953	40,103	7,719	592,672	771,659	1,364,331
Total assets include:							
Interests in jointly controlled entities	–	–	–	–	–	–	–
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
Interest income	4,044	1	688	–	4,733	14,343	19,076
Interest expenses	2,139	–	–	–	2,139	–	2,139

Notes:

(i) The unallocated total assets represented deferred income tax assets.

(ii) 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 (as defined in Note 9) and still remain in the Group after the completion of the disposal of the STB Business.

5 SEGMENT INFORMATION *(Continued)*

The Company is domiciled in Hong Kong. The Group's revenue from external customers by countries is as follows:

	Group					
	2010			2009		
	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	**626,162**	**105,494**	**731,656**	162,734	402,349	565,083
– Hong Kong	**19,158**	**27,263**	**46,421**	19,919	111,903	131,822
Others	**9,633**	**–**	**9,633**	8,407	–	8,407
	654,953	**132,757**	**787,710**	191,060	514,252	705,312

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

	Group					
	2010			2009		
	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	**97,812**	**–**	**97,812**	60,467	2,045	62,512
– Hong Kong	**17,941**	**–**	**17,941**	18,386	–	18,386
Others	**45**	**–**	**45**	89	–	89
	115,798	**–**	**115,798**	78,942	2,045	80,987

5 SEGMENT INFORMATION *(Continued)*

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

	Operating segment	Group 2010 HK$'000	Group 2009 HK$'000
Customer A	DVB Business	**321,472**	–
Customer B	DVB Business	**–**	91,921
Customer C	DVB Business	**–**	79,650

6 REVENUE

An analysis of revenue is as follows:

	Group 2010 Continuing operations HK$'000	2010 Discontinued operations HK$'000	2010 Total HK$'000	2009 Continuing operations HK$'000	2009 Discontinued operations HK$'000	2009 Total HK$'000
Revenue from sales of goods	**592,775**	**131,837**	**724,612**	122,001	503,276	625,277
Revenue from design, integration and installation of digital broadcasting systems	**28,627**	**–**	**28,627**	37,598	–	37,598
Revenue from provision of online financial market information	**30,314**	**–**	**30,314**	28,327	–	28,327
Licensing income	**1,782**	**920**	**2,702**	–	10,976	10,976
Leasing income	**1,455**	**–**	**1,455**	3,134	–	3,134
	654,953	**132,757**	**787,710**	191,060	514,252	705,312

7 FINANCE COSTS

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank borrowings	**–**	2,139
Loan facility fee	**–**	42
	–	2,181

8 INCOME TAX EXPENSES

	Group					
	2010			2009		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Current income tax						
– Hong Kong	**649**	**–**	**649**	940	–	940
– Outside Hong Kong						
– Provision for the year	**1,381**	**672**	**2,053**	(1,299)	7,844	6,545
– Under/(over)-provision in prior years	**(524)**	**306**	**(218)**	233	604	837
	1,506	**978**	**2,484**	(126)	8,448	8,322
Deferred income tax						
– Hong Kong	**(14)**	**–**	**(14)**	1,624	–	1,624
– Outside Hong Kong	**445**	**31,954**	**32,399**	–	379	379
	431	**31,954**	**32,385**	1,624	379	2,003
Income tax expenses	**1,937**	**32,932**	**34,869**	1,498	8,827	10,325

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

8 INCOME TAX EXPENSES *(Continued)*

The corporate income tax in Mainland China has been provided at the rate of 25% (2009: 25%) on the profits for the Mainland China statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the Mainland China 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/(loss) 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	
	2010	2009
	HK$'000	HK$'000
Profit/(loss) before income tax		
– continuing operations	**(558)**	12,329
– discontinued operations	**77,163**	9,806
	76,605	22,135
Tax calculated at the rates applicable in the countries concerned	**28,057**	(3,028)
Tax incentives	**(22,885)**	(12,839)
Income not subject to tax	**(10,598)**	(6,575)
Expenses not deductible for tax purposes	**17,948**	20,395
Utilisation of previously unrecognised tax losses	**(2,008)**	(2,807)
Temporary differences not recognised	**(246)**	(110)
Tax losses not recognised	**24,599**	14,211
Under/(over)-provision in prior years	**(219)**	837
Effect on change in tax rate	**221**	241
Income tax expenses	**34,869**	10,325

The weighted average applicable tax rate for the year was 37% (2009: 14%). 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", 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.

(a) Profit from the STB Business

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

	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000
Revenue (Note 6)	**132,757**	514,252
Cost of sales	**(114,279)**	(387,504)
Gross profit	**18,478**	126,748
Other income (Note (i))	**170,512**	34,688
Marketing, selling and distribution costs	**(16,322)**	(33,744)
Administrative expenses	**(18,841)**	(53,780)
Other operating expenses (Note (ii))	**(76,664)**	(64,106)
Profit before income tax	**77,163**	9,806
Income tax expenses (Note 8)	**(32,932)**	(8,827)
Profit for the year	**44,231**	979

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

(a) Profit from the STB Business *(Continued)*

(I) *(Continued)*

Notes:

(i) Other income includes a gain on disposal of STB Business of approximately HK$171,469,000 (2009: HK$Nil).

(ii) Other operating expenses include write-off of trade receivables of approximately HK$32,731,000 (2009: HK$37,265,000), provision for impairment of trade receivables of approximately HK$32,401,000 (2009: HK$Nil), provision for impairment of other receivables of approximately HK$1,693,000 (2009: HK$Nil) and provision for inventories of approximately HK$3,428,000 (2009: HK$10,323,000).

(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 were directly attributable to the STB Business were included in the results of the STB Business. Costs for which a specific identification method could not be practically applied, which mainly represented 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 ended 31 December 2010 and 2009.

(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 ended 31 December 2010 and 2009 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.

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

(b) 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 Group. As these Non-disposed Items are an integral part of the STB Business, the profit from the STB Business for the years ended 31 December 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.

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

	31 December 2010 HK$'000	31 December 2009 HK$'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 inventories 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 was determinable only at Closing, the value of inventories being 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.

(c) Analysis of the Cash Flows from Discontinued Operations

	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000
Net cash generated from operating activities	**92,163**	33,255
Net cash generated from/(used in) investing activities	**67,931**	(7,860)
	160,094	25,395

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

(c) Analysis of the Cash Flows from Discontinued Operations *(Continued)*

The cash flows of the STB Business for the years ended 31 December 2010 and 2009 are prepared based on the results of the STB Business as set out in Note 9(a) and the assets and liabilities directly attributable to the STB Business. As the treasury functions are centrally administered by the Company, the net inflows for the STB Business during the years ended 31 December 2010 and 2009 are dealt with in the current account with the Company.

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

	31 December 2010 HK$'000
Net assets disposed of:	
Property, plant and equipment	**1,038**
Inventories	**5,321**
Intangible assets	**23,243**
	29,602
Cost, fees and expenses, accrued and paid	**22,783**
Gain on disposal of STB Business	**171,469**
	223,854
Satisfied by:	
Consideration received, satisfied in cash	**70,108**
Escrow money to be received	**13,428**
Fair value of expected periodic adjustment payments	**140,318**
	223,854

	Year ended 31 December 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**

10 PROFIT FOR THE YEAR

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

	Group	
	2010	2009
	HK$'000	HK$'000
Cost of inventories sold	**613,613**	445,491
Cost of provision of online financial market information	**8,250**	7,327
Depreciation (Note 15)	**5,490**	4,865
Auditor's remuneration		
– Provision for the year	**3,010**	1,738
– Under-provision for the previous years	**300**	464
Employee benefit expenses (Note 11)	**91,511**	115,771
Operating lease rentals on land and buildings	**11,583**	11,322
Operating lease rentals on motor vehicle	**235**	235
Net exchange losses	**519**	844
Net loss on disposal of property, plant and equipment (Note 33)	**410**	16
Other operating expenses including:		
Amortisation of intangible assets (Note 16)	**16,435**	26,218
Write-off of deferred development costs (Note 16)	**809**	1,925
Provision for inventories (Note 25)	**10,706**	10,822
Write-off of trade receivables (Note 23)	**33,017**	37,265
Provision for impairment of trade receivables (Note 23)	**33,389**	180
Provision for impairment of other receivables	**1,747**	–
Reversal of previous write-off of trade receivables	**–**	(925)
Other income including:		
Interest income on bank balances	**(3,228)**	(2,832)
Interest accretions	**(6,365)**	(16,244)
Value-added tax refund	**(5,445)**	(21,958)
Government grants	**(1,522)**	(4,127)
Non-compete income	**(1,731)**	–
Consultancy fee from an associate	**(12,667)**	–
Gain on disposal of STB Business	**(171,469)**	–
Gain on disposal of an associate	**(1,782)**	–
Short-term investment income	**(51)**	(267)

11 EMPLOYEE BENEFIT EXPENSES

	Group 2010 HK$'000	Group 2009 HK$'000
Salaries and bonuses	**98,752**	110,359
Share-based compensation	**–**	4,727
Pension costs – defined contribution plans	**5,556**	6,043
Termination benefits	**515**	916
Unutilised annual leave	**394**	(476)
Other benefits	**10,003**	11,005
	115,220	132,574
Less: Costs capitalised	**(23,709)**	(16,803)
	91,511	115,771

(a) Directors' Emoluments

The remuneration of each director of the Company for the year ended 31 December 2010 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$'000	Contributions to pension schemes HK$'000	Total HK$'000
Mr Ko Chun Shun, Johnson	120	–	1,595	–	–	–	1,715
Dr Lui Pan	144	4,387	1,595	257	–	36	6,419
Mr Luo Ning	–	–	–	–	–	–	–
Mr Jin Wei	–	–	–	–	–	–	–
Mr Xu Qiang	–	1,187	1,485	4	–	8	2,684
Mr Hu Qinggang	–	1,187	1,485	60	–	64	2,796
Mr Chu Hon Pong	144	–	–	–	–	–	144
Mr Liu Tsun Kie	144	–	–	–	–	–	144
Mr Yap Fat Suan, Henry	144	–	–	–	–	–	144
Total	696	6,761	6,160	321	–	108	14,046

11 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' Emoluments *(Continued)*

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$'000	Contributions to pension schemes HK$'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

Notes:

(i) Other benefits include staff quarter, club membership fee, housing allowance, medical insurance, travel 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.

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 (2009: three) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**3,753**	3,781
Discretionary bonuses	**1,785**	4,034
Share-based compensation	**–**	464
Contributions to pension schemes	**72**	36
	5,610	8,315

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2010**	2009
HK$1,500,001-HK$2,000,000	**1**	–
HK$3,500,001-HK$4,000,000	**1**	1
HK$4,000,001-HK$4,500,000	**–**	1

12 LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY

The loss attributable to the ordinary equity holders of the Company for the year ended 31 December 2010 dealt with in the financial statements of the Company was approximately HK$1,196,000 (2009: profit HK$9,873,000).

13 EARNINGS PER SHARE

The calculation of the basic earnings per share for the year 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 year.

The calculation of the diluted earnings per share for the year 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 year assuming the conversion of the exchangeable preference shares (Note 32) and 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 values of the exchange price of the exchangeable preference shares and 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	
	2010	2009
Weighted average number of ordinary shares in issue	**1,139,297,048**	1,138,081,432
Adjustment for share options	**–**	–
Weighted average number of ordinary shares for diluted earnings per share	**1,139,297,048**	1,138,081,432
	HK$'000	HK$'000
Group's profit/(loss) attributable to the ordinary equity holders of the Company		
– continuing operations	**(2,495)**	10,831
– discontinued operations	**44,231**	979
	41,736	11,810

The basic and diluted earnings per share for each of the years ended 31 December 2010 and 2009 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

14 DIVIDENDS

	Group	
	2010	2009
	HK$'000	HK$'000
Special interim dividend paid of HK$0.01 (2009: HK$Nil) per ordinary share	**11,395**	–
Proposed final dividend of HK$0.02 (2009: HK$Nil) per ordinary share	**22,791**	–
Proposed special final dividend of HK$Nil (2009: HK$0.02) per ordinary share	–	22,791
	34,186	22,791

The Board declared a special interim dividend of HK$0.01 per ordinary share on 20 August 2010 (2009: HK$Nil) for the year. Such special interim dividend represented for 1,139,531,432 ordinary shares issued and outstanding as at 7 September 2010, was paid out on 30 September 2010 and was accounted for in equity as an appropriation of retained earnings during the year ended 31 December 2010.

The Board recommends to declare a final dividend of HK$0.02 per ordinary share for the year (2009: special final dividend of HK$0.02 per ordinary share) subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

The final dividend proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2010.

A special final dividend in respect of the year ended 31 December 2009 of HK$0.02 per ordinary share amounting to a total of approximately HK$22,791,000 was declared by the directors on 24 April 2010, which was approved by the shareholders of the Company at the annual general meeting on 21 June 2010 and was paid on 30 June 2010. Such dividend represented for 1,139,531,432 ordinary shares issued and outstanding as at 15 June 2010 and was accounted for in equity as an appropriation of retained earnings during the year ended 31 December 2010.

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 2009						
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
Additions	559	4,908	749	428	1,088	7,732
Disposals (Note 33)	–	(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(b))	–	–	(1,292)	(399)	–	(1,691)
Exchange differences	15	12	71	19	21	138
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
Year ended 31 December 2010						
Opening net carrying amount	1,387	5,657	5,105	1,410	2,518	16,077
Additions	1,137	62	3,831	1,544	741	7,315
Disposals (Note 33)	–	–	(253)	(899)	–	(1,152)
Depreciation (Note 10)	(1,361)	(700)	(1,978)	(761)	(690)	(5,490)
Transfer	–	–	–	78	(78)	–
Transfer from intangible assets	–	270	–	–	–	270
Transfer from assets held for sale	–	–	351	302	–	653
Exchange differences	14	189	193	48	65	509
Closing net carrying amount	1,177	5,478	7,249	1,722	2,556	18,182
At 31 December 2010						
Cost	3,312	56,667	14,751	3,045	4,643	82,418
Accumulated depreciation and impairment	(2,135)	(51,189)	(7,502)	(1,323)	(2,087)	(64,236)
Net carrying amount	1,177	5,478	7,249	1,722	2,556	18,182

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements HK$'000
At 1 January 2009	
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
Year ended 31 December 2010	
Opening net carrying amount	70
Depreciation	(64)
Closing net carrying amount	6
At 31 December 2010	
Cost	414
Accumulated depreciation	(408)
Net carrying amount	6

16 INTANGIBLE ASSETS

Group

	Deferred development costs HK$'000	Film rights HK$'000	Other supply rights HK$'000	Total HK$'000
At 1 January 2009				
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
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(b))	(23,011)	–	(3,274)	(26,285)
Exchange differences	330	–	–	330
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
Year ended 31 December 2010				
Opening net carrying amount	33,644	–	–	33,644
Additions	17,669	–	–	17,669
Amortisation charge (Note 10)	(16,435)	–	–	(16,435)
Write-off (Note 10)	(809)	–	–	(809)
Transfer to property, plant and equipment	(270)	–	–	(270)
Transfer from assets held for sale	3,042	–	–	3,042
Exchange differences	392	–	–	392
Closing net carrying amount	37,233	–	–	37,233
At 31 December 2010				
Cost	69,626	–	–	69,626
Accumulated amortisation and impairment	(32,393)	–	–	(32,393)
Net carrying amount	37,233	–	–	37,233

Amortisation of HK$16,435,000 (2009: HK$26,218,000) is included in the "Other operating expenses" in the consolidated income statement.

17 INTERESTS IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Unlisted investments, at cost	**76,863**	106,322
Less: Provision for impairment	**(75,074)**	(85,989)
	1,789	20,333
Amounts due from subsidiaries	**1,022,681**	1,067,701
Less: Provision for amounts due from subsidiaries	**(60,747)**	(77,075)
	961,934	990,626
	963,723	1,010,959

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

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

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	
DVN Technology Limited	Hong Kong	HK$2 ordinary	100%	–	Design, development, integration and sales of digital broadcasting systems and related software and components
Digital Video Networks Company Limited	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	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	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

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	Percentage of attributable equity interest held by the Company Indirectly	Principal activities
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	Mainland China*	US$10,000,000 paid-up capital	–	100%	Sales of digital set top boxes, digital broadcasting systems and related software
柏視數碼科技(上海)有限公司	Mainland China*	US$10,000,000 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

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
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 online financial market information
Telequote Network (Singapore) Pte Limited	Singapore	SGD2 ordinary	–	100%	Provision of online financial market information

* Registered as wholly foreign owned enterprise with limited liability under the PRC law

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2010	2009
	HK$'000	HK$'000
Beginning of the year	**–**	–
Acquisition of a JCE	**34,888**	–
Share of loss of JCE	**(862)**	–
Exchange differences	**509**	–
End of the year	**34,535**	–

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted investment outside Hong Kong, at cost	**14,200**	14,200
Provision for impairment	**(14,200)**	(14,200)
	–	–

Details of the JCE, all of which are unlisted, incorporated and operated in the PRC with limited liability, as at 31 December 2010, are as follows:

Name	Nominal value of paid-up capital	Interest held	Principal activities
Beijing Tongfang Ehero Technology Co., Ltd	RMB63,800,000	33.33%	Development, operation and the provision of related services of interactive TV media systems
Jiangsu Hongtian Broad Communication Co., Ltd*	RMB30,000,000	50%	Design, development, integration and sales of digital set top boxes, digital broadcasting systems and related software

* Directly held by the Company

On 18 August 2010, the Group completed the acquisition of 33.33% equity interest in Beijing Tongfang Ehero Technology Co., Ltd ("Tongfang Ehero") at a total consideration of RMB30,000,000 (approximately HK$34,888,000). Pursuant to the terms of the investment agreement, the Group considered each of the shareholders of Tongfang Ehero has joint control over the financing and operating policies of Tongfang Ehero and therefore, the investment has been treated as a jointly controlled entity.

18 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Jiangsu Hongtian Broad Communication Co., Ltd has been dormant since July 2006 and an impairment provision of HK$14,200,000 was already recognised in 2006 for the whole amount of the investment cost of the JCE.

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

	2010 HK$'000	2009 HK$'000
Assets	**139,619**	–
Liabilities	**36,406**	–
Equity	**103,213**	–
Revenue	**3,826**	–
Loss	**2,587**	–

19 INTERESTS IN ASSOCIATES

	Group	
	2010 HK$'000	2009 HK$'000
Share of net assets of associates	**25,848**	31,266

19 INTERESTS IN ASSOCIATES *(Continued)*

Details of the associates, all of which are unlisted, incorporated and operated in the PRC with limited liability, as at 31 December 2010, are as follows:

Name	Nominal value of paid-up 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
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
智領地數碼科技(北京)有限公司	RMB1,000,000	50%	Development of broadcasting technology
華誠互動(北京)影視傳播有限公司 (「華誠互動」)	RMB10,000,000	10%	Production and distribution of films and TV programmes

In March 2008, the Group completed the acquisition of 51% equity interest in Laketune (HZ) at a total consideration of approximately HK$12,695,000. Pursuant to the terms of the investment agreement, the Group considered that 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.

In June 2010, the Group acquired 10% equity interest in 華誠互動 at a total non-cash consideration of RMB1,310,000 (equivalent to approximately HK$1,546,000). Pursuant to the terms of the investment agreement, the Group considered that it has significant influence over the financing and operating policies of 華誠互動 and therefore, the investment has been treated as an associate.

In December 2010, the Group disposed of its 40% equity interest in 北京華信新媒技術有限公司 for a net proceeds of RMB7,700,000 (equivalent to approximately HK$9,091,000), resulted in a gain of RMB1,547,000 (equivalent to approximately HK$1,782,000) (Note 10).

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

	2010	2009
	HK$'000	HK$'000
Assets	**130,502**	89,304
Liabilities	**59,715**	31,560
Equity	**70,787**	57,744
Revenue	**100,871**	47,198
Loss	**232**	1,792

20 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 deferred income tax assets and liabilities after offsetting are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Deferred income tax assets	**7,892**	7,719
Deferred income tax liabilities	**(37,125)**	(3,892)
	(29,233)	3,827

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

Deferred income tax assets

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**11,101**	13,405
Credited/(charged) to consolidated income statement	**1,062**	(2,389)
Exchange differences	**328**	85
At 31 December	**12,491**	11,101

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 2010, the Group did not recognise deferred income tax assets of HK$66,957,000 (2009: HK$45,057,000) in respect of unrecognised tax losses of HK$345,769,000 (2009: HK$250,899,000) that can be carried forward to offset against future taxable income. The unused tax losses include an amount of approximately HK$53,094,000 (2009: HK$51,827,000) arising in Mainland China which is due to expire within one to five years for offsetting against future taxable profits of the companies in which the losses arise.

20 DEFERRED TAXATION *(Continued)*

Deferred income tax liabilities

	Group							
	Accelerated tax depreciation		Deferred development costs and others		Expected periodic adjustment payments		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**100**	83	**7,174**	7,536	**–**	–	**7,274**	7,619
Charged/(credited) to consolidated income statement	**6**	17	**(1,941)**	(403)	**35,382**	–	**33,447**	(386)
Exchange differences	**–**	–	**109**	41	**894**	–	**1,003**	41
At 31 December	**106**	100	**5,342**	7,174	**36,276**	–	**41,724**	7,274

21 FINANCIAL INSTRUMENTS BY CATEGORY

Loans and receivables

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (Note 23)	**808,029**	758,936	**341**	–
Prepayments, deposits and other receivables excluding prepayments	**57,151**	46,938	**204**	204
Cash and bank balances (Note 24)	**465,849**	333,625	**28,386**	26,716
	1,331,029	1,139,499	**28,931**	26,920

21 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Other financial liabilities at amortised cost

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (Note 27)	**289,155**	77,616	**–**	–
Other payables and accruals	**70,691**	100,317	**15,382**	16,358
Bank loans (Note 28)	**–**	7,964	**–**	–
	359,846	185,897	**15,382**	16,358

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**–**	–
Fair value of expected periodic adjustment payments for the disposal of STB Business	**140,318**	–
Exchange differences	**4,788**	–
At 31 December	**145,106**	–
Less: Non-current portion	**(139,429)**	–
Current portion	**5,677**	–

The expected periodic adjustment payments are denominated in RMB and their fair value was calculated at a discount rate of 6.31% per annum.

23 TRADE RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**854,664**	769,350	**341**	–
Less: Provision for impairment	**(46,635)**	(10,414)	**–**	–
	808,029	758,936	**341**	–
Less: Non-current portion	**(129,691)**	(258,702)	**–**	–
Current portion	**678,338**	500,234	**341**	–

The fair value of trade receivables approximates its carrying value.

The effective interest rates on trade receivables ranged from 2.7% to 16.1% (2009: 2.7% to 9.1%) 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.

During the year ended 31 December 2010, trade receivables of approximately HK$33,017,000 (2009: HK$37,265,000) (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.

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 6 months	**386,216**	308,249	**341**	–
7-12 months	**158,570**	77,800	**–**	–
Over 12 months	**180,187**	124,599	**–**	–
	724,973	510,648	**341**	–
Less: Provision for impairment	**(46,635)**	(10,414)	**–**	–
	678,338	500,234	**341**	–

23 TRADE RECEIVABLES *(Continued)*

Trade receivables that are less than six months past due are not considered impaired. At 31 December 2010, trade receivables of HK$39,574,000 (2009: HK$45,768,000) 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		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
7-12 months	**19,876**	30,245	**–**	–
Over 12 months	**19,698**	15,523	**–**	–
	39,574	45,768	**–**	–

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

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
RMB	**677,997**	500,234	**–**	–
USD	**341**	–	**341**	–
	678,338	500,234	**341**	–

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.

23 TRADE RECEIVABLES *(Continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**10,414**	10,234	**–**	–
Provision for impairment	**33,389**	180	**–**	–
Exchange differences	**2,832**	–	**–**	–
At 31 December	**46,635**	10,414	**–**	–

Such provision was determined after taking into account the aging of the individual trade receivable balance, and the creditworthiness and 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) with maturity dates ranged from 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 had been accounted for as liabilities in the consolidated statement of financial position (Note 28).

24 CASH AND BANK BALANCES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Restricted cash (Note (i)):				
– non-current portion	**3,542**	–	**–**	–
– current portion	**946**	–	**–**	–
	4,488	–	**–**	–
Pledged bank deposit (Note (ii))	**–**	6,000	**–**	–
Short-term bank deposits, with original maturities over three months	**5,059**	23,515	**–**	10,935
Cash and cash equivalents				
– Cash at banks and on hand	**225,912**	146,845	**327**	714
– Short-term bank deposits, with original maturities of three months or less	**230,390**	157,265	**28,059**	15,067
	456,302	304,110	**28,386**	15,781
	465,849	333,625	**28,386**	26,716

Notes:

(i) At 31 December 2010, a total amount of RMB3,801,000 (equivalent to approximately HK$4,488,000) (2009: RMBNil) was placed in the designated interest-bearing bank accounts as performance bonds pursuant to contracts signed by a wholly-owned subsidiary with its customers.

(ii) At 31 December 2009, the Group had a bank deposit of HK$6 million pledged to a bank to secure the banking facilities granted to the Group.

(iii) Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and six months depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(iv) At 31 December 2010, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$352,377,000 (2009: HK$150,167,000). 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.

(v) The carrying amounts of all bank balances approximate their fair values.

25 INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**5,181**	4,566
Work-in-progress	**36,855**	38,189
Finished goods	**11,526**	4,877
	53,562	47,632

During the year ended 31 December 2010, provision for inventories amounting to HK$10,706,000 (2009: HK$10,822,000) (Note 10) was recognised as expenses and included in "Other operating expenses".

26 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Escrow fund for the disposal of STB Business	**17,778**	–	**–**	–
Value-added tax receivables	**30,464**	21,939	**–**	–
Other prepayments, deposits and other receivables, net	**48,158**	67,606	**512**	14,053
	96,400	89,545	**512**	14,053

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

Movements in the provison for impairment of certain prepayments, deposits and other receivables, which were financial assets, are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**–**	–	**–**	–
Provision for impairment	**1,747**	–	**–**	–
Exchange differences	**44**	–	**–**	–
At 31 December	**1,791**	–	**–**	–

27 TRADE PAYABLES

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within 6 months	**277,829**	67,574
7-12 months	**133**	127
Over 12 months	**11,193**	9,915
	289,155	77,616

The fair value of trade payables approximates its carrying value.

28 BANK LOANS

	Group	
	2010	2009
	HK$'000	HK$'000
Bank loans – secured		
Wholly repayable within one year	**–**	7,964

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) 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% 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. The fair values were based on cash flows discounted using the borrowing rates ranged from 1.8% to 2.6% per annum.

29 SHARE CAPITAL

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorised		
At 31 December 2009 and 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 year	1,450,000	145
At 31 December 2010	1,139,531,432	113,953

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

30 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, 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 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 the Company.

30 SHARE OPTION SCHEME *(Continued)*

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

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

	2010		2009	
	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**	0.72	69,408,000
Granted and accepted	**–**	**–**	–	–
Exercised	**0.70**	**(1,450,000)**	–	–
Lapsed	**0.70**	**(66,958,000)**	–	–
At 31 December	**1.99**	**1,000,000**	0.72	69,408,000

Out of the 1,000,000 outstanding options at 31 December 2010 (2009: 69,408,000), 1,000,000 options (2009: 69,408,000) were exercisable. Options exercised during the year ended 31 December 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 year ended 31 December 2010 was HK$0.82. No option was exercised during the year ended 31 December 2009.

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

Expiry date	**Exercise price per share HK$**	**Number of Options 2010**	2009
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

30 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 2010	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 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)	–	–
	34,204,000	–	(725,000)	(33,479,000)	–	

30 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 2010	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 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)	–	–
	34,204,000	–	(725,000)	(33,479,000)	–	

30 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 2010	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 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 HK$1.99
Exercise period 12 February 2008 – 11 February 2017

	Outstanding options at 1 January 2010	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 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.

31 RESERVES

Group

	Share premium HK$'000	Contributed surplus HK$'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 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							
– 2008 final dividend paid	–	–	–	(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
Balance at 1 January 2010	–	628,235	88,935	153,529	23,224	43,319	937,242
Profit for the year	–	–	–	41,736	–	–	41,736
Other comprehensive income							
– Available-for-sale financial assets	–	–	4,788	–	–	–	4,788
– Currency translation differences	–	–	38,360	–	–	–	38,360
Dividends							
– 2009 special final dividend paid	–	–	–	(22,791)	–	–	(22,791)
– 2010 special interim dividend paid	–	–	–	(11,395)	–	–	(11,395)
Share option scheme							
– Proceeds from shares issued	870	–	–	–	–	–	870
– Transfer upon options exercised	854	–	–	–	–	(854)	–
– Transfer upon options lapsed	–	–	–	41,586	–	(41,586)	–
Transfer to general reserve	–	–	–	(3,610)	3,610	–	–
Balance at 31 December 2010	1,724	628,235	132,083	199,055	26,834	879	988,810
Representing:							
Proposed dividend	–	–	–	22,791	–	–	22,791
Others	1,724	628,235	132,083	176,264	26,834	879	966,019
	1,724	628,235	132,083	199,055	26,834	879	988,810

31 RESERVES *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000 (Note (i))	Retained earnings HK$'000	Share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2009	–	558,899	332,303	38,259	929,461
Profit for the year	–	–	9,873	–	9,873
Dividends					
– 2008 final dividend paid	–	–	(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
Balance at 1 January 2010	–	558,899	319,414	43,319	921,632
Loss for the year	–	–	(1,196)	–	(1,196)
Dividends					
– 2009 special final dividend paid	–	–	(22,791)	–	(22,791)
– 2010 special interim dividend paid	–	–	(11,395)	–	(11,395)
Share option scheme					
– Proceeds from shares issued	870	–	–	–	870
– Transfer upon options exercised	854	–	–	(854)	–
– Transfer upon options lapsed	–	–	12,033	(41,586)	(29,553)
Balance at 31 December 2010	1,724	558,899	296,065	879	857,567
Representing:					
Proposed dividend	–	–	22,791	–	22,791
Others	1,724	558,899	273,274	879	834,776
	1,724	558,899	296,065	879	857,567

31 RESERVES *(Continued)*

Notes:

(i) The contributed surplus of the Company and of the Group arose from a scheme of arrangement on 31 October 1989 and capital reorganisations on 2 November 2001 and 18 December 2007. Pursuant to the Companies Act 1981 of Bermuda, 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 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.

32 NON-CONTROLLING INTERESTS

Included in non-controlling 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 his 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.

33 CASH GENERATED FROM OPERATIONS

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

	Group	
	2010	2009
	HK$'000	HK$'000
Profit/(loss) for the year from continuing operations	**(2,495)**	10,831
Profit for the year from discontinued operations	**44,231**	979
	41,736	11,810
Adjustments for:		
Income tax expenses	**34,869**	10,325
Depreciation	**5,490**	4,865
Amortisation of intangibles	**16,435**	26,218
Write-off of deferred development costs	**809**	1,925
Write-off of trade receivables	**33,017**	37,265
Provision for impairment of trade receivables and other receivables	**35,136**	180
Reversal of previous write-off of trade receivables	**–**	(925)
Provision for inventories	**10,706**	10,822
Net gain on disposal of intangibles	**(1,546)**	–
Net loss on disposal of property, plant and equipment	**410**	16
Net gain on disposal of an associate	**(1,782)**	–
Net gain on disposal of STB Business	**(171,469)**	–
Share-based compensation	**–**	5,060
Interest income	**(3,228)**	(2,832)
Finance costs	**–**	2,181
Share of loss of jointly controlled entities	**862**	–
Share of loss of associates	**636**	246
Changes in working capital:		
Inventories	**(8,482)**	23,589
Trade receivables, prepayments, deposits and other receivables	**(146,763)**	(43,552)
Restricted cash	**(4,488)**	–
Trade payables, other payables and accruals	**270,894**	(38,246)
Exchange differences	**32,645**	7,393
Cash generated from operations	**145,887**	56,340

33 CASH GENERATED FROM OPERATIONS *(Continued)*

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

	Group	
	2010	2009
	HK$'000	HK$'000
Net carrying amount (Note 15)	**1,152**	342
Net loss on disposal of property, plant and equipment (Note 10)	**(410)**	(16)
Proceeds from disposal of property, plant and equipment	**742**	326

34 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital Commitments

The Group and the Company did not have any capital commitments at 31 December 2010 and 2009.

(b) Operating Lease Commitments

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

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Land and buildings		
– Not later than one year	**7,438**	9,623
– Later than one year but not later than five years	**7,742**	8,429
	15,180	18,052
Motor vehicle		
– Not later than one year	**–**	235
Total		
– Not later than one year	**7,438**	9,858
– Later than one year but not later than five years	**7,742**	8,429
	15,180	18,287

The Company did not have any commitments under operating lease at 31 December 2010 and 2009.

34 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(c) Financial Commitments

At 31 December 2010, the Group had financial commitments in respect of registered capital contribution to a subsidiary as described below:

	Group	
	2010	2009
	HK$'000	HK$'000
Subsidiary (Note (i))	**10,999**	10,603

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$6,276,000) (2009: RMB5,316,000 equivalent to approximately HK$6,051,000) that was paid in 1999 but the capital verification process has not been completed. The remaining balance has been overdue for capital injection (2009: same).

The Company did not have any significant financial commitments at 31 December 2010 and 2009.

(d) Contingent Liabilities

During the year ended 31 December 2010, the Company had given corporate guarantees to banks in respect of banking facilities granted by the banks to certain wholly-owned subsidiaries. At 31 December 2010, such facilities were drawn down by the wholly-owned subsidiaries to the extent of HK$53,000 (2009: HK$5,373,000) and the maximum liability of the Company under the guarantees was HK$53,000 (2009: HK$5,373,000).

Apart from above mentioned, the Company and the Group did not have any significant contingent liabilities at 31 December 2010 (2009: Nil).

35 RELATED PARTY TRANSACTIONS

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

(a) Sales or Purchases of Goods and Services

	Group	
	2010	2009
	HK$'000	HK$'000
Sales of goods and services		
– Related companies of a shareholder	**74,575**	133,299
– An associate	**46,818**	–
Purchases of goods and services		
– An associate	**19,148**	–
– A group company of a shareholder	**345**	–
Purchase returns of goods		
– A group company of a shareholder	**–**	40,723

All the transactions 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	
	2010	2009
	HK$'000	HK$'000
Short-term employee benefits	**19,966**	18,271
Post-employment benefits	**183**	162
Share-based compensation	**–**	2,915
	20,149	21,348

35 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Year-End Balances Arising from Sales/Purchases and Services Rendered

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables		
– Related companies of a shareholder	**123,928**	241,528
– A group company of a shareholder	**–**	115
– An associate	**45,663**	–
Trade payables		
– A JCE	**5,074**	4,892
– An associate	**2,978**	1,592
– Related companies of a shareholder	**–**	3,497
– A group company of a shareholder	**–**	490

(d) Other Year-End Balances

	Group	
	2010	2009
	HK$'000	HK$'000
Prepayments, deposits and other receivables		
– A JCE	**–**	1
– An associate	**5**	4,138
– Related companies of a shareholder	**–**	2,306
– A group company of a shareholder	**–**	78
Other payables		
– A JCE	**369**	356
– Related companies of a shareholder	**5,004**	2,437

36 EVENTS AFTER THE FINANCIAL POSITION DATE

There has been no material event subsequent to the year end which requires adjustment of or disclosure in these consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

The consolidated results, and assets and liabilities of the Group for the last five financial years are summarised below.

	2010 **HK$'000**	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Results					
Revenue	**787,710**	705,312	759,833	991,293	972,540
Profit/(loss) before income tax	**76,605**	22,135	92,228	125,546	(624,572)
Income tax credits/(expenses)	**(34,869)**	(10,325)	660	(8,910)	(1,544)
Non-controlling interests	**–**	–	–	–	3
Dividends on preference shares	**–**	–	–	(1,453)	(5,812)
Profit/(loss) attributable to the equity holders of the Company	**41,736**	11,810	92,888	115,183	(631,925)
Assets and liabilities					
Property, plant and equipment	**18,182**	16,077	15,105	11,872	10,284
Intangible assets	**37,233**	33,644	68,710	50,324	42,082
Investments	**60,383**	31,266	31,948	1,846	5,576
Other non-current assets	**280,554**	266,421	337,189	178,274	6,120
Net current assets	**861,294**	825,292	729,198	792,300	660,725
	1,257,646	1,172,700	1,182,150	1,034,616	724,787
Non-current liabilities	**(37,125)**	(3,892)	(15,909)	–	(8)
Net assets	**1,220,521**	1,168,808	1,166,241	1,034,616	724,779
Shareholders' equity	**1,102,763**	1,051,050	1,048,483	916,858	607,021
Non-controlling interests	**117,758**	117,758	117,758	117,758	117,758
	1,220,521	1,168,808	1,166,241	1,034,616	724,779