DVN (Holdings) Limited
天地數碼(控股)有限公司

ANNUAL REPORT 2012

Stock Code: 00500

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr Ko Chun Shun, Johnson *(Chairman)*
Mr Luo Ning
Mr Jin Wei
Mr Xu Qiang *(Chief Operating Officer)*
Mr Hu Qinggang *(Chief Financial Officer and Acting Chief Executive 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 Chu Hon Pong *(Chairman)*
Mr Ko Chun Shun, Johnson
Mr Liu Tsun Kie
Mr Yap Fat Suan, Henry

Nomination Committee

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

COMPANY SECRETARY

Mr Chan Kam Kwan, Jason

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Baker & McKenzie
Michael Li & Co.

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
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 3903, 39th Floor
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Principal Registrars

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

INVESTOR RELATIONS

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Financial Highlights

	For the year ended 31 December	
	2012 **HK$'000**	2011 HK$'000 (Restated)
Revenue		
Digital broadcasting business	**256,312**	514,232
Advertising agency business	**17,773**	22,901
Financial market information business	**29,060**	30,591
	303,145	567,724
Gross profit	**174,351**	202,913
Loss for the year		
Continuing operations	**(43,533)**	(21,774)
Discontinued operations	**(171,191)**	(96,071)
	(214,724)	(117,845)
Basic loss per share		
Continuing operations	**(3.82) cents**	(1.90) cents
Discontinued operations	**(15.02) cents**	(8.43) cents
	(18.84) cents	(10.33) cents

	As at 31 December	
	2012 **HK$'000**	2011 HK$'000
Total assets	**895,075**	1,562,288
Shareholders' funds	**661,374**	1,011,535
Net asset value per share (excluding non-controlling interests)	**58 cents**	89 cents
Total cash balance	**600,993**	413,641
Number of staff	**87**	554
Current ratio	**9.11**	3.06
Total liabilities-to-total assets ratio	**0.13**	0.28
Price to book ratio	**0.46**	0.30

REVIEW OF RESULTS

Overall Performance

	Year ended 31 December 2012			Year ended 31 December 2011		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000 (Restated)	Discontinued operations HK$'000 (Restated)	Total HK$'000 (Restated)
Revenue	**55,225**	**247,920**	**303,145**	61,900	505,824	567,724
Cost of sales	**(8,946)**	**(119,848)**	**(128,794)**	(11,942)	(352,869)	(364,811)
Gross profit	**46,279**	**128,072**	**174,351**	49,958	152,955	202,913
Other income and other gains/(losses), net	**(2,311)**	**32,565**	**30,254**	19,351	33,428	52,779
Marketing, selling and distribution costs	**(7,726)**	**(50,030)**	**(57,756)**	(8,712)	(58,681)	(67,393)
Administrative expenses	**(59,691)**	**(78,464)**	**(138,155)**	(52,428)	(99,756)	(152,184)
Other operating expenses	**(944)**	**(244,134)**	**(245,078)**	(4,363)	(71,942)	(76,305)
Operating profit/(loss)	**(24,393)**	**(211,991)**	**(236,384)**	3,806	(43,996)	(40,190)
Finance costs	**–**	**–**	**–**	–	(11)	(11)
Share of loss of jointly controlled entities	**(14,542)**	**–**	**(14,542)**	(20,642)	–	(20,642)
Share of loss of associates	**(1,869)**	**–**	**(1,869)**	(2,791)	(6,503)	(9,294)
Loss before income tax	**(40,804)**	**(211,991)**	**(252,795)**	(19,627)	(50,510)	(70,137)
Income tax expenses	**(2,729)**	**(21,624)**	**(24,353)**	(2,147)	(500)	(2,647)
Loss after tax	**(43,533)**	**(233,615)**	**(277,148)**	(21,774)	(51,010)	(72,784)
Change in value of available-for-sale financial assets	**–**	**18,130**	**18,130**	–	(60,081)	(60,081)
Gain on disposal of digital broadcasting business	**–**	**49,294**	**49,294**	–	–	–
Pre-tax gain/(loss) recognised on disposal	**–**	**67,424**	**67,424**	–	(60,081)	(60,081)
Income tax credit/(expenses)	**–**	**(5,000)**	**(5,000)**	–	15,020	15,020
After-tax gain/(loss) recognised on disposal	**–**	**62,424**	**62,424**	–	(45,061)	(45,061)
Loss for the year	**(43,533)**	**(171,191)**	**(214,724)**	(21,774)	(96,071)	(117,845)

Revenue

	2012 HK$'000	2011 HK$'000
Digital broadcasting business	**256,312**	514,232
Advertising agency business	**17,773**	22,901
Financial market information business	**29,060**	30,591
	303,145	567,724

The Group recorded a consolidated revenue of HK$303,145,000 in 2012, representing a decrease of 47% when compared to last year (2011: HK$567,724,000). The decrease was attributable mainly to the decrease in the revenue of digital broadcasting business as a result of the phase-out of the backlog shipment of set top boxes ("STB") subsequent to the disposal of the Group's STB business in 2010 and the completion of the disposal of the Group's digital broadcasting business in late 2012.

The advertising agency business, which was acquired in June 2011, has recorded a significant drop in revenue in 2012 if compared to the whole year figure of 2011 because of the reduction in advertising spending of the advertisers and the negative impact caused by the TV commercial restrictive directive and the TV show restrictive directive issued by the State Administration of Radio, Films and Television ("SARFT"), which became effective on 1 January 2012.

Gross Profit and Gross Profit Margin

The Group recorded gross profit of HK$174,351,000 in 2012, representing a decrease of 14% when compared to last year (2011: HK$202,913,000). Overall gross profit margin increased from 36% to 58% as less sales of low margin products, such as STB, were recorded in 2012.

Other Income and Other Gains/(Losses), Net

	2012 HK$'000	2011 HK$'000
Realisation of exchange reserve as a result of the repayment of an inter-company loan	**21,362**	–
Interest income	**12,952**	16,743
Gain on bargain purchase of advertising agency business	**–**	12,967
Net loss on disposal of associates	**–**	(2,080)
Value-added tax refund	**4,716**	20,678
Non-compete income	**2,597**	2,597
Consultancy fee income	**2,137**	–
Write-back of contingent consideration payable in respect of the acquisition of an associate	**23,255**	–
Provision for impairment of an associate	**(37,747)**	–
Provision for impairment of a jointly controlled entity	**(1,435)**	–
Others	**2,417**	1,874
	30,254	52,779

The decrease in interest income was mainly resulted from lesser amount of interest income received from the instalment sales of digital broadcasting business.

As a result of the change in pricing policy for intra-group sales and the group restructuring for the digital broadcasting business in 2012, value-added tax refund significantly decreased by 77% in 2012.

As it is considered that the chance of achieving the key performance criteria by the associate, Chinese Online Corporation Limited ("COL") within the time frame set out in the investment agreement for the Group's investment in COL is remote, the contingent consideration payable amounting to HK$23,255,000 for the investment in COL was written back and the investment cost of COL amounting to HK$37,747,000 was also impaired accordingly during the current year.

Marketing, Selling and Distribution Costs/Administrative Expenses

The Group recorded a decrease of 11% in the marketing, selling and distribution costs and administrative expenses for the current year when compared to last year because of the disposal of the Group's digital broadcasting business in late 2012.

Other Operating Expenses

	2012 **HK$'000**	2011 HK$'000
Provision for impairment of trade receivables and other receivables	**203,848**	57,587
Provision for inventories	**23,736**	858
Amortisation of deferred development costs	**7,882**	14,253
Write-off of trade receivables	**174**	–
Write-off of deferred development costs	**6,523**	2,428
Provision for impairment of property, plant and equipment	**2,239**	–
Others	**676**	1,179
	245,078	76,305

The substantial increase in other operating expenses in 2012 when compared to 2011 was mainly resulted from the impairment provisions made for the trade receivables, other receivables, inventories and deferred development costs related to the Group's discontinued digital broadcasting business.

Share of Loss of Associates

The decrease in the share of loss of associates in 2012 when compared to 2011 was attributable mainly to the further acquisition of equity interest in an associate which then became a wholly-owned subsidiary of the Group in September 2011.

Income Tax Expenses

The substantial increase in income tax expenses in 2012 was attributable mainly to the derecognition of deferred income tax assets of HK$8,158,000, the underprovision of tax for prior years of HK$4,889,000 and the payment of withholding tax of HK$5,480,000 for the dividends paid by a PRC subsidiary.

REVIEW OF OPERATING SEGMENTS

Digital Broadcasting Business

In 2012, the Group disposed of essentially all of its digital broadcasting business to independent third parties under two separate transactions. These divestures were strategic undertakings by management to restructure the Group's businesses away from capital intensive, matured, and excessively competitive businesses. Details of both transactions are set out in the Company's circular titled "Very Substantial Disposal" of 17 September 2012 and the Company's announcement titled "Discloseable Transaction – Disposal of a Subsidiary" of 30 August 2012.

After completion of the disposal of its digital broadcasting business in late 2012, the Group has ceased to engage in all its existing digital broadcasting business, except the non-compete income and the conditional access and middleware licence fee relating to the disposal of the Group's STB business in 2010, which are recognised over a period of three years from 6 May 2010 to 5 May 2013 for accounting purpose.

Advertising Agency Business

After having enjoyed double digit growth in recent years, the advertising market in China cooled down substantially in 2012 by growing only 7.8% as majority of the advertisers reduced their advertising spending. At the same time, there was also a general contraction in available TV advertising air time in 2012 caused by the two restrictive directives issued by SARFT at the start of the year. The combined effect resulted in severe squeeze in earning spreads for intermediary agencies such as the Group's advertising agency subsidiaries, which provide advertising air time sourcing services for their clients.

Substantial progress has been made in the buildup of Midas Media Limited ("Midas Media"), the joint venture company established with international leading 4A firm GroupM, in 2012. A professional team has been assembled in position within the first six months of the operations of Midas Media. By the end of the year, Midas Media already began to generate revenue although after expenses still recorded a substantial loss for its first year operation. The Group's strategy is to build Midas Media into a key component of its advertising business.

Financial Market Information Business

Due to volatilities in the global financial markets in 2012, the Group's financial market information business recorded a moderate 5% decline in revenue and a breakeven position in 2012.

Direct Investments

The Group currently holds several non-controlling direct investments, which include, inter alia, an online game business and an online Chinese language education business.

Online Game Business

Shanghai Boyojoy Network Technology Co., Limited (上海博游網絡科技有限公司) ("Boyojoy"), a 37% owned associate of the Group established in December 2009, is a Shanghai based web game development company focusing in providing internet games for the overseas market. Its first game, "Call of Gods", exceeded the million player mark within months after official launch in March 2011, and has been signed up by a number of game operators for markets including the US, Europe, South America, Asia, and the Middle East. Several non-English versions of the game have since been released to different markets. The popular game operator, Kongregate, is one of the game operators carrying "Call of Gods" on its game platform. Mobile version of the game is now being carried in App Store. As the game is well received by the market, Boyojoy recorded a profitable result for the year of 2012.

Online Chinese Language Education Business

Chinese Online (Beijing) Technology Company Limited (天地華文(北京)科技有限公司) ("天地華文"), a 20% owned associate of the Group, provides supplementary tools for people studying Chinese as a foreign language ("CFL"). Due to China's economic development in the past thirty years, Chinese is becoming one of the favourite foreign language study options in schools overseas. According to the latest statistics, there are 50 million overseas CFL students today.

In the past, 天地華文 has provided website based Chinese e-learning services with features such as online 1 on 1 teaching, video based lessons, e-books etc. In 2012, 天地華文 has developed mobile based apps to take advantage of the recent explosion in mobile device usage. "myPad" is one of such app products designed as a more effective studying and planning tool for both students and teachers in today's fast pace and fragment time life style, and contains other useful applications such as common Chinese phrases for travelling as well. "myPad" has been selected by the United Nation Headquarter for its Chinese training program recently. There are also some innovative game-based learning app products aimed to make learning Chinese "easy and fun". As 天地華文 is still under the stage of business development, it recorded a substantial loss for the year of 2012.

PROSPECTS

Advertising Agency Business

Based on current industry sentiments, management expects end advertisers will further cut back on their advertising spending in 2013. As a result, management plans to focus more attention in the development of Midas Media in the coming years and will be more conservative towards trade receivable exposure.

With advancement in the development of China's advertising market, domestic end advertisers are increasingly seeking more efficient tailor-made advertising placements that require the support of "soft capabilities" such as promotional planning, media selection, and advertising placement strategies which traditionally have been the strength of international 4A firms. Midas Media is really the first attempt by an international 4A firm to establish a local 4A operation in China. Management views this as an opportunity to build up competitive advantage over other domestic players, and to upgrade from the traditional sourcing agency business. Through 4A type services, the Group will be able to exert more influence on its clients including their promotional budgets, and in the long run creating greater client royalty.

Direct Investments

Online Game Business

To fully capitalise on the initial success of the "Call of Gods", Boyojoy will continue to refine, upgrade, and expand the game to bring new versions to the market. After almost two years of its launch, the "Call of Gods" game has accumulated considerable market recognition and a sizable player base, while allowing Boyojoy to gain significant experience in developing and promoting game products in the overseas market. Boyojoy plans to develop the "Call of Gods" site from a single game web page into a multiple games playing platform. In addition to the newly released "Call of Gods EX" for Apple mobile devices, Boyojoy is developing three other games to be introduced to the market in 2013.

While the domestic web game market has slowed down considerably in recent years, the overseas market has continued to grow steadily. Besides original developed games, Boyojoy also plans to work with certain developers of other successful games in the domestic market to create adaptation of their successful games for the overseas market.

Online Chinese Language Education Business

Over the past 5 years, CFL market in the west has grown 10 times. Today, it is estimated that near 50 million people enrolled in CFL related training. In addition, the Chinese government is also actively promoting Chinese language learning around the world.

Although usage of mobile devices has exploded in recent years, the scarce availability of education supplemental apps points to a quite interest niche market opportunity. 天地華文 aims to become a leading brand in the area of mobile network e-learning. Over the years, 天地華文 has managed to accumulate substantial experience in combining technology, teaching, and literary arts in developing and delivery of CFL e-learning materials. This will also be valuable advantage in the development of mobile e-learning app products.

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 2012 (2011: Nil).

The total number of employees of the Group as at 31 December 2012 was 87 (2011: 554). The significant drop in number of employees was resulted from the disposal of the Group's digital broadcasting business in 2012.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2012, the Group recorded total assets of HK$895,075,000 (2011: HK$1,562,288,000) which were financed by liabilities of HK$117,451,000 (2011: HK$432,812,000), non-controlling interests of HK$116,250,000 (2011: HK$117,941,000) and shareholders' equity of HK$661,374,000 (2011: HK$1,011,535,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2012 amounted to HK$0.58 (2011: HK$0.89).

The Group had a total cash and bank balance of HK$600,993,000 (2011: HK$413,641,000) without any bank borrowings (2011: Nil) as at 31 December 2012. The increase in the cash and bank balance was resulted mainly from the proceeds received from the disposal of the Group's digital broadcasting business in 2012. The Group has sufficient internal funds for its daily operations.

As the Group's digital broadcasting business was disposed of during the current year, the balances of trade receivables and trade payables were significantly reduced from HK$717,991,000 and HK$196,496,000 respectively at 31 December 2011 to HK$140,180,000 and HK$27,946,000 respectively at 31 December 2012.

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 and investments 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. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government. No financial instrument was used for hedging purposes. It is expected that the appreciation of RMB in the long-run would have a favourable impact on the Group.

Material Acquisitions and Disposals of Subsidiaries and Associates

In January 2012, the Group partially made the second stage investment payment of approximately HK$8,313,000 upon the achievement of the performance criteria by the Group's associate, Boyojoy and increased its equity interest in Boyojoy from 25% to 37%.

In October and November 2012, the Group completed the disposal of a number of subsidiaries and an associate, which were engaged in the digital broadcasting business. The Group recorded a net gain on disposal of HK$49,294,000 in aggregate for such disposals.

Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2012.

Charges on Assets

The Group did not have any assets pledged to third parties as at 31 December 2012.

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 31 December 2012.

Capital Expenditure Commitments

The Group did not have any material capital expenditure commitments as at 31 December 2012.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2012.

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. The Company has adopted the code provisions of the Corporate Governance Code (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") as its own corporate governance policy, subject to amendments from time to time.

COMPLIANCE WITH THE CODE

In the opinion of the directors, the Company has complied with the code provisions of the Code throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

The Board of Directors (the "Board") of the Company currently comprises eight directors, including five executive directors (Mr Ko Chun Shun, Johnson (Chairman), Mr Luo Ning, Mr Jin Wei, Mr Xu Qiang (Chief Operating Officer) and Mr Hu Qinggang (Chief Financial Officer and Acting Chief Executive 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 separate and are exercised by different individuals. 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 three board committees under the Board, which are the Remuneration Committee, the Audit Committee and the Nomination 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 policy, supervising management's performance while the day-to-day operations and management of the Group are delegated by the Board to management, and ensuring adequacy of resources, qualifications, experience and training programmes and budget of the financial staff.

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 of not more than three years 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. To determine the non-executive directors' independence, assessments are carried out upon appointment, annually and at any other time were the circumstances warrant reconsideration by the Nomination Committee. Save that Mr Yap Fat Suan, Henry is an independent non-executive director of China WindPower Group Limited, for which Mr Ko Chun Shun, Johnson is also a vice-chairman and a substantial shareholder, the three independent non-executive directors do not have any relationships with any members of the Board. The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board determined that all the independent non-executive directors meet the requirements for independence as set out in Rule 3.13 of the Listing Rules. It is also noted that Mr Luo Ning, Mr Jin Wei, Mr Xu Qiang and Mr Hu Qinggang are all employees of CITIC Group Corporation, a substantial shareholder of the Company, or its subsidiaries. Save for disclosed herein, there is no other relationship between each of the Board members.

Every newly appointed director will be given an induction so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The directors may request the Company to provide independent professional advice at the Company's expense to discharge his/her duties to the Company. Directors' training is an ongoing process. During the year, the Company had provided to the directors regular updates and presentations on changes and developments to the Group's business and to the legislative regulatory environments in which the Group operates. All directors are also encouraged to attend relevant training courses at the Company's expense. All directors are required to provide the Company with their record of training they received during the year ended 31 December 2012.

During the year ended 31 December 2012, the Board has reviewed and monitored the training and continuous professional development of directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the Code and the disclosure in the Corporate Governance Report.

The directors acknowledged their responsibility for preparing the financial statements of the Company and the Group for the year ended 31 December 2012. They must ensure that the financial statements of the Group are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

Remuneration Committee

The Remuneration Committee comprises four directors, namely Mr Chu Hon Pong (Chairman), Mr Ko Chun Shun, Johnson, Mr Liu Tsun Kie, and Mr Yap Fat Suan, Henry.

The terms of reference of the Remuneration Committee have been determined with reference to the Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, inter alia, assisting the Company in the administration of a formal and transparent procedure for developing remuneration policies, making recommendations to the Board on the remuneration packages of individual executive directors and senior management, and ensuring that no director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2012, the work performed by the Remuneration Committee includes, inter alia, the review of the Group's remuneration policy for its executive directors and senior management and their levels of remuneration.

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 interim and annual consolidated financial statements, to monitor compliance with statutory and listing requirements, to review the scope, extent and effectiveness of the internal control procedures of the Company, to 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.

During the year ended 31 December 2012, 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.

Nomination Committee

The Nomination Committee comprises four directors, namely Mr Ko Chun Shun, Johnson (Chairman), Mr Chu Hon Pong, Mr Liu Tsun Kie and Mr Yap Fat Suan, Henry.

The terms of reference of the Nomination Committee have been determined with reference to the Code. Under its terms of reference, the Nomination Committee is responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board. No new director was nominated for appointment during the year ended 31 December 2012.

ATTENDANCE RECORDS AT MEETINGS

The attendance records of each director at the various meetings of the Company during the year ended 31 December 2012 are set out as below:

	Attended/Eligible to Attend					
	Annual general meeting	**Special general meetings** *(Note (ii))*	**Board meetings**	**Remuneration committee meetings**	**Audit committee meetings**	**Nomination committee meetings**
Number of meetings	1	3	9	1	2	1
Executive directors						
Mr Ko Chun Shun, Johnson	1/1	3/3	9/9	1/1	N/A	1/1
Dr Lui Pan *(Note (i))*	1/1	2/3	8/9	N/A	N/A	N/A
Mr Luo Ning	1/1	1/3	9/9	N/A	N/A	N/A
Mr Jin Wei	1/1	1/3	9/9	N/A	N/A	N/A
Mr Xu Qiang	1/1	1/3	9/9	N/A	N/A	N/A
Mr Hu Qinggang	1/1	1/3	9/9	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr Chu Hon Pong	1/1	3/3	9/9	1/1	2/2	1/1
Mr Liu Tsun Kie	1/1	1/3	9/9	1/1	2/2	1/1
Mr Yap Fat Suan, Henry	1/1	1/3	9/9	1/1	2/2	1/1

Notes:

(i) Dr Lui Pan retired as an executive director on 1 November 2012.

(ii) 2 out of these meetings were held before 1 April 2012 and as from such date, the independent non-executive directors are required to attend general meetings of the Company pursuant to the relevant code provision of the Code.

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. Having made 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 2012.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the Code, which has come into effect from 1 April 2012, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2012, all directors have participated in continuous professional development by attending training courses and/or referring materials on the topics related to corporate governance and regulations:

Executive Directors

Mr Ko Chun Shun, Johnson	Attending training course
Dr Lui Pan	Self-study of relevant materials
Mr Luo Ning	Self-study of relevant materials
Mr Jin Wei	Self-study of relevant materials
Mr Xu Qiang	Self-study of relevant materials
Mr Hu Qinggang	Self-study of relevant materials

Independent Non-Executive Directors

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

AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers as its statutory auditor for the year ended 31 December 2012. The statement by the independent auditor of the Company and the Group regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report on pages 28 to 29 of this annual report.

The remuneration in respect of services provided by PricewaterhouseCoopers to the Group in 2012 is summarised as follows:

	HK$'000
Auditing services	2,275
Non-auditing services	
Fee for reviewing the interim results for the six-month period ended 30 June 2012	1,065
Fee for acting as reporting accountants	1,509
	4,849

COMPANY SECRETARY

The Company does not engage an external service provider as its company secretary. Mr Chan Kam Kwan, Jason, being the secretary of the Company, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

INTERNAL CONTROLS

The Board is responsible for the Group's internal control system 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 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' RIGHTS

The Board recognises the importance of effective communication with the shareholders and investors. The Company communicates with the shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages the participation of the shareholders through annual general meetings and other general meetings where the shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual directors.

The Board always ensures that shareholders' and investors' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. The Company's website provides email address and telephone number to enable the shareholders to make any enquiries and concerns to the Board. Shareholders may also at any time send their enquiries and concerns to the Board by addressing to the Acting Chief Executive Officer by post or by email. The contact details are set out in the Corporate Information section of this Annual Report.

Subject to Section 74 of the Companies Act 1981 of Bermuda (the "Act") and Bye-law 58 of the Bye-laws of the Company, shareholders holding in aggregate not less than 10% of the paid-up capital of the Company have the right, by written requisition to the Board or the secretary of the Company, to request a special general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within three months after the deposit of such requisition.

Any number of shareholders representing not less than 5% of the total voting rights of the Company on the date of the requisition or not less than 100 shareholders of the Company are entitled to put forward a proposal for consideration at a general meeting of the Company. Shareholders should follow the requirements and procedures as set out in Section 79 of the Act for putting forward such proposal at a general meeting.

On 28 March 2012, the Company adopted a new set of Bye-laws for the purpose of conforming with, inter alia, certain amendments to the Listing Rules and the Code which became effective on 1 January 2012 and 1 April 2012 respectively. The new set of Bye-laws of the Company is available on the websites of the Stock Exchange and the Company.

EXECUTIVE DIRECTORS

Mr Ko Chun Shun, Johnson, aged 61, has been the Chairman of the Group since 1998 and is a director of various subsidiaries of the Company. He is also a member of the Remuneration Committee, and the chairman of the Nomination Committee of the Company. He is also the chairman of Varitronix International Limited and REORIENT GROUP 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.

Mr Luo Ning, aged 53, has been an executive director of the Company since October 2006. He is currently a director of CITIC Group Corporation, which is a substantial shareholder of the Company, an assistant president of CITIC Limited, 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, which are listed on the Main Board of the Stock Exchange. He also holds directorships in several other subsidiaries of CITIC Group Corporation. Mr Luo has extensive experience in telecommunication business and graduated from The Wuhan People's Liberation Army Institute of Communication Command in the PRC.

Mr Jin Wei, aged 51, 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 wholly-owned subsidiary of CITIC Group Corporation 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 50, 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 38, has been the Chief Financial Officer of the Company since October 2006 and was appointed as the Acting Chief Executive Officer of the Company on 1 November 2012. He 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 Corporation, 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 63, has been an independent non-executive director of the Company since 2000. He is also a committee member of the Audit Committee and the Nomination Committee, and the chairman of 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 resigned as the chairman but remains as an executive director of Hong Kong Life Sciences and Technologies Group Limited (formerly known as ZMAY Holdings Limited) with effect from 1 December 2012, which is listed on the Growth Enterprise Market Board of the Stock Exchange.

Mr Liu Tsun Kie, aged 61, has been an independent non-executive director of the Company since 2000. He is also the chairman of the Audit Committee, and a committee member of the Remuneration Committee and the Nomination 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 from 2000 to 2002.

Mr Yap Fat Suan, Henry, aged 67, has been an independent non-executive director of the Company since 2004. He is also a committee member of the Audit Committee, the Remuneration Committee and the Nomination 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, which is listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr Huang Mingguo, aged 41, is the Chief Executive Officer of the Group's advertising agency business. He is also a director of certain subsidiaries of the Company and the executive chairman and chief executive officer of Midas Media Limited, a jointly controlled entity of the Group established with GroupM. He holds a bachelor degree in Chemistry from the Peking University in the PRC. Mr Huang worked as a project manager of the marketing research department of Procter & Gamble, China and also founded and operated various companies engaged in advertising and media, market research, capital management and investment in the PRC. In 2010, he was appointed as the chairman of Panmedia Institute, the first non-profit making think-tank for research and study on media knowledge and management in the PRC. Prior to joining the Group in June 2011, he was a Senior Vice-President of Media China Corporation Limited, which is listed on the Main Board of the Stock Exchange.

Mr Fung Man Yin, Sammy, aged 53, 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 Newcastle University (formerly known as 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 39, has been the Company Secretary of the Company since 2006. He is also a director of certain subsidiaries of the Company. He graduated from the University of British Columbia in Canada with a bachelor degree in Commerce and is a member of the American Institute of Certified Public Accountants. He has extensive experience in accounting and corporate finance.

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and management. Details of the principal activities of the principal subsidiaries are set out in Note 16 to the consolidated financial statements.

There were significant changes in the nature of the Group's principal activities towards the end of the reporting period. During the year, the Group ceased to engage in the design, development, integration and sale of smart cards, conditional access systems, 2-way cable network systems, digital set top boxes, digital broadcasting systems and the related software after the disposal of its digital broadcasting business.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on pages 30 to 31.

The Board of Directors of the Company does not recommend the payment of any dividend (2011: HK$Nil) for the year.

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 116 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 14 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 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserve as at 31 December 2012, which solely comprised contributed surplus, amounted to approximately HK$558,899,000 (2011: contributed surplus and retained earnings amounted to approximately HK$819,383,000 in aggregate).

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	(Retired on 1 November 2012)
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, Mr Ko Chun Shun, Johnson, Mr Chu Hon Pong and Mr Liu Tsun Kie will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from all independent non-executive directors 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 19 to 21 of the Annual Report.

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

At 31 December 2012, 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 the Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long Positions in Shares and Underlying Shares of the Company

Ordinary shares of HK$0.10 each in the Company

		Number of ordinary shares held				
Name of director	Note	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**% of the issued share capital of the Company**
Mr Ko Chun Shun, Johnson ("Mr Ko")	(i)	–	2,040,816	223,776,719	225,817,535	19.82%
Mr Chu Hon Pong		450,000	–	–	450,000	0.04%

Note:

(i) Mr Ko was deemed to be interested in the 48,276,719 ordinary shares and 175,500,000 ordinary shares of the Company held by First Gain International Limited and Rich Hill Capital Limited respectively under the SFO by virtue of his interests in these two companies. 2,040,816 ordinary shares of the Company are held by the spouse of Mr Ko.

None of the directors had any interests in the share options of the Company as at 31 December 2012.

Save as mentioned above, at 31 December 2012, 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

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 2012, other than the interests and short positions of the directors or chief executive of the Company as disclosed in the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in Shares of the Company

		Number of ordinary shares held				
Name	Note	**Direct beneficially owned**	**Through controlled corporations**	**Security interests**	**Total**	**% of the issued share capital of the Company**
Easy Flow Investments Limited		237,592,607	–	–	237,592,607	20.85%
CITIC Investment (HK) Limited	(i)	–	237,592,607	–	237,592,607	20.85%
CITIC Limited	(ii)	–	237,592,607	–	237,592,607	20.85%
CITIC Group Corporation	(iii)	–	237,592,607	–	237,592,607	20.85%
Rich Hill Capital Limited	(iv)	175,500,000	–	–	175,500,000	15.40%
UBS AG		–	–	57,770,000	57,770,000	5.07%

Notes:

(i) CITIC Investment (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 Easy Flow Investments Limited.

(ii) CITIC 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 Investment (HK) Limited.

(iii) CITIC Group Corporation 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 Limited. Mr Luo Ning, an executive director of the Company, is a director of CITIC Group Corporation. Mr Hu Qinggang, an executive director of the Company, is an employee of CITIC Group Corporation.

(iv) Mr Ko was deemed to be interested in the 175,500,000 ordinary shares of the Company held by Rich Hill Capital Limited under the SFO by virtue of his interest in this company. Such shares form a part of the 225,817,535 ordinary shares of the Company interested by Mr Ko as described in Note (i) of the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above.

Save as disclosed above, at 31 December 2012, no other person (other than the directors or chief executive of the Company) 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 24% (2011: 48%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 6% (2011: 32%). Purchases from the Group's five largest suppliers accounted for approximately 42% (2011: 80%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 17% (2011: 51%).

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

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

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 34 to the consolidated financial statements also constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and are required to be disclosed in accordance with Chapter 14A of the Listing Rules as below.

During the year, the Group sold set top boxes and smart cards, and provided systems integration and ancillary related services amounting to approximately HK$49,585,000 to certain customers in which CITIC Group Corporation or its associates (as defined under the Listing Rules) have direct or 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$115 million for the year ended 31 December 2012 as approved by the independent shareholders of the Company in a special general meeting held on 10 February 2012.

The Company's independent auditor was engaged to report on the Group's non-exempt continuing connected transactions for the year 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 issued an unqualified letter containing the findings and conclusions in respect of the Group's non-exempt continuing connected transactions.

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 at least 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, 20 February 2013

羅兵咸永道

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 30 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 2012, and of the Group's loss 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, 20 February 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	6	**55,225**	61,900
Cost of sales		**(8,946)**	(11,942)
Gross profit		**46,279**	49,958
Other income and other gains/(losses), net		**(2,311)**	19,351
Marketing, selling and distribution costs		**(7,726)**	(8,712)
Administrative expenses		**(59,691)**	(52,428)
Other operating expenses		**(944)**	(4,363)
Operating profit/(loss)		**(24,393)**	3,806
Share of loss of jointly controlled entities		**(14,542)**	(20,642)
Share of loss of associates		**(1,869)**	(2,791)
Loss before income tax		**(40,804)**	(19,627)
Income tax expenses	7	**(2,729)**	(2,147)
Loss for the year from continuing operations		**(43,533)**	(21,774)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	8(b)	**(171,191)**	(96,071)
LOSS FOR THE YEAR	9	**(214,724)**	(117,845)
Attributable to:			
Equity holders of the Company			
– Continuing operations		**(43,481)**	(21,650)
– Discontinued operations		**(171,191)**	(96,071)
	30	**(214,672)**	(117,721)
Non-controlling interests			
– Continuing operations		**(52)**	(124)
– Discontinued operations		**–**	–
		(52)	(124)
		(214,724)	(117,845)

	Note	**2012** **HK$'000**	2011 HK$'000 (Restated)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*12*		
– Continuing operations		**(3.82) cents**	(1.90) cents
– Discontinued operations		**(15.02) cents**	(8.43) cents
		(18.84) cents	(10.33) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000 (Restated)
LOSS FOR THE YEAR	**(214,724)**	(117,845)
Other comprehensive income/(loss)		
– Currency translation differences	**(2,967)**	49,293
Other comprehensive income/(loss) for the year, net of tax	**(2,967)**	49,293
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(217,691)**	(68,552)
Attributable to:		
– Equity holders of the Company	**(217,639)**	(68,437)
– Non-controlling interests	**(52)**	(115)
	(217,691)	(68,552)
Total comprehensive loss attributable to equity holders of the Company arising from:		
– Continuing operations	**(33,552)**	3,362
– Discontinued operations	**(184,087)**	(71,799)
	(217,639)	(68,437)

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**5,110**	19,120
Intangible assets	*15*	**–**	32,852
Interests in jointly controlled entities	*17*	**8,019**	23,963
Interests in associates	*18*	**41,230**	73,423
Deferred income tax assets	*19*	**–**	8,193
Available-for-sale financial assets	*21*	**10,680**	51,694
Trade receivables	*22*	**–**	102,777
Total non-current assets		**65,039**	312,022
CURRENT ASSETS			
Inventories	*23*	**–**	63,242
Available-for-sale financial assets	*21*	**38,264**	10,103
Trade receivables	*22*	**140,180**	615,214
Prepayments, deposits and other receivables	*24*	**48,711**	142,939
Tax receivables		**1,888**	5,127
Cash and cash equivalents	*25*	**600,993**	413,641
Total current assets		**830,036**	1,250,266
CURRENT LIABILITIES			
Trade payables	*26*	**27,946**	196,496
Other payables and accruals	*27*	**54,045**	205,405
Tax payables		**9,167**	6,721
Total current liabilities		**91,158**	408,622
Net current assets		**738,878**	841,644
TOTAL ASSETS LESS CURRENT LIABILITIES		**803,917**	1,153,666
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	*19*	**26,293**	24,190
Net assets		**777,624**	1,129,476

	Note	2012 HK$'000	2011 HK$'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	*28*	**113,953**	113,953
Reserves	*30*	**547,421**	897,582
		661,374	1,011,535
Non-controlling interests	*31*	**116,250**	117,941
Total equity		**777,624**	1,129,476

Signed on behalf of the Board on 20 February 2013 by

Ko Chun Shun, Johnson
Director

Hu Qinggang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

		Attributable to equity holders of the Company			
	Note	**Share capital** HK$'000	**Reserves** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2011		113,953	988,810	117,758	1,220,521
Loss for the year		–	(117,721)	(124)	(117,845)
Other comprehensive income					
– Currency translation differences	*30*	–	49,284	9	49,293
Dividends					
– 2010 final dividend paid		–	(22,791)	–	(22,791)
Acquisition of subsidiaries		–	–	298	298
At 31 December 2011		113,953	897,582	117,941	1,129,476
At 1 January 2012		**113,953**	**897,582**	**117,941**	**1,129,476**
Loss for the year		**–**	**(214,672)**	**(52)**	**(214,724)**
Other comprehensive loss					
– Currency translation differences	*30*	**–**	**(2,967)**	**–**	**(2,967)**
Repayment of an inter-company loan	9	**–**	**(21,362)**	**–**	**(21,362)**
Disposal of subsidiaries	*8(c)*	**–**	**(110,873)**	**(1,509)**	**(112,382)**
Acquisition of additional equity interest in a subsidiary		**–**	**(287)**	**(130)**	**(417)**
At 31 December 2012		**113,953**	**547,421**	**116,250**	**777,624**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	**61,796**	845
Interest paid		**–**	(11)
Income tax paid		**(11,816)**	(136)
Net cash generated from operating activities		**49,980**	698
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment ("PPE")	14	**(3,475)**	(3,361)
Proceeds from disposal of PPE	32	**115**	83
Acquisition of subsidiaries		**(417)**	(53,691)
Acquisition of a jointly controlled entity	17	**–**	(8,684)
Acquisition of associates	18	**(24,621)**	(10,717)
Loan to an associate		**(22,198)**	–
Repayment of loan from an associate		**3,076**	–
Payment for deferred development costs	15	**(6,326)**	(11,647)
Decrease in short-term bank deposits		**–**	5,059
Net proceeds from disposal of STB Business	8(c)	**35,467**	42,066
Interest received		**6,356**	4,546
Disposal of subsidiaries, net of cash disposed	8(c)	**149,482**	–
Net cash generated from/(used in) investing activities		**137,459**	(36,346)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to equity holders of the Company		**–**	(22,791)
Net cash used in financing activities		**–**	(22,791)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**187,439**	(58,439)
Cash and cash equivalents at beginning of the year		**413,641**	456,302
Exchange differences		**(87)**	15,778
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	25	**600,993**	413,641

Statement of Financial Position

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	–	–
Interests in subsidiaries	16	368,008	933,755
Interest in a jointly controlled entity	17	–	–
Total non-current assets		368,008	933,755
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	7,886	507
Cash and cash equivalents	25	46,835	21,800
Total current assets		54,721	22,307
CURRENT LIABILITIES			
Other payables and accruals	27	15,087	20,123
Total current liabilities		15,087	20,123
Net current assets		39,634	2,184
Total assets less current liabilities/Net assets		407,642	935,939
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	28	113,953	113,953
Reserves	30	293,689	821,986
Total equity		407,642	935,939

Signed on behalf of the Board on 20 February 2013 by

Ko Chun Shun, Johnson
Director

Hu Qinggang
Director

1 GENERAL INFORMATION

DVN (Holdings) Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its principal place of business is Suite 3903, 39th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (together, the "Group") are principally engaged in the provision of advertising agency services and the provision of online financial market information. During the year, the Group was also 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 until November 2012 when the Group disposed of and discontinued such business. Details of the disposal are set out in Note 8.

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 20 February 2013.

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 ('HKICPA") 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 and derivative financial instruments.

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)

Impact of new, amended and revised HKFRSs

In the current year, the Group has adopted all the amended and revised HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA which are mandatory and relevant to the Group's operations for the accounting period beginning on 1 January 2012. The adoption of these amended and revised HKFRSs does not have any material impact on the Group's financial statements for the year.

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2012 and have not been early adopted:

HKAS 1 (Revised) (Amendment)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 27 (2011) (Amendment), HKFRS 10 (Amendment) and HKFRS 12 (Amendment)	Investment Entities
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 9	Financial Instruments
HKFRS 9 (Amendment) and HKFRS 7	Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10 (Amendment), HKFRS 11 (Amendment) and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKFRSs (Amendment)	Annual Improvements 2009-2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of Preparation *(Continued)*

The Group has commenced an assessment of the impact of these new and amended 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.

2.2 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method 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 to the former owners of the acquiree 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 recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(a) ***Subsidiaries*** *(Continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 "Financial Instruments : Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets 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 impairment losses (Note 2.7). Cost includes direct attributable cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid/received and the relevant share of the carrying value of net assets of the subsidiary acquired/disposed of is recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recognised in profit or loss.

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 JCEs are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates and JCEs include goodwill identified on acquisition, net of any accumulated impairment loss (Note 2.7).

The Group's share of its associates' and JCEs' 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 with a corresponding adjustment to 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.

The Group determines at each financial position date whether there is any objective evidence that the investment in the associate or JCE is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or JCE and its carrying value and recognises the amount in the consolidated income statement.

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

The contingent consideration arising from the acquisition of associate or JCE is measured at fair value using the discounted cash flow analysis method.

In fair value approach, all contingent considerations are recognised and measured at fair value at the acquisition date. The contingent consideration is classified either as a liability or as equity. Contingent consideration that is classified as an equity instrument is not re-measured. Contingent consideration that is classified as liability is accounted for as per Note 2.10. Any change in the contingent consideration is then accounted for in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(b) Associates and jointly controlled entities ("JCE") (Continued)

In the Company's statement of financial position, the investment in JCEs is accounted for at cost less provision for impairment losses (Note 2.7). The results of JCEs 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 of the Group. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Company that makes strategic decisions.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group 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, 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:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign Currency Translation *(Continued)*

(c) Group companies *(Continued)*

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the financial position date;

(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 in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a JCE that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are recognised in profit or loss.

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. Exchange differences arising are recognised in other comprehensive income.

2.5 Property, Plant and Equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, Plant and Equipment *(Continued)*

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

Leasehold improvements	Over the shorter of the term of the lease and the estimated useful life
Furniture and fixtures	18% to 32%
Office equipment	18% to 48%
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 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 adequate 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 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.

2.7 Impairment of Non-Financial Assets

Non-financial 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

ii. Loans and receivables

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

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of other categories. They are included in non-current assets unless the financial asset 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. Financial assets 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 transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 *Financial Assets (Continued)*

(b) Recognition and measurement *(Continued)*

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 consolidated 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 consolidated income statement as part of other income when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired or have been legally transferred and the Group has transferred substantially all the risks and rewards of the financial asset.

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 a group of financial assets is impaired. A financial asset or a 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 a 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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of Financial Assets *(Continued)*

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

(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

(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.

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 2.12.

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 set out in 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 consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are only reversed through the consolidated statement of comprehensive income. 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 consolidated Income statement.

2.10 Financial Liabilities

(a) Classification

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group's financial liabilities include trade payables, other payables and accruals, and other financial liabilities.

(b) Recognition and measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value, in the case of a financial liability not as fair value through profit or loss, less transaction costs that are directly attributable to the issue of the financial liability.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 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.

2.12 Trade and Other Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as 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 receivables' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the receivables 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.

2.13 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.

2.14 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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) after the financial position date. 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.

2.16 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. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. 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's subsidiaries, associates and JCEs 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and Deferred Income Tax (Continued)

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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and JCEs, 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, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 option issuer 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 employees. 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 the subsidiaries 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 subsidiaries, with a corresponding credit to the Company's 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. 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 Group. 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 is measured at 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 of return 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 was 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 other income as it is earned, using the effective interest method.

(b) Design and installation of digital broadcasting systems

Revenue from the design 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.

(d) Advertising agency fee income

Advertising agency fee income is recognised when services are rendered and revenue can be reliably measured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Revenue Recognition (Continued)

(e) 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.

(f) 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.

(g) 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.

(h) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, 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. Interest income on impaired receivables is recognised using the original effective interest rate.

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 Group's and the Company's 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 Discontinued Operations

Disposed 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 the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which (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.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and, on the disposal, the post-tax gain or loss recognised on the measurement to fair value less costs to sell of the assets or disposal group(s) constituting the discontinued operation.

2.24 Related Parties

A person or entity is considered to be related to the Group if:

(a) a person or a close member of that person's family (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group;

(b) the entity and the Group are members of the same group, which means that each parent, subsidiary and fellow subsidiary is related to the others;

(c) one entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a group of which the other entity is a member;

(d) both entities are joint ventures of the same third party;

(e) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(f) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(g) the entity is controlled or jointly controlled by a person identified in (a); or

(h) a person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values with resulting gain or loss recognised in profit or loss.

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. 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 2012, the Group's financial instruments mainly consisted of trade receivables, deposits and 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 United States dollars ("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 in the long-run would have a favourable impact on the Group. Therefore, the Group has not used any derivative financial instruments to hedge its foreign currency risk.

The foreign currency risk arising on those assets and liabilities denominated in USD is insignificant as HKD is pegged to USD.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors (Continued)

(a) Market risk *(Continued)*

ii. Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from bank balances and deposits and the Group's fair value interest rate risk arises primarily from available-for-sale financial assets and other payables. The Group has not used any derivative financial instruments to hedge its cash flow and fair value interest rate risk.

At 31 December 2012, if interest rates had increased/decreased by 25 basis points (2011: 100 basis points) with all other variables held constant, the Group's loss after income tax and accumulated losses/retained earnings would have had been approximately HK$1,311,000 (2011: HK$4,392,000) higher/lower and other components of equity would have been approximately HK$725,000 (2011: HK$2,464,000) lower/higher.

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 2011.

iii. Price risk

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

(b) Credit risk

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

Trade receivables are presented net of the provision for impairment. Credit risks and exposures are controlled and monitored on an ongoing basis by performing individual credit evaluations for all customers. These evaluations focus on the customer's past history of making payments when due and the current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial Risk Factors *(Continued)*

(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 if necessary. The liquidity risk of the Group is primarily attributable to trade payables, and other payables and accruals.

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

	On demand HK$'000	Within 1 year HK$'000	Total HK$'000
Group			
At 31 December 2012			
Trade payables	**–**	**27,946**	**27,946**
Other payables and accruals	**–**	**41,079**	**41,079**
	–	**69,025**	**69,025**
At 31 December 2011			
Trade payables	6,167	190,329	196,496
Other payables and accruals	–	126,454	126,454
	6,167	316,783	322,950
Company			
At 31 December 2012			
Other payables and accruals	**–**	**14,216**	**14,216**
At 31 December 2011			
Other payables and accruals	–	16,655	16,655

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital Management

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

The Group reviews and manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 2011. The Group is not subject to any 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 the year ended 31 December 2012, the Group's strategy was to maintain the total liabilities-to-total assets ratio below 50% (2011: 50%). The total liabilities-to-total assets ratio at 31 December 2012 was as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Total liabilities	**117,451**	432,812
Total assets	**895,075**	1,562,288
Total liabilities-to-total assets ratio	**13%**	28%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair Value Estimation

At 31 December 2012, the Group's available-for-sale financial assets and derivative financial liabilities disclosed in Notes 21 and 27 respectively are grouped into level 3 whereas the inputs for the asset or liability 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 the Group's level 3 financial assets are presented in Note 21.

The changes in the Group's level 3 financial liabilities are presented in Note 27.

At 31 December 2012, if the market interest rate had increased/decreased by 25 basis points (2011: 100 basis points) with all other variables held constant, the Group's loss after income tax and accumulated losses/retained earnings would have decreased/increased by approximately HK$590,000 (2011: HK$1,929,000).

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 Available-for-Sale Financial Assets

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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. Determining the cash flows requires management to make assumptions regarding the expected sales quantity of set top boxes to be sold by the acquirer of the STB Business (as defined in Note 8) and the timing of the respective sales receipts.

At 31 December 2012, if the expected receipt from the related sales applied in the discounted cash flow analysis had increased/decreased by 10% (2011: 10%) from management's estimates, the Group's loss after income tax and accumulated losses/retained earnings would have decreased/increased by approximately HK$3,519,000 (2011: HK$5,081,000).

4.2 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 for impairment might be required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.3 Deferred Income Tax

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

Deferred income tax liabilities are recognised in respect of the unremitted earnings of subsidiaries in Mainland China generated subsequent to 1 January 2008, except to the extent that the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Significant management judgement is required to determine the amount of deferred income tax liabilities to be recognised, which is based upon the estimated timing of dividend distribution.

4.4 Intangible Assets

Intangible assets are capitalised in accordance with the accounting policy for research and development costs. Determining the amounts to be capitalised or impaired requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. Had the actual results been different from the management's estimate, the intangible assets might result in impairment.

4.5 Contingent Consideration

The Group applies equity method of accounting to account for its interest in one of its associates. The investment was initially recognised at cost which included a contingent consideration with a fair value of HK$23,255,000 at the acquisition date. The fair value of the contingent consideration was estimated by management assuming that the associate was able to meet certain key performance criteria defined in the investment agreement. In making the judgement, management evaluated, among other factors, the financial performance, and operational and financing cash flow of the associate, and the industry and sector performance.

At 31 December 2012, management re-assessed the contingent consideration arrangement and considered that the chance of achieving the key performance criteria by the associate within the time frame set out in the investment agreement is remote. The contingent consideration payable amounting to HK$23,255,000 was reversed and accounted for in profit or loss under "Other income and other gains/(losses), net".

5 SEGMENT INFORMATION

The chief operating decision maker has been identified as the Board of the Company. Management has determined the operating segments based on the internal reports reviewed by the Board of the Company 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) Advertising agency business ("AA Business") - Provision of advertising agency services;

(iii) Financial market information business ("FMI Business") - Provision of online financial market information; and

(iv) Direct Investments - Other direct investments of information technology business.

Others include corporate income and expenses and others.

As further explained in Note 8, the discontinued STB Business, the DB Business and the DBOSS Business (as defined in Note 8) under the DVB Business have 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 2012 by operating segments is as follows:

	Continuing operations						Discontinued operations	Total
	DVB Business HK$'000	AA Business HK$'000	FMI Business HK$'000	Direct Investments HK$'000	Others HK$'000	Sub-total HK$'000	DVB Business HK$'000	HK$'000
Revenue (from external customers)	8,392	17,773	29,060	–	–	55,225	247,920	303,145
Depreciation	568	578	205	–	106	1,457	3,300	4,757
Amortisation	101	–	–	–	–	101	7,781	7,882
Operating profit/(loss) *(Note (i))*	9,065	7,310	(154)	(17,134)	(23,480)	(24,393)	(144,567)	(168,960)
Finance costs	–	–	–	–	–	–	–	–
Share of loss of JCEs	–	(12,109)	–	(2,433)	–	(14,542)	–	(14,542)
Share of loss of associates	–	–	–	(1,869)	–	(1,869)	–	(1,869)
Loss before income tax						(40,804)	(144,567)	(185,371)
Income tax expenses						(2,729)	(26,624)	(29,353)
Loss for the year						(43,533)	(171,191)	(214,724)
Total assets *(Note (ii))*	48,944	164,518	24,772	72,687	584,154	895,075	–	895,075
Total assets include:								
Interests in JCEs	–	(4,316)	–	12,335	–	8,019	–	8,019
Interests in associates	–	–	–	41,230	–	41,230	–	41,230
Total liabilities *(Note (iii))*	29,971	38,805	10,049	23,025	15,601	117,451	–	117,451
Capital expenditure	2,569	15	72	–	755	3,411	6,390	9,801
Interest income	9,249	93	1	–	198	9,541	3,411	12,952
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 2011 by operating segments is as follows:

	Continuing operations						Discontinued operations	Total
	DVB Business HK$'000 (Restated)	AA Business HK$'000	FMI Business HK$'000	Direct Investments HK$'000	Others HK$'000	Sub-total HK$'000 (Restated)	DVB Business HK$'000 (Restated)	HK$'000
Revenue (from external customers)	8,408	22,901	30,591	–	–	61,900	505,824	567,724
Depreciation	237	346	177	–	152	912	4,503	5,415
Amortisation	–	–	–	–	–	–	14,253	14,253
Operating profit/(loss) *(Note (i))*	9,308	6,331	1,014	–	(12,847)	3,806	(104,077)	(100,271)
Finance costs	–	–	–	–	–	–	(11)	(11)
Share of loss of JCEs	–	(911)	–	(19,731)	–	(20,642)	–	(20,642)
Share of loss of associates	–	–	–	(2,791)	–	(2,791)	(6,503)	(9,294)
Loss before income tax						(19,627)	(110,591)	(130,218)
Income tax credit/(expenses)						(2,147)	14,520	12,373
Loss for the year						(21,774)	(96,071)	(117,845)
Total assets *(Note (ii))*	61,797	165,201	26,031	94,102	18,538	365,669	1,196,619	1,562,288
Total assets include:								
Interests in JCEs	–	7,742	–	16,221	–	23,963	–	23,963
Interests in associates	–	–	–	71,714	–	71,714	1,709	73,423
Total liabilities *(Note (iii))*	38,887	29,435	11,031	61,838	26,916	168,107	264,705	432,812
Capital expenditure	–	228	398	–	13	639	14,369	15,008
Interest income	4,327	127	4	–	133	4,591	12,152	16,743
Interest expenses	–	–	–	–	–	–	11	11

5 SEGMENT INFORMATION *(Continued)*

Notes:

(i) The operating profit under the continuing operations of the DVB Business for the year ended 31 December 2012 is stated after crediting, inter alia, the technology licensing income of HK$8,392,000 (2011: HK$8,408,000), the non-compete income of HK$2,597,000 (2011: HK$2,597,000) and interest income from the expected periodic adjustment payments of HK$4,618,000 (2011: HK$2,598,000), of the discontinued STB Business, which have not been transferred to the Purchaser (as defined in Note 8) upon the completion of the DB Disposal (as defined in Note 8).

(ii) The total assets under the continuing operations of the DVB Business represent the expected periodic adjustment payments classified as available-for-sale financial assets of the discontinued STB Business, which has not been transferred to the Purchaser upon the completion of the DB Disposal.

(iii) The total liabilities under the continuing operations of the DVB Business represent the deferred income tax liabilities provided for the expected periodic adjustment payments classified as available-for-sale financial assets and the deferred income of the discontinued STB Business.

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

	Group					
	2012			2011		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000 (Restated)	Discontinued operations HK$'000 (Restated)	Total HK$'000
The PRC						
– Mainland China	**26,165**	**244,207**	**270,372**	31,309	485,903	517,212
– Hong Kong	**19,705**	**3,713**	**23,418**	21,136	19,921	41,057
Others	**9,355**	**–**	**9,355**	9,455	–	9,455
	55,225	**247,920**	**303,145**	61,900	505,824	567,724

5 SEGMENT INFORMATION *(Continued)*

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

		Group	
	Operating segment	**2012 HK$'000**	2011 HK$'000
Customer A	DVB Business	–	180,902

A reconciliation of the total of the reportable segments' assets to the Group's total assets is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Total assets for reportable segments	**310,921**	1,543,750
Corporate assets	**584,154**	18,538
Total assets of the Group	**895,075**	1,562,288

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

	Group					
	2012			2011		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000 (Restated)	Discontinued operations HK$'000 (Restated)	Total HK$'000
The PRC						
– Mainland China	**53,230**	–	**53,230**	104,311	28,041	132,352
– Hong Kong	**985**	–	**985**	676	16,188	16,864
Others	**144**	–	**144**	142	–	142
	54,359	–	**54,359**	105,129	44,229	149,358

6 REVENUE

An analysis of revenue is as follows:

	Group					
	2012			2011		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000 (Restated)	Discontinued operations HK$'000 (Restated)	Total HK$'000 (Restated)
Advertising agency fee income	**17,773**	**–**	**17,773**	22,901	–	22,901
Revenue from provision of online financial market information	**29,060**	**–**	**29,060**	30,591	–	30,591
Revenue from sales of goods	**–**	**213,848**	**213,848**	–	460,210	460,210
Revenue from design, integration and installation of digital broadcasting systems	**–**	**23,628**	**23,628**	–	42,804	42,804
Licensing and leasing income	**8,392**	**10,444**	**18,836**	8,408	2,810	11,218
	55,225	**247,920**	**303,145**	61,900	505,824	567,724

7 INCOME TAX CREDIT/(EXPENSES)

	Group					
	2012			2011		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000 (Restated)	Discontinued operations HK$'000 (Restated)	Total HK$'000
Current income tax						
– Hong Kong						
– Provision for the year	**(58)**	**–**	**(58)**	(270)	–	(270)
– Adjustment in respect of prior years	**–**	**–**	**–**	12	–	12
– Outside Hong Kong						
– Provision for the year	**(2,671)**	**(8,577)**	**(11,248)**	(1,729)	(500)	(2,229)
– Adjustment in respect of prior years	**–**	**(4,889)**	**(4,889)**	609	–	609
	(2,729)	**(13,466)**	**(16,195)**	(1,378)	(500)	(1,878)
Deferred income tax						
– Hong Kong	**–**	**–**	**–**	(22)	–	(22)
– Outside Hong Kong	**–**	**(13,158)**	**(13,158)**	(747)	15,020	14,273
	–	**(13,158)**	**(13,158)**	(769)	15,020	14,251
Income tax credit/(expenses)	**(2,729)**	**(26,624)**	**(29,353)**	(2,147)	14,520	12,373

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The corporate income tax in Mainland China has been provided at the rate of 25% (2011: 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.

7 INCOME TAX CREDIT/(EXPENSES) *(Continued)*

The tax on the Group's 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	
	2012 **HK$'000**	2011 HK$'000 (Restated)
Loss before income tax		
– Continuing operations	**(40,804)**	(19,627)
– Discontinued operations	**(144,567)**	(110,591)
	(185,371)	(130,218)
Tax calculated at the rates applicable in the countries concerned	**44,140**	27,245
Tax incentives	**4,421**	21,829
Tax effects of:		
– Income not subject to tax	**7,981**	3,595
– Expenses not deductible for tax purposes	**(77,733)**	(25,570)
– Utilisation of previously unrecognised tax losses	**23,022**	622
– Tax losses not recognised	**(12,657)**	(14,972)
– Re-measurement of deferred income tax – change in tax rate	**–**	(997)
– Derecognition of deferred income tax assets	**(8,158)**	–
– Withholding tax	**(5,480)**	–
– Adjustment in respect of prior years	**(4,889)**	621
Income tax credit/(expenses)	**(29,353)**	12,373

The weighted average applicable tax rate for the year was 24% (2011: 21%). 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.

8 DISCONTINUED OPERATIONS

(a) Discontinued Operations

(I) 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, pursuant to which the Seller agreed to sell 100% of the issued share capital of the Subject Company to the Acquirer (the "STB 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, pursuant to which the Group Vendor Companies would transfer the digital set top box business (the "STB Business") and the set top box assets (the "STB Assets") to the Seller WFOE.

The STB Disposal and the transfer of the STB Business and the STB Assets were completed on 5 May 2010 and the Group ceased to have any equity interest in the Subject Company and the Seller WFOE.

(II) On 3 July 2012, the Company entered into a conditional agreement (the "Conditional Agreement") with Jinhui Holdings Limited (the "DB Purchaser"), pursuant to which the Company agreed to sell and the DB Purchaser agreed to purchase, the entire issued share capital of Allsure Limited ("Allsure"), a then wholly-owned subsidiary of the Company, and certain other relevant assets of the Group relating to the digital broadcasting business of the Group, which include, inter alia, design, development, integration and sales of smart cards, conditional access systems, 2-way cable network systems, digital broadcasting systems and the related software (the "DB Business", which is one of the major components of the Group's DVB Business) (the "DB Disposal") at an aggregate consideration of approximately RMB128,000,000 (equivalent to approximately HK$157,413,000).

Upon the completion of the DB Disposal on 17 October 2012, the Group ceased to have any equity interest in Allsure. Certain DB Business related inventories and prepayments, which had not been transferred to the DB Purchaser pursuant to the Conditional Agreement, had been subsequently disposed of by the Group.

8 DISCONTINUED OPERATIONS

(a) Discontinued Operations *(Continued)*

(III) On 30 August 2012, 天柏寬帶網絡科技(北京)有限公司 (the "DBOSS Vendor"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with AVIT Ltd. (深圳市佳創視訊技術股份有限公司) (the "DBOSS Purchaser"), pursuant to which the DBOSS Vendor agreed to sell and the DBOSS Purchaser agreed to purchase, the entire paid-up capital of 天柏寬帶網絡技術(北京)有限公司, a then wholly-owned subsidiary of the DBOSS Vendor relating to the Group's operation of the DVN Business Operation Support System (the "DBOSS Business") (the "DBOSS Disposal") at an aggregate consideration of RMB27,000,000 (equivalent to approximately HK$33,150,000).

Upon the completion of the DBOSS Disposal on 19 November 2012, the Group ceased to engage in all its existing DVB Business except the non-compete income and the conditional access and middleware licence fee relating to the disposal of the STB Business in 2010 for accounting purpose, which are recognised over a period of three years from 6 May 2010.

8 DISCONTINUED OPERATIONS *(Continued)*

(b) Profit/(loss) from Discontinued Operations

The analysis of the profit/(loss) from the STB Business, the DB Business and the DBOSS Business presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" is as follows:

	Year ended 31 December 2012				Year ended 31 December 2011			
	STB Business HK$'000	**DB Business HK$'000**	**DBOSS Business HK$'000**	**Total HK$'000**	STB Business HK$'000	DB Business HK$'000 (Restated)	DBOSS Business HK$'000 (Restated)	Total HK$'000 (Restated)
Revenue *(Note 6)*	**–**	**238,447**	**9,473**	**247,920**	–	503,489	2,335	505,824
Cost of sales	**–**	**(119,848)**	**–**	**(119,848)**	–	(352,869)	–	(352,869)
Gross profit	**–**	**118,599**	**9,473**	**128,072**	–	150,620	2,335	152,955
Other income and other gains/(losses), net	**–**	**32,006**	**559**	**32,565**	–	33,428	–	33,428
Marketing, selling and distribution costs	**–**	**(45,034)**	**(4,996)**	**(50,030)**	–	(56,274)	(2,407)	(58,681)
Administrative expenses	**–**	**(63,127)**	**(15,337)**	**(78,464)**	–	(92,063)	(7,693)	(99,756)
Other operating expenses *(Note (i))*	**–**	**(243,359)**	**(775)**	**(244,134)**	–	(70,633)	(1,309)	(71,942)
Operating loss	**–**	**(200,915)**	**(11,076)**	**(211,991)**	–	(34,922)	(9,074)	(43,996)
Finance costs	**–**	**–**	**–**	**–**	–	(11)	–	(11)
Share of loss of associates	**–**	**–**	**–**	**–**	–	(6,503)	–	(6,503)
Loss before income tax	**–**	**(200,915)**	**(11,076)**	**(211,991)**	–	(41,436)	(9,074)	(50,510)
Income tax expenses *(Note 7)*	**–**	**(21,624)**	**–**	**(21,624)**	–	(500)	–	(500)
Loss after tax of discontinued operations	**–**	**(222,539)**	**(11,076)**	**(233,615)**	–	(41,936)	(9,074)	(51,010)
Change in value of available-for-sale financial assets *(Note 21)*	**18,130**	**–**	**–**	**18,130**	(60,081)	–	–	(60,081)
Gain on disposal of digital broadcasting business	**–**	**23,637**	**25,657**	**49,294**	–	–	–	–
Pre-tax gain/(loss) recognised on disposal	**18,130**	**23,637**	**25,657**	**67,424**	(60,081)	–	–	(60,081)
Income tax credit/(expenses) *(Note 7)*	**15,061**	**(20,061)**	**–**	**(5,000)**	15,020	–	–	15,020
After-tax gain/(loss) recognised on disposal	**33,191**	**3,576**	**25,657**	**62,424**	(45,061)	–	–	(45,061)
Profit/(loss) for the year	**33,191**	**(218,963)**	**14,581**	**(171,191)**	(45,061)	(41,936)	(9,074)	(96,071)
Profit/(loss) attributable to:								
Equity holders of the Company	**33,191**	**(218,963)**	**14,581**	**(171,191)**	(45,061)	(41,936)	(9,074)	(96,071)
Non-controlling interests	**–**	**–**	**–**	**–**	–	–	–	–
	33,191	**(218,963)**	**14,581**	**(171,191)**	(45,061)	(41,936)	(9,074)	(96,071)

8 DISCONTINUED OPERATIONS *(Continued)*

(b) Profit/(loss) from Discontinued Operations (Continued)

	Year ended 31 December 2012				Year ended 31 December 2011			
	STB Business HK$'000	DB Business HK$'000	DBOSS Business HK$'000	Total HK$'000	STB Business HK$'000	DB Business HK$'000 (Restated)	DBOSS Business HK$'000 (Restated)	Total HK$'000 (Restated)
Notes:								
(i) Other operating expenses including:								
Provision for impairment of trade receivables	–	156,026	–	156,026	–	52,993	–	52,993
Provision for impairment of other receivables	–	47,822	–	47,822	–	1,571	–	1,571
Provision for inventories	–	23,736	–	23,736	–	858	–	858
Provision for impairment of property, plant and equipment	–	2,239	–	2,239	–	–	–	–

(ii) During the year ended 31 December 2012, additional provision for impairment of trade receivables approximately HK$156,026,000 (2011: HK$52,993,000) was made after taking into account of financial difficulties of the trade debtors, delinquency in payments, business relationship and transaction volumes with the trade debtors, and the past due aging analysis of trade receivables.

(c) Analysis of the Cash Flows from Discontinued Operations

	Year ended 31 December 2012				Year ended 31 December 2011			
	STB Business HK$'000	DB Business HK$'000	DBOSS Business HK$'000	Total HK$'000	STB Business HK$'000	DB Business HK$'000 (Restated)	DBOSS Business HK$'000 (Restated)	Total HK$'000 (Restated)
Net cash generated from/(used in) operating activities	–	123,300	(10,398)	112,902	–	(49,118)	(6,764)	(55,882)
Net cash generated from/(used in) investing activities	35,467	(1,641)	(1,338)	32,488	42,066	10,816	(3)	52,879
Net cash generated from/(used in) financing activities	–	(257,945)	13,180	(244,765)	–	(56,490)	6,767	(49,723)
	35,467	(136,286)	1,444	(99,375)	42,066	(94,792)	–	(52,726)

8 DISCONTINUED OPERATIONS *(Continued)*

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

The effect on the financial position, the total considerations received and gain on disposal of the DB Business and the DBOSS Business are as follows:

	2012		
	DB Business HK$'000	DBOSS Business HK$'000	Total HK$'000
Net assets disposed of:			
Property, plant and equipment *(Note 14)*	4,744	925	5,669
Intangible assets *(Note 15)*	20,059	4,634	24,693
Interests in associates	1,677	–	1,677
Trade receivables	287,480	–	287,480
Prepayments, deposits and other receivables	46,635	1,382	48,017
Inventories	15,370	199	15,569
Cash and cash equivalents	33,712	1,444	35,156
Trade payables	(79,483)	(170)	(79,653)
Other payables and accruals	(85,011)	(1,232)	(86,243)
Deferred income tax liabilities	(1,556)	–	(1,556)
	243,627	7,182	250,809
Cost, fees and expenses, accrued and paid	2,508	334	2,842
Release of exchange reserve *(Note 30)*	(110,850)	(23)	(110,873)
Release of non-controlling interests	(1,509)	–	(1,509)
Gain on disposal *(Note 9)*	23,637	25,657	49,294
	157,413	33,150	190,563
Satisfied by:			
Consideration received, satisfied in cash	157,413	30,067	187,480
Consideration to be received	–	3,083	3,083
	157,413	33,150	190,563

8 DISCONTINUED OPERATIONS *(Continued)*

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

	Year ended 31 December 2012		
	DB Business HK$'000	**DBOSS Business HK$'000**	**Total HK$'000**
Consideration received, after settlement of cost, fees and expenses	**154,905**	**29,733**	**184,638**
Cash and cash equivalents disposed of	**(33,712)**	**(1,444)**	**(35,156)**
Net cash inflow	**121,193**	**28,289**	**149,482**

9 LOSS FOR THE YEAR

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

	Group	
	2012 HK$'000 *(Note (i))*	2011 HK$'000 *(Note (i))*
Cost of inventories sold	**119,848**	352,869
Cost of provision of advertising agency services	**430**	2,796
Cost of provision of online financial market information	**8,516**	9,146
Depreciation *(Note 14)*	**4,757**	5,415
Auditor's remuneration		
– Audit services	**2,275**	2,550
– Interim review services	**1,065**	950
Employee benefit expenses *(Note 10)*	**103,005**	119,079
Operating lease rentals on land and buildings	**11,554**	11,158
Operating lease rentals on motor vehicle	**235**	235
Operating lease rentals on office equipment	**177**	340
Net exchange losses	**–**	488
Change in value of available-for-sale financial assets *(Note 21)*	**(18,130)**	60,081
Gain on disposal of digital broadcasting business (including exchange reserve realised of HK$110,873,000) *(Note 8(c))*	**(49,294)**	–

9 LOSS FOR THE YEAR *(Continued)*

	Group	
	2012 **HK$'000** *(Note (i))*	2011 HK$'000 *(Note (i))*
Other operating expenses including		
– Amortisation of deferred development costs *(Note 15)*	**7,882**	14,253
– Write-off of deferred development costs *(Note 15)*	**6,523**	2,428
– Provision for impairment of property, plant and equipment *(Note 14)*	**2,239**	–
– Net loss on disposal of property, plant and equipment *(Note 32)*	**357**	259
– Provision for inventories *(Note 23)*	**23,736**	858
– Provision for impairment of trade receivables *(Note 22)*	**156,026**	56,016
– Write-off of trade receivables	**174**	–
– Provision for impairment of prepayments, deposits and other receivables *(Note 24)*	**47,822**	1,571
Other income and other (gains)/losses, net		
– Interest income on bank balances	**(6,356)**	(4,546)
– Interest income on trade receivables	**(1,978)**	(9,599)
– Interest income on available-for-sale financial assets	**(4,618)**	(2,598)
– Gain on bargain purchase of subsidiaries	**–**	(12,967)
– Net loss on disposal of associates	**–**	2,080
– Value-added tax refund	**(4,716)**	(20,678)
– Government grants	**(573)**	(130)
– Non-compete income	**(2,597)**	(2,597)
– Realisation of exchange reserve as a result of the repayment of an inter-company loan	**(21,362)**	–
– Consultancy fee income from JCEs	**(2,137)**	–
– Write-back of contingent consideration payable in respect of the acquisition of an associate	**(23,255)**	–
– Provision for impairment of an associate *(Note 18)*	**37,747**	–
– Provision for impairment of a JCE *(Note 17)*	**1,435**	–
– Others	**(1,844)**	(1,744)

Note:

(i) The income and expenses for the years ended 31 December 2012 and 2011 shown above covered both continuing and discontinued operations.

10 EMPLOYEE BENEFIT EXPENSES

	Group 2012 HK$'000	Group 2011 HK$'000
Salaries and bonus	**89,978**	113,353
Pension costs – defined contribution plans	**6,755**	6,782
Termination benefits	**3,765**	782
Unutilised annual leave	**1,031**	285
Other benefits	**7,270**	11,560
	108,799	132,762
Less: Costs capitalised	**(5,794)**	(13,683)
	103,005	119,079

Details of the emoluments of the directors (who were also the key management personnel of the Company) and senior management are as follows:

(a) Directors' Emoluments

The remuneration of each director of the Company for the year ended 31 December 2012 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	Other benefits HK$'000 *Note (i)*	Total HK$'000
Mr Ko Chun Shun, Johnson	**120**	**–**	**1,595**	**–**	**–**	**1,715**
Dr Lui Pan *(Note (ii))*	**120**	**3,783**	**–**	**30**	**231**	**4,164**
Mr Luo Ning	**–**	**–**	**–**	**–**	**–**	**–**
Mr Jin Wei	**–**	**–**	**–**	**–**	**–**	**–**
Mr Xu Qiang	**–**	**1,346**	**2,085**	**40**	**48**	**3,519**
Mr Hu Qinggang	**–**	**1,546**	**2,185**	**74**	**63**	**3,868**
Mr Chu Hon Pong	**144**	**–**	**–**	**–**	**–**	**144**
Mr Liu Tsun Kie	**144**	**–**	**–**	**–**	**–**	**144**
Mr Yap Fat Suan, Henry	**144**	**–**	**–**	**–**	**–**	**144**
Total	**672**	**6,675**	**5,865**	**144**	**342**	**13,698**

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' Emoluments (Continued)

The remuneration of each director of the Company for the year ended 31 December 2011 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	Other benefits HK$'000 *Note (i)*	Total HK$'000
Mr Ko Chun Shun, Johnson	120	–	1,595	–	–	1,715
Dr Lui Pan	144	4,528	1,595	36	274	6,577
Mr Luo Ning	–	–	–	–	–	–
Mr Jin Wei	–	–	–	–	–	–
Mr Xu Qiang	–	1,238	1,485	30	35	2,788
Mr Hu Qinggang	–	1,238	1,485	69	66	2,858
Mr Chu Hon Pong	144	–	–	–	–	144
Mr Liu Tsun Kie	144	–	–	–	–	144
Mr Yap Fat Suan, Henry	144	–	–	–	–	144
Total	696	7,004	6,160	135	375	14,370

Notes:

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

(ii) Dr Lui Pan retired as an executive director on 1 November 2012. In addition to the remuneration disclosed above, unutilised annual leave of HK$3,534,000 and long service payment of HK$205,000 were paid to Dr Lui upon his retirement, where the long service payment was fully offset by accrued benefits derived from the employer's contributions to the Mandatory Provident Fund Scheme.

10 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 (2011: three) directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2011: two) individuals during the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**2,438**	3,352
Discretionary bonuses	**2,405**	2,825
Contributions to pension schemes	**50**	48
	4,893	6,225

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2012**	2011
HK$2,000,001 – HK$2,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,500,001 – HK$4,000,000	**–**	1

11 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 2012 dealt with in the financial statements of the Company was approximately HK$528,297,000 (2011: HK$12,790,000).

12 LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the Group's loss from continuing operations and discontinued operations attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted loss per share for the year is based on the Group's loss from continuing operations and discontinued operations attributable to the 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 31) 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 loss per share is set out as follows:

	Group	
	2012	2011
Weighted average number of ordinary shares in issue	**1,139,531,432**	1,139,531,432
Adjustment for preference shares	**–**	–
Adjustment for share options	**–**	–
Weighted average number of ordinary shares for diluted loss per share	**1,139,531,432**	1,139,531,432
	HK$'000	HK$'000 (Restated)
Group's loss attributable to the equity holders of the Company		
– Continuing operations	**(43,481)**	(21,650)
– Discontinued operations	**(171,191)**	(96,071)
	(214,672)	(117,721)

The basic and diluted loss per share for each of the years ended 31 December 2012 and 2011 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

13 DIVIDENDS

The Board of the Company does not recommend the payment of any dividend (2011: HK$Nil) for the year.

14 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 2011						
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
Year ended 31 December 2011						
Opening net carrying amount	1,177	5,478	7,249	1,722	2,556	18,182
Additions	1,373	17	1,550	159	262	3,361
Disposals *(Note 32)*	–	–	(299)	(43)	–	(342)
Depreciation *(Note 9)*	(837)	(775)	(1,889)	(878)	(1,036)	(5,415)
Acquisition of subsidiaries	23	–	810	83	1,701	2,617
Exchange differences	31	214	269	95	108	717
Closing net carrying amount	1,767	4,934	7,690	1,138	3,591	19,120
At 31 December 2011						
Cost	4,936	58,449	17,476	3,361	7,409	91,631
Accumulated depreciation and impairment	(3,169)	(53,515)	(9,786)	(2,223)	(3,818)	(72,511)
Net carrying amount	1,767	4,934	7,690	1,138	3,591	19,120
Year ended 31 December 2012						
Opening net carrying amount	**1,767**	**4,934**	**7,690**	**1,138**	**3,591**	**19,120**
Additions	**–**	**8**	**781**	**101**	**2,585**	**3,475**
Disposals *(Note 32)*	**–**	**–**	**(220)**	**(137)**	**(115)**	**(472)**
Depreciation *(Note 9)*	**(718)**	**(575)**	**(1,533)**	**(700)**	**(1,231)**	**(4,757)**
Disposal of subsidiaries *(Note 8(c))*	**(879)**	**(199)**	**(3,210)**	**(856)**	**(525)**	**(5,669)**
Impairment *(Note 8(b))*	**–**	**–**	**(433)**	**(1,036)**	**(770)**	**(2,239)**
Transfer	**–**	**(4,130)**	**(1,929)**	**1,929**	**–**	**(4,130)**
Exchange differences	**(10)**	**(38)**	**(155)**	**(2)**	**(13)**	**(218)**
Closing net carrying amount	**160**	**–**	**991**	**437**	**3,522**	**5,110**
At 31 December 2012						
Cost	**2,329**	**–**	**5,802**	**930**	**5,436**	**14,497**
Accumulated depreciation and impairment	**(2,169)**	**–**	**(4,811)**	**(493)**	**(1,914)**	**(9,387)**
Net carrying amount	**160**	**–**	**991**	**437**	**3,522**	**5,110**

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements HK$'000
At 1 January 2011	
Cost	414
Accumulated depreciation	(408)
Net carrying amount	6
Year ended 31 December 2011	
Opening net carrying amount	6
Depreciation	(6)
Closing net carrying amount	–
At 31 December 2011	
Cost	414
Accumulated depreciation	(414)
Net carrying amount	–
Year ended 31 December 2012	
Opening net carrying amount	**–**
Depreciation	**–**
Closing net carrying amount	**–**
At 31 December 2012	
Cost	**414**
Accumulated depreciation	**(414)**
Net carrying amount	**–**

15 INTANGIBLE ASSETS

Group

	Deferred development costs HK$'000
At 1 January 2011	
Cost	69,626
Accumulated amortisation and impairment	(32,393)
Net carrying amount	37,233
Year ended 31 December 2011	
Opening net carrying amount	37,233
Additions	11,647
Amortisation charge *(Note 9)*	(14,253)
Write-off *(Note 9)*	(2,428)
Exchange differences	653
Closing net carrying amount	32,852
At 31 December 2011	
Cost	79,140
Accumulated amortisation and impairment	(46,288)
Net carrying amount	32,852
Year ended 31 December 2012	
Opening net carrying amount	**32,852**
Additions	**6,326**
Amortisation charge *(Note 9)*	**(7,882)**
Write-off *(Note 9)*	**(6,523)**
Disposal of subsidiaries *(Note 8(c))*	**(24,693)**
Exchange differences	**(80)**
Closing net carrying amount	**–**
At 31 December 2012	
Cost	**–**
Accumulated amortisation and impairment	**–**
Net carrying amount	**–**

16 INTERESTS IN SUBSIDIARIES

	Company 2012 HK$'000	Company 2011 HK$'000
Unlisted investments, at cost	**72,345**	76,863
Less: Provision for impairment	**(72,345)**	(75,074)
	–	1,789
Amounts due from subsidiaries	**570,286**	986,458
Less: Provision for amounts due from subsidiaries	**(202,278)**	(54,492)
	368,008	931,966
	368,008	933,755

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.

During the year ended 31 December 2012, the Group acquired additional 40% equity interest in 廣州中見正信廣告有限公司 at a consideration of RMB340,000 (equivalent to approximately HK$417,000).

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 and management
DVN (Management) Limited	Hong Kong	HK$2 ordinary	100%	–	Provision of administrative and management services

16 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	
天柏寬帶網絡科技(北京)有限公司	Mainland China*	RMB100,000,000 paid-up capital	–	100%	Investment holding and management
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
北京惠信博思技術有限公司	Mainland China	RMB40,000,000 paid-up capital	–	100%	Investment holding and management
北京信柏視訊技術有限公司	Mainland China	RMB100,000,000 paid-up capital	–	100%	Inactive
Sinofocus Media (Holdings) Limited	British Virgin Islands	US$1 ordinary	100%	–	Investment holding and management
Sinofocus Media Limited	Hong Kong	HK$10,000 ordinary	–	100%	Advertising agency, investment holding and management
Guangdong SinoFocus Media Limited	Mainland China*	RMB50,000,000 paid-up capital	–	100%	Advertising agency
北京合縱聯橫廣告有限公司	Mainland China*	RMB5,000,000 paid-up capital	–	100%	Advertising agency
上海真樂見廣告有限公司	Mainland China	RMB500,000 paid-up capital	–	100%	Advertising agency
廣州中見正信廣告有限公司	Mainland China*	RMB1,000,000 paid-up capital	–	100%	Advertising agency
Dynamic Network Limited	British Virgin Islands	US$1 ordinary	100%	–	Investment holding and management

16 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
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

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2012 HK$'000	2011 HK$'000
Beginning of the year	**23,963**	34,535
Acquisition of a JCE	**–**	8,684
Share of loss of JCEs	**(14,542)**	(20,642)
Impairment *(Note 9)*	**(1,435)**	–
Exchange differences	**33**	1,386
End of the year	**8,019**	23,963

	Company	
	2012 HK$'000	2011 HK$'000
Unlisted investment outside Hong Kong, at cost	**14,200**	14,200
Provision for impairment	**(14,200)**	(14,200)
	–	–

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Details of the JCEs as at 31 December 2012 are as follows:

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/ paid-up capital	Interest held	Principal activities
Jiangsu Hongtian Broad Communication Co., Ltd#	Mainland China	RMB30,000,000 paid-up capital	50%	Dormant
Beijing Tongfang Ehero Technology Co., Ltd ("Tongfang Ehero")	Mainland China	RMB63,800,000 paid-up capital	33.33%	Development, operation and the provision of related services of interactive TV media systems
Data Source Technology Limited ("Data Source")	Hong Kong	HK$5,000,000 ordinary	51%	Investment holding and management
乾志互動數碼科技(上海)有限公司 ("乾志")	Mainland China*	HK$4,500,000 paid-up capital	51%	Inactive
Midas Media Limited ("Midas")	Mainland China*	RMB10,000,000 paid-up capital	50%	Advertising agency and brand consulting

Directly held by the Company

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

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.

In April 2011, the Group invested HK$2,550,000 for a 51% equity interest in Data Source. 乾志 is a wholly-owned subsidiary of Data Source, which was engaged in development and provision of digital media application software and related services. Pursuant to the terms of the investment agreement, the Group considered that each of the shareholders of Data Source has joint control over the financial and operating policies of Data Source and therefore, the investments in Data Source and 乾志 have been treated as JCEs. In December 2012, the board of directors of Data Source has resolved to cease the operations of Data Source and 乾志 with effect from December 2012 and to dissolve 乾志.

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

In November 2011, the Group invested RMB5,000,000 (equivalent to approximately HK$6,134,000) for a 50% equity interest in Midas. Pursuant to the terms of the investment agreement, the Group considered that each of the shareholders of Midas has joint control over the financial and operating policies of Midas and therefore, the investment has been treated as a JCE.

The summarised financial information based on the unaudited management accounts of the JCEs is as follows:

	2012 **HK$'000**	2011 HK$'000
Assets	**117,271**	95,380
Liabilities	**88,915**	31,297
Equity	**28,356**	64,083
Revenue	**17,289**	18,066
Loss	**31,470**	60,981

18 INTERESTS IN ASSOCIATES

	Group	
	2012 **HK$'000**	2011 HK$'000
Carrying amount	**41,230**	73,423

Details of the associates as at 31 December 2012 are as follows:

Name	**Place of incorporation or registration/ operation**	**Nominal value of issued ordinary shares/ paid-up capital**	**Interest held**	**Principal activities**
華誠互動(北京)影視傳播有限公司	Mainland China	RMB10,000,000 paid-up capital	10%	Distribution of films and TV programmes
上海博游網絡科技有限公司 ("Boyojoy")	Mainland China	RMB1,587,000 paid-up capital	37%	Development and provision of online game

18 INTERESTS IN ASSOCIATES *(Continued)*

Name	Place of incorporation or registration/ operation	Nominal value of issued ordinary shares/ paid-up capital	Interest held	Principal activities
Chinese Online Corporation Limited ("COL")	Hong Kong	HK$125 ordinary (HK$117.5 paid-up)	20%	Investment holding and management
天地華文(北京)科技有限公司 ("天地華文")	Mainland China*	HK$16,580,000 paid-up capital	20%	Provision of online Chinese language learning system, relevant teaching materials and related services

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

In April 2011, the Group entered into an investment agreement with Boyojoy, pursuant to which the Group is entitled to acquire an ultimate shareholding of 35% by four stages based on the performance criteria by Boyojoy as defined in the investment agreement. Pursuant to the terms of the investment agreement, the Group considered that it has significant influence over the financial and operating policies of Boyojoy and therefore, the investment has been treated as an associate. The total consideration for the ultimate shareholding of 35% is RMB22,430,000 (equivalent to approximately HK$27,283,000). Upon the signing of the investment agreement, the Group first acquired 25% equity interest in Boyojoy at a consideration of RMB9,000,000 (equivalent to approximately HK$10,717,000). Contingent investments in the second, third and fourth stages dependent on the achievement of the performance criteria by Boyojoy are recognised as derivative financial liabilities.

In January 2012, the Group partially made the second stage investment payment of approximately HK$8,313,000 upon the achievement of the performance criteria by Boyojoy and increased its equity interest in Boyojoy from 25% to 37%.

On 28 September 2011, the Group invested 20% equity interest in COL at a total consideration of US$6,000,000, including a contingent consideration of US$3,000,000. 天地華文 is a wholly-owned subsidiary of COL. Pursuant to the terms of the investment agreement, the Group considered that it has significant influence over the financial and operating policies of COL and 天地華文 and therefore, the investment has been treated as an associate. During the year ended 31 December 2012, the Group paid US$2,100,000 (equivalent to approximately HK$16,308,000) for its investment in COL.

18 INTERESTS IN ASSOCIATES *(Continued)*

As it is considered that the chance of achieving the key performance criteria by COL within the time frame set out in the investment agreement is remote, the contingent consideration of US$3,000,000 (equivalent to approximately HK$23,255,000) payable for the investment in COL was written back and the investment cost of COL amounting to HK$37,747,000 was also impaired accordingly during the current year.

Pursuant to the Conditional Agreement and the completion of the DB Disposal on 17 October 2012, the Group disposed of its 20% interest in 廣西潤眾數字電視傳媒技術有限公司 which was held by 廣西天柏寬帶網絡科技有限公司, previously an indirect wholly-owned subsidiary of the Company.

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

	2012 **HK$'000**	2011 HK$'000
Assets	**67,480**	101,917
Liabilities	**27,152**	24,203
Equity	**40,328**	77,714
Revenue	**29,923**	8,992
Loss	**9,981**	11,671

19 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	
	2012	2011
	HK$'000	HK$'000
Deferred income tax assets	**–**	8,193
Deferred income tax liabilities	**(26,293)**	(24,190)
	(26,293)	(15,997)

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

Deferred income tax assets

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**12,678**	12,491
Charged to consolidated income statement	**(12,539)**	(243)
Exchange differences	**(43)**	430
At 31 December	**96**	12,678

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 2012, the Group did not recognise deferred income tax assets of HK$20,254,000 (2011: HK$86,006,000) in respect of unrecognised tax losses of HK$117,647,000 (2011: HK$432,586,000) that can be carried forward to offset against future taxable income. The unused tax losses include an amount of approximately HK$3,685,000 (2011: HK$101,553,000) 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.

19 DEFERRED TAXATION *(Continued)*

Deferred income tax liabilities

	Group									
	Accelerated tax depreciation		Deferred development costs		Expected periodic adjustment payments		Deferred income		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
At 1 January	**93**	106	**6,010**	5,342	**22,572**	36,276	**–**	–	**28,675**	41,724
Charged/(credited) to consolidated income statement	**50**	(13)	**(4,431)**	539	**(15,061)**	(15,020)	**20,061**	–	**619**	(14,494)
Settlement	**–**	–	**–**	–	**(1,339)**	–	**–**	–	**(1,339)**	–
Disposal of subsidiaries	**–**	–	**(1,563)**	–	**–**	–	**–**	–	**(1,563)**	–
Exchange differences	**–**	–	**(16)**	129	**(54)**	1,316	**67**	–	**(3)**	1,445
At 31 December	**143**	93	**–**	6,010	**6,118**	22,572	**20,128**	–	**26,389**	28,675

At 31 December 2012, the Group has not recognised deferred income tax liabilities in respect of temporary differences relating to the withholding taxes of HK$37,292,000 (2011: HK$26,138,000) on the unremitted profits of subsidiaries in Mainland China amounting to HK$386,098,000 (2011: HK$270,038,000), that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and receivables				
– Trade receivables *(Note 22)*	**140,180**	717,991	**–**	–
– Deposits and other receivables *(Note 24)*	**23,322**	85,368	**7,384**	215
– Cash and cash equivalents *(Note 25)*	**600,993**	413,641	**46,835**	21,800
	764,495	1,217,000	**54,219**	22,015
Available-for-sale financial assets *(Note 21)*	**48,944**	61,797	**–**	–
	813,439	1,278,797	**54,219**	22,015
Other financial liabilities at amortised costs				
– Trade payables *(Note 26)*	**27,946**	196,496	**–**	–
– Other payables and accruals	**33,279**	119,451	**14,216**	16,655
	61,225	315,947	**14,216**	16,655
Derivative financial liabilities *(Note 27)*	**7,800**	7,003	**–**	–
	69,025	322,950	**14,216**	16,655

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**61,797**	145,106
Receipt of periodic adjustment payments	**(30,849)**	(27,923)
Change in value *(Notes 8(b) & 9)*	**18,130**	(60,081)
Exchange differences	**(134)**	4,695
At 31 December	**48,944**	61,797
Less: Non-current portion	**(10,680)**	(51,694)
Current portion	**38,264**	10,103

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

There was no change in the classification of the fair value hierarchy of the available-for-sale financial assets which are grouped into level 3 during the year ended 31 December 2012.

The fair value of the available-for-sale financial assets 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. At 31 December 2012, the latest actual sales quantity of STB available to management is better than the expected sales quantity of STB applied in the previous discounted cash flow analysis, the change in estimated cash flows resulted in an increase in the value of the available-for-sale financial assets of HK$18,130,000 (2011: a decrease of HK$60,081,000) which was recorded under the STB Business in the discontinued operations for the year ended 31 December 2012.

The expected periodic adjustment payments are denominated in RMB and their fair value was calculated at a discount rate of 6.70% (2011: 7.45%) per annum.

22 TRADE RECEIVABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	**143,439**	817,718
Less: Provision for impairment	**(3,259)**	(99,727)
	140,180	717,991
Less: Non-current portion	**–**	(102,777)
Current portion	**140,180**	615,214

The fair value of trade receivables approximates its carrying amount.

The effective interest rates on trade receivables in relation to instalment sales at 31 December 2011 ranged from 2.7% to 16.1% per annum. There were no trade receivables in relation to instalment sales at 31 December 2012.

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. 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.

22 TRADE RECEIVABLES *(Continued)*

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

	Group	
	2012 **HK$'000**	2011 HK$'000
Within 6 months	**139,037**	370,111
7-12 months	**8**	144,243
Over 12 months	**4,394**	200,587
	143,439	714,941
Less: Provision for impairment	**(3,259)**	(99,727)
	140,180	615,214

At 31 December 2012, trade receivables of HK$3,259,000 (2011: HK$157,854,000) were subject to impairment. Provision for impairment was made for these receivables after taking into account of the financial difficulties of the trade debtors and delinquency in payments, business relationship and transaction volumes with the trade debtors. The amount of the provision for these receivables as at 31 December 2012 was HK$3,259,000 (2011: HK$99,727,000). The overdue aging analysis of these receivables as at the financial position date is as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Within 6 months	**–**	–
7-12 months	**–**	38,313
Over 12 months	**3,259**	119,541
	3,259	157,854

22 TRADE RECEIVABLES *(Continued)*

At 31 December 2012, trade receivables of HK$85,868,000 (2011: HK$188,670,000) were past due. After considering their creditworthiness, past collection history and settlement after the financial position date, these overdue trade receivables were not considered impaired. The past due aging analysis of these trade receivables without provision made is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within 6 months	**85,658**	138,752
7-12 months	**210**	43,203
Over 12 months	**–**	6,715
	85,868	188,670

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

	Group	
	2012	2011
	HK$'000	HK$'000
RMB	**139,360**	614,394
HKD	**820**	820
	140,180	615,214

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.

22 TRADE RECEIVABLES *(Continued)*

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

	Group	
	2012 **HK$'000**	2011 HK$'000
At 1 January	**99,727**	46,635
Provision for impairment	**156,026**	56,016
Write-off	**–**	(4,934)
Disposal of subsidiaries	**(252,493)**	–
Exchange differences	**(1)**	2,010
At 31 December	**3,259**	99,727

During the year ended 31 December 2012, additional provision for impairment of approximately HK$156,026,000 (2011: HK$56,016,000) was made after considering the collectibility, overdue aging analysis, past collection history and settlement after the financial position date of the trade receivables.

23 INVENTORIES

	Group	
	2012 **HK$'000**	2011 HK$'000
Raw materials	**–**	12,193
Work-in-progress	**–**	37,931
Finished goods	**–**	13,118
	–	63,242

During the year ended 31 December 2012, provision for inventories amounting to HK$23,736,000 (2011: HK$858,000) (Note 9) was recognised as other operating expenses.

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance of consideration receivable for the disposal of DBOSS Business	**3,083**	–	**–**	–
Other deposits and other receivables, net of provision	**20,239**	85,368	**7,384**	215
	23,322	85,368	**7,384**	215
Prepayments	**24,551**	37,993	**502**	292
Value-added tax receivable	**838**	19,578	**–**	–
	48,711	142,939	**7,886**	507

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

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**3,475**	1,791	**–**	–
Provision for impairment *(Note 9)*	**47,822**	1,571	**–**	–
Disposal of subsidiaries	**(51,297)**	–	**–**	–
Exchange differences	**–**	113	**–**	–
At 31 December	**–**	3,475	**–**	–

25 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Cash at banks and on hand	**175,456**	307,337	**5,629**	4,518
Short-term bank deposits, with original maturities of three months or less	**425,537**	106,304	**41,206**	17,282
	600,993	413,641	**46,835**	21,800

Notes:

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

(ii) At 31 December 2012, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$533,324,000 (2011: HK$352,133,000). 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.

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

26 TRADE PAYABLES

An aging analysis, based on the invoice date, of the trade payables as at the financial position date is as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Within 6 months	**26,212**	149,951
7-12 months	**1,536**	4,730
Over 12 months	**198**	41,815
	27,946	196,496

The fair value of trade payables approximates its carrying amount.

27 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Investment payables *(Note (i))*	**15,225**	54,836	**–**	–
Derivative financial liabilities *(Note (ii))*	**7,800**	7,003	**–**	–
Value-added tax payable	**1,006**	3,737	**–**	–
Receipts in advance	**11,989**	31,364	**–**	–
Deferred income	**926**	35,042	**871**	3,468
Other payables and accruals	**17,099**	73,423	**14,216**	16,655
	54,045	205,405	**15,087**	20,123

Notes:

(i) At 31 December 2012, the investment payables include the consideration payable to COL of US$900,000 (2011: US$6,000,000) (equivalent to approximately HK$6,976,000 (2011: HK$46,593,000)) and consideration payable to Boyojoy for the second and third stages of subscription of US$30,000 and RMB6,500,000 respectively (equivalent to approximately HK$8,249,000 in aggregate) (Note 18).

(ii) The changes in the Group's level 3 financial liabilities are as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
At 1 January	**7,003**	–
Additions	**799**	7,003
Exchange differences	**(2)**	–
At 31 December	**7,800**	7,003

28 SHARE CAPITAL

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorised		
At 31 December 2011 and 2012	3,000,000,000	300,000
Issued and fully paid		
At 31 December 2011 and 2012	1,139,531,432	113,953

29 SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Old Scheme") at a special general meeting held on 26 June 2002. At the special general meeting of shareholders held on 28 March 2012, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted by the Company. The New Scheme continues to recognise and acknowledge the contributions of the Eligible Participants (as defined in the New Scheme) to the Group. The New Scheme is also designed to provide incentives and help the Group in retaining its existing employees and recruiting additional employees.

Pursuant to the New Scheme, the Company can grant options to Eligible Participants for a consideration of HK$1 for each grant payable by the Eligible Participants to the Company. The total number of shares issued and to be issued upon exercise of options granted to each Eligible Participant (including exercised, cancelled and outstanding options) in any twelve-month period shall not exceed 1% of the shares then in issue. At the date of this report, the total number of options that can be granted was 113,953,143, representing approximately 10% of the number of issued shares of the Company.

Subscription price in relation to each option pursuant to the New Scheme shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date on which the option is offered to an Eligible Participant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares. The options are exercisable within the option period as determined by the Board of the Company.

The New Scheme shall be valid and effective for a period of 10 years commencing from 28 March 2012, the date of the approval of the New Scheme.

29 SHARE OPTION SCHEME *(Continued)*

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

	2012		2011	
	Weighted average exercise price per share HK$	**Number of options**	Weighted average exercise price per share HK$	Number of options
Old Scheme				
At 1 January and 31 December	**1.99**	**1,000,000**	1.99	1,000,000

All of the outstanding options as at 31 December 2012 were exercisable (2011: same). No share option was exercised during the years ended 31 December 2012 and 2011.

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

Expiry date	**Exercise price per share** HK$	**Number of options** **2012**	2011
Old Scheme			
11 February 2017	1.99	**1,000,000**	1,000,000

29 SHARE OPTION SCHEME *(Continued)*

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

Old Scheme

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 2012	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 2012	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 2012	Options granted during the year	Options exercised during the year	Options lapsed during the year	Outstanding options at 31 December 2012	Weighted average closing price before dates of exercise HK$
Held by service providers						
In aggregate	500,000	–	–	–	500,000	–

30 RESERVES

Group

	Share premium HK$'000 *(Note (i))*	Contributed surplus HK$'000 *(Note (ii))*	Exchange reserve HK$'000 *(Note (iii))*	General reserve HK$'000 *(Note (iv))*	Other capital reserve HK$'000 *(Note (v))*	Share-based compensation reserve HK$'000 *(Note (vi))*	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2011	1,724	628,235	132,083	26,834	–	879	199,055	988,810
Loss for the year	–	–	–	–	–	–	(117,721)	(117,721)
Other comprehensive income – Currency translation differences	–	–	49,284	–	–	–	–	49,284
Dividends – 2010 final dividend paid	–	–	–	–	–	–	(22,791)	(22,791)
Transfer to general reserve	–	–	–	3,288	–	–	(3,288)	–
At 31 December 2011	1,724	628,235	181,367	30,122	–	879	55,255	897,582
At 1 January 2012	**1,724**	**628,235**	**181,367**	**30,122**	**–**	**879**	**55,255**	**897,582**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(214,672)**	**(214,672)**
Other comprehensive loss – Currency translation differences	**–**	**–**	**(2,967)**	**–**	**–**	**–**	**–**	**(2,967)**
Repayment of an inter-company loan	**–**	**–**	**(21,362)**	**–**	**–**	**–**	**–**	**(21,362)**
Transfer to general reserve	**–**	**–**	**–**	**9,934**	**–**	**–**	**(9,934)**	**–**
Disposal of subsidiaries *(Note 8(c))*	**–**	**–**	**(110,873)**	**(27,255)**	**–**	**–**	**27,255**	**(110,873)**
Acquisition of additional equity interest in a subsidiary	**–**	**–**	**–**	**–**	**(287)**	**–**	**–**	**(287)**
At 31 December 2012	**1,724**	**628,235**	**46,165**	**12,801**	**(287)**	**879**	**(142,096)**	**547,421**

30 RESERVES *(Continued)*

Company

	Share premium HK$'000 *(Note (i))*	Contributed surplus HK$'000 *(Note (ii))*	Share-based compensation reserve HK$'000 *(Note (vi))*	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2011	1,724	558,899	879	296,065	857,567
Loss for the year	–	–	–	(12,790)	(12,790)
Dividends – 2010 final dividend paid	–	–	–	(22,791)	(22,791)
At 31 December 2011	1,724	558,899	879	260,484	821,986
At 1 January 2012	**1,724**	**558,899**	**879**	**260,484**	**821,986**
Loss for the year	**–**	**–**	**–**	**(528,297)**	**(528,297)**
At 31 December 2012	**1,724**	**558,899**	**879**	**(267,813)**	**293,689**

30 RESERVES *(Continued)*

Notes:

(i) The application of the share premium account is governed by the Companies Act 1981 of Bermuda.

(ii) 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.

(iii) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 2.4.

(iv) 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.

(v) The other capital reserve represents the aggregate of the nominal value of the paid-up capital of a subsidiary acquired and the difference between the acquisition of equity interests attributable to the then non-controlling shareholders.

(vi) The share-based compensation reserve represents the fair value of the unexercised share options granted under the Company's share option schemes to the eligible participants recognised in accordance with the accounting policy set out in Note 2.18(b).

31 NON-CONTROLLING INTERESTS

Non-controlling interests include, inter alia, an amount of 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.

32 CASH GENERATED FROM OPERATIONS

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

	Group	
	2012 **HK$'000**	2011 HK$'000 (Restated)
Loss for the year from continuing operations	**(43,533)**	(21,774)
Loss for the year from discontinued operations	**(171,191)**	(96,071)
	(214,724)	(117,845)
Adjustments for		
– Income tax expenses/(credit)	**29,353**	(12,373)
– Depreciation	**4,757**	5,415
– Amortisation of deferred development costs	**7,882**	14,253
– Write-off of deferred development costs	**6,523**	2,428
– Change in value of available-for-sale financial assets	**(18,130)**	60,081
– Exchange difference from repayment of an inter-company loan	**(21,362)**	–
– Provision for impairment of trade receivables and other receivables	**203,848**	57,587
– Write-off of trade receivables	**174**	–
– Provision for inventories	**23,736**	858
– Net loss on disposal of property, plant and equipment *(Note (i))*	**357**	259
– Net loss on disposal of associates	**–**	2,080
– Gain on bargain purchase of subsidiaries	**–**	(12,967)
– Gain on disposal of digital broadcasting business	**(49,294)**	–
– Provision for impairment of a JCE	**1,435**	–
– Provision for impairment of an associate	**37,747**	–
– Provision for impairment of property, plant and equipment	**2,239**	–
– Write-back of contingent consideration payable in respect of the acquisition of an associate	**(23,255)**	–
– Interest income	**(12,952)**	(14,145)
– Finance costs	**–**	11
– Share of loss of JCEs	**14,542**	20,642
– Share of loss of associates	**1,869**	9,294
Changes in working capital		
– Inventories	**28,067**	(53)
– Trade receivables, prepayments, deposits and other receivables	**156,703**	133,410
– Restricted cash	**–**	4,488
– Trade payables, other payables and accruals	**(114,845)**	(178,308)
Exchange differences	**(2,874)**	25,730
Cash generated from operations	**61,796**	845

32 CASH GENERATED FROM OPERATIONS *(Continued)*

Notes:

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

	Group	
	2012 **HK$'000**	2011 HK$'000
Net carrying amount *(Note 14)*	**472**	342
Net loss on disposal of property, plant and equipment *(Note 9)*	**(357)**	(259)
Proceeds from disposal of property, plant and equipment	**115**	83

(ii) The principal non-cash transactions are the investment payables and the derivative financial liabilities for the acquisition of associates (Note 27).

33 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital Expenditure Commitments

The Group and the Company did not have any material capital expenditure commitments at 31 December 2012 and 2011.

(b) Operating Lease Commitments

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

33 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(b) Operating Lease Commitments (Continued)

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Land and buildings		
– Not later than one year	**2,707**	10,513
– Later than one year but not later than five years	**3,010**	14,172
– Later than five years	**–**	5
	5,717	24,690
Office equipment		
– Not later than one year	**–**	180
	–	180
Total		
– Not later than one year	**2,707**	10,693
– Later than one year but not later than five years	**3,010**	14,172
– Later than five years	**–**	5
	5,717	24,870

The Company did not have any commitments under operating lease arrangements at 31 December 2012 and 2011.

33 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(c) Financial Commitments

At 31 December 2012, the Group had financial commitments in respect of registered capital contribution to a subsidiary as described below:

	Group	
	2012	2011
	HK$'000	HK$'000
Subsidiary *(Note (i))*	**–**	11,491

Note:

(i) Included in the financial commitments in respect of registered capital contribution to a subsidiary as at 31 December 2011 was an amount of RMB5,316,000 (equivalent to approximately HK$6,557,000) that was paid in 1999 but the capital verification process has not been completed. The Group has no intention to contribute the overdue remaining balance of the registered capital into the subsidiary as it has already ceased operation and has been struck off by the Department for Industry and Commerce Administration in the PRC.

The Company did not have any significant financial commitments at 31 December 2012 and 2011.

(d) Contingent Liabilities

The Company and the Group did not have any significant contingent liabilities at 31 December 2012 (2011: Nil).

34 RELATED PARTY TRANSACTIONS

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

(a) Sales or Purchases of Goods and Services

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Sales of goods and services				
– Related companies of a shareholder	**49,585**	40,127	**–**	–
– Associates	**2,137**	55,044	**–**	–
Purchases of goods and services				
– Associates	**–**	236	**–**	–
– A JCE	**–**	181	**–**	–
– A related company of a shareholder	**–**	363	**–**	–
Advisory service expense				
– A related company of a shareholder and a director	**924**	80	**924**	80
Capital trust service expense				
– A related company of a shareholder	**661**	–	**–**	–

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	
	2012 HK$'000	2011 HK$'000
Short-term employee benefits	**13,554**	14,235
Post-employment benefits	**144**	135
	13,698	14,370

The directors of the Company are regarded as the key management personnel of the Group.

34 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade receivables				
– Related companies of a shareholder	**–**	70,639	**–**	–
– A JCE	**23,013**	–	**–**	–
Trade payables				
– JCEs	**–**	5,302	**–**	–
Other payables and accruals				
– Related companies of a shareholder	**–**	10,301	**–**	–
– A related company of a shareholder and a director	**–**	80	**–**	80

(d) Other Year-End Balances

	Group	
	2012 HK$'000	2011 HK$'000
Prepayments, deposits and other receivables		
– A JCE	**1,800**	387
– Associates	**19,122**	6,172
Other payables and accruals		
– Associates	**23,025**	61,839

Five Year Financial Summary

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

	2012 **HK$'000**	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Results					
Revenue	**303,145**	567,724	787,710	705,312	759,833
Profit/(loss) before income tax	**(185,371)**	(130,218)	76,605	22,135	92,228
Income tax credit/(expenses)	**(29,353)**	12,373	(34,869)	(10,325)	660
Non-controlling interests	**52**	124	–	–	–
Profit/(loss) attributable to the equity holders of the Company	**(214,672)**	(117,721)	41,736	11,810	92,888
Assets and liabilities					
Property, plant and equipment	**5,110**	19,120	18,182	16,077	15,105
Intangible assets	**–**	32,852	37,233	33,644	68,710
Investments	**49,249**	97,386	60,383	31,266	31,948
Other non-current assets	**10,680**	162,664	280,554	266,421	337,189
Net current assets	**738,878**	841,644	861,294	825,292	729,198
	803,917	1,153,666	1,257,646	1,172,700	1,182,150
Non-current liabilities	**(26,293)**	(24,190)	(37,125)	(3,892)	(15,909)
Net assets	**777,624**	1,129,476	1,220,521	1,168,808	1,166,241
Shareholders' equity	**661,374**	1,011,535	1,102,763	1,051,050	1,048,483
Non-controlling interests	**116,250**	117,941	117,758	117,758	117,758
	777,624	1,129,476	1,220,521	1,168,808	1,166,241