

Interim Report 2013



DVN (Holdings) Limited
天地數碼(控股)有限公司

Stock Code: 00500

Contents

| | <i>Page(s)</i> |
|--|----------------|
| Corporate Information | 2 |
| Management Discussion and Analysis | 3-9 |
| Report on Review of Interim Financial Information | 10-11 |
| Condensed Consolidated Interim Financial Statements | |
| Condensed Consolidated Income Statement | 12 |
| Condensed Consolidated Statement of Comprehensive Income | 13 |
| Condensed Consolidated Statement of Financial Position | 14 |
| Condensed Consolidated Statement of Changes in Equity | 15 |
| Condensed Consolidated Statement of Cash Flows | 16 |
| Notes to Condensed Consolidated Interim Financial Statements | 17-34 |
| Other Information | 35-40 |

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
China Everbright Bank
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 3902, 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

Investor Relations Department
DVN (Holdings) Limited
Telephone: (852) 3766 1077
Fax: (852) 3007 0386
Website: www.dvnholdings.com
www.irasia.com/listco/hk/dvn
Email: ir@dvnholdings.com

Management Discussion and Analysis

The board of directors (the “Board”) of DVN (Holdings) Limited (the “Company”) presents the unaudited consolidated results and financial position of the Company and its subsidiaries (together, the “Group”) for the six-month period ended 30 June 2013, together with the comparative figures for the corresponding period in 2012. These condensed consolidated interim financial statements have not been audited but reviewed by the Company’s audit committee and the Company’s independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

REVIEW OF RESULTS

Overall Performance

| | Six-month period ended 30 June 2013 | | | Six-month period ended 30 June 2012 | | |
|--|-------------------------------------|-------------------------------------|-------------------|-------------------------------------|-------------------------------------|-------------------|
| | Continuing operations HK\$'000 | Discontinued operations HK\$'000 | Total HK\$'000 | Continuing operations HK\$'000 | Discontinued operations HK\$'000 | Total HK\$'000 |
| Revenue | 17,679 | - | 17,679 | 36,482 | 150,935 | 187,417 |
| Cost of sales | (4,756) | - | (4,756) | (5,934) | (63,237) | (69,171) |
| Gross profit | 12,923 | - | 12,923 | 30,548 | 87,698 | 118,246 |
| Other income and other gains/(losses), net | (4,943) | - | (4,943) | 7,531 | 8,618 | 16,149 |
| Marketing, selling and distribution costs | (3,073) | - | (3,073) | (4,280) | (31,764) | (36,044) |
| Administrative expenses | (24,894) | - | (24,894) | (21,243) | (50,461) | (71,704) |
| Other operating income/(expenses), net | 175 | - | 175 | (357) | (214,764) | (215,121) |
| Operating profit/(loss) | (19,812) | - | (19,812) | 12,199 | (200,673) | (188,474) |
| Share of loss of joint ventures | (8,411) | - | (8,411) | (6,952) | - | (6,952) |
| Share of loss of associates | (2,789) | - | (2,789) | (811) | - | (811) |
| Profit/(loss) before income tax | (31,012) | - | (31,012) | 4,436 | (200,673) | (196,237) |
| Income tax credit/(expenses) | 198 | - | 198 | (3,155) | (21,801) | (24,956) |
| Profit/(loss) after tax | (30,814) | - | (30,814) | 1,281 | (222,474) | (221,193) |
| Change in value of available-for-sale financial assets | - | - | - | - | 5,171 | 5,171 |
| Impairment of available-for-sale financial assets | - | (23,094) | (23,094) | - | - | - |
| Income tax credit | - | 2,666 | 2,666 | - | - | - |
| After-tax gain/(loss) recognised on disposal | - | (20,428) | (20,428) | - | 5,171 | 5,171 |
| Profit/(loss) for the period | (30,814) | (20,428) | (51,242) | 1,281 | (217,303) | (216,022) |

Management Discussion and Analysis

Revenue

| | Six-month period ended 30 June | |
|---------------------------------------|-----------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Continuing operations: | | |
| Advertising agency business | 1,150 | 17,899 |
| Financial market information business | 13,695 | 14,382 |
| Digital broadcasting business | 2,834 | 4,201 |
| | 17,679 | 36,482 |
| Discontinued operations: | | |
| Digital broadcasting business | - | 150,935 |
| | 17,679 | 187,417 |

The significant decrease in the Group's consolidated revenue in the first half of 2013 when compared to the corresponding period of 2012 was attributable mainly to the disposal of the digital broadcasting business in late 2012 and the scale down of the Group's traditional business of TV ad time agency sourcing.

Gross Profit and Gross Profit Margin

The Group recorded a decrease of 89% in gross profit in the first half of 2013 when compared to the corresponding period of 2012, as a result of the decrease in revenue from the discontinued digital broadcasting business. Overall gross margin increased from 63% to 73%.

Other Income and Other Gains/(Losses), Net

| | Six-month period ended 30 June | |
|--|-----------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Interest income on bank balances | 5,009 | 1,619 |
| Interest income on trade receivables | – | 1,982 |
| Interest income on available-for-sale financial assets | 894 | 4,624 |
| Value-added tax refund | – | 4,213 |
| Non-compete income | 866 | 1,298 |
| Government grants | – | 240 |
| Provision for impairment of an advance to an associate | (9,843) | – |
| Provision for impairment of an associate | (3,292) | – |
| Others | 1,423 | 2,173 |
| | (4,943) | 16,149 |

Provision for impairment was made for the Group's investment in an associate of HK\$3,292,000 and the advance to an associate of HK\$9,843,000, both of which are engaged in the provision of online Chinese language learning services, in light of their financial position and operating performance.

Marketing, Selling and Distribution Costs/Administrative Expenses

The Group recorded a moderate increase of 10% in the marketing, selling and distribution costs and administrative expenses for the continuing operations in the first half of 2013 when compared to the corresponding period of 2012.

Other Operating Income/(Expenses), Net

| | Six-month period ended 30 June | |
|--|-----------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Reversal/(provision) for impairment of trade receivables and other receivables | 177 | (188,540) |
| Provision for inventories | – | (10,283) |
| Amortisation of deferred development costs | – | (7,152) |
| Write-off of deferred development costs | – | (6,536) |
| Provision for impairment of property, plant and equipment | – | (2,243) |
| Others | (2) | (367) |
| | 175 | (215,121) |

Most of the other operating expenses incurred during the six-month period ended 30 June 2012 was related to the discontinued digital broadcasting business.

Management Discussion and Analysis

Share of Loss of Joint Ventures/Associates

The Group's share of loss of joint ventures and associates increased as more losses were incurred by the joint venture engaged in advertising agency business and the associates engaged in the online Chinese language learning business.

After-tax Gain/(Loss) Recognised on Disposal

An impairment of the available-for-sale financial assets of HK\$23,094,000 regarding the periodic adjustment payments for the disposal of the Group's discontinued set top box business in 2010 was recorded as a loss under the discontinued operations of the Group during the six-month period ended 30 June 2013. Details of the loss are set out in Note 9 to these condensed consolidated interim financial statements.

REVIEW OF OPERATING SEGMENTS

Advertising Agency Business

In the first half of 2013, the Group's advertising agency business unit was focusing its attention in the continuing business development of Midas Media Limited ("Midas Media", a joint venture established with leading international 4A firm GroupM), resulting in the signing of key brand accounts such as Changhong Electronics and Kangshifu Beverages. Changhong is a leading Chinese television and home electronics giant, and Kangshifu is a leading food and beverage brand. Activities in its traditional business of TV ad time agency sourcing were kept to a minimal, as a result of significant pricing squeeze from procurement clients at the start. For the six-month period ended 30 June 2013, the Group's advertising agency business recorded a segmental revenue of HK\$1,150,000 and a segmental operating loss of HK\$3,285,000.

Financial Market Information Business

Due to general bearish investor sentiments on the emerging markets, the Group's financial market information business recorded a decrease of 5% in revenue and a segmental operating loss of HK\$783,000 for the six-month period ended 30 June 2013.

Direct Investments

The Group holds non-controlling positions in a few businesses.

Online Game Business

Shanghai Boyojoy Network Technology Co., Limited (上海博游網絡科技有限公司) ("Boyojoy") recorded mixed results in the first half of 2013. Its first web game product – the "Call of Gods" continues to exceed expectation after releases of additional non-English versions. At the same time, a number of new games planned for release in the first half have been delayed to the second half due to additional development needs.

Others

The Group's other direct investment businesses are still under the stage of business development or redevelopment.

PROSPECTS

Midas Media will continue to be one of the development focuses for the Group's advertising agency business unit. Management expects the newly developed accounts will begin to generate business in the second half of the year. Forecasted volume rebound in TV ad time agency businesses from key direct clients would also provide positive contribution to Midas Media's business in the second half.

Internet is rapidly growing into a mainstream media for advertising in China, while also taking market shares from traditional media including TV. Moving forward, the Group's wholly-owned advertising agency business unit, Guangdong SinoFocus Media Limited ("SinoFocus") will embark on an internet strategy and will transfer all future billings in TV ad time agency to Midas Media. SinoFocus is going to develop an internet focused media placement agency platform and intends to generate revenue through online amalgamation and promotion of selected quality products and services on the platform.

Boyojoy will be releasing a number of new games in the second half of 2013, and has already signed cooperation agreements with a number of foreign game operators. Their releases will signify the initial step for Boyojoy in progressing from a single product company towards a true game developer with multiple products. The current product offering already contains a mix of both web games and mobile phone games.

The Group will also seek for new investment opportunities in other areas to broaden the revenue base and enhance shareholders' value in long term.

EMPLOYEES

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

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. No share options were granted to any eligible directors or employees by the Company during the six-month period ended 30 June 2013 (2012: Nil).

The total number of employees of the Group as at 30 June 2013 was 86 (31 December 2012: 87).

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2013, the Group recorded total assets of HK\$829,446,000 (31 December 2012: HK\$895,075,000) which were financed by liabilities of HK\$91,865,000 (31 December 2012: HK\$117,451,000), non-controlling interests of HK\$116,250,000 (31 December 2012: HK\$116,250,000) and shareholders' equity of HK\$621,331,000 (31 December 2012: HK\$661,374,000). The Group's net asset value per share (excluding non-controlling interests) as at 30 June 2013 amounted to HK\$0.55 (31 December 2012: HK\$0.58).

The Group had a total cash and bank balance of HK\$682,319,000 (31 December 2012: HK\$600,993,000) without any bank borrowings (31 December 2012: Nil) as at 30 June 2013. The increase in the cash and bank balances was resulted mainly from the increase in the receipts of trade receivables during the current period. The Group has sufficient internal funds for its daily operations.

Treasury Policies

The Group adopts conservative treasury policies and has tight controls over its cash management. The Group's cash and bank balances 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 Chinese government. No financial instrument was used for hedging purpose. 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

The Group did not have any material acquisitions or disposals of subsidiaries and associates during the six-month period ended 30 June 2013.

Charges on Assets

The Group did not have any assets pledged to third parties as at 30 June 2013.

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 30 June 2013.

Capital Expenditure Commitments

The Group did not have any material capital expenditure commitments as at 30 June 2013.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2013.

Report on Review of Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF DVN (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 12 to 34, which comprises the condensed consolidated statement of financial position of DVN (Holdings) Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 8 August 2013

Condensed Consolidated Income Statement

For the six-month period ended 30 June 2013

| | | Six-month period ended 30 June | |
|--|------|---|---------------------------------|
| | | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| | Note | | |
| CONTINUING OPERATIONS | | | |
| Revenue | 3 | 17,679 | 36,482 |
| Cost of sales | | (4,756) | (5,934) |
| Gross profit | | 12,923 | 30,548 |
| Other income and other gains/(losses), net | | (4,943) | 7,531 |
| Marketing, selling and distribution costs | | (3,073) | (4,280) |
| Administrative expenses | | (24,894) | (21,243) |
| Other operating income/(expenses), net | | 175 | (357) |
| Operating profit/(loss) | | (19,812) | 12,199 |
| Share of loss of joint ventures | | (8,411) | (6,952) |
| Share of loss of associates | | (2,789) | (811) |
| Profit/(loss) before income tax | | (31,012) | 4,436 |
| Income tax credit/(expenses) | 4 | 198 | (3,155) |
| Profit/(loss) for the period from continuing operations | | (30,814) | 1,281 |
| DISCONTINUED OPERATIONS | | | |
| Loss for the period from discontinued operations | 5(b) | (20,428) | (217,303) |
| LOSS FOR THE PERIOD | 6 | (51,242) | (216,022) |
| Attributable to: | | | |
| Equity holders of the Company | | | |
| – Continuing operations | | (30,814) | 1,330 |
| – Discontinued operations | | (20,428) | (217,303) |
| | | (51,242) | (215,973) |
| Non-controlling interests | | | |
| – Continuing operations | | – | (49) |
| – Discontinued operations | | – | – |
| | | – | (49) |
| | | (51,242) | (216,022) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | |
| Basic and diluted | 7 | | |
| – Continuing operations | | (2.71) cents | 0.12 cents |
| – Discontinued operations | | (1.79) cents | (19.07) cents |
| | | (4.50) cents | (18.95) cents |

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2013

| | Six-month period ended 30 June | |
|--|---|---------------------------------|
| | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| LOSS FOR THE PERIOD | (51,242) | (216,022) |
| Other comprehensive income/(loss) | | |
| Items that may be reclassified subsequently to profit or loss | | |
| – Currency translation differences | 11,199 | (7,090) |
| Other comprehensive income/(loss) for the period, net of tax | 11,199 | (7,090) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | (40,043) | (223,112) |
| Attributable to: | | |
| – Equity holders of the Company | (40,043) | (223,063) |
| – Non-controlling interests | – | (49) |
| | (40,043) | (223,112) |
| Total comprehensive loss attributable to equity holders of the Company arising from: | | |
| – Continuing operations | (19,821) | (5,516) |
| – Discontinued operations | (20,222) | (217,547) |
| | (40,043) | (223,063) |

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

| | Note | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|---|------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 4,964 | 5,110 |
| Interests in joint ventures | | (258) | 8,019 |
| Interests in associates | | 34,832 | 41,230 |
| Available-for-sale financial assets | 9 | - | 10,680 |
| Total non-current assets | | 39,538 | 65,039 |
| CURRENT ASSETS | | | |
| Available-for-sale financial assets | 9 | 27,436 | 38,264 |
| Trade receivables | 10 | 46,417 | 140,180 |
| Prepayments, deposits and other receivables | | 31,834 | 48,711 |
| Tax receivables | | 1,902 | 1,888 |
| Short-term bank deposits | | 125,534 | - |
| Cash and cash equivalents | | 556,785 | 600,993 |
| Total current assets | | 789,908 | 830,036 |
| CURRENT LIABILITIES | | | |
| Trade payables | 11 | 19,862 | 27,946 |
| Other payables and accruals | | 40,008 | 54,045 |
| Tax payables | | 8,029 | 9,167 |
| Total current liabilities | | 67,899 | 91,158 |
| Net current assets | | 722,009 | 738,878 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 761,547 | 803,917 |
| NON-CURRENT LIABILITIES | | | |
| Deferred income tax liabilities | | 23,966 | 26,293 |
| Net assets | | 737,581 | 777,624 |
| EQUITY | | | |
| Equity attributable to the Company's equity holders | | | |
| Share capital | 12 | 113,953 | 113,953 |
| Reserves | | 507,378 | 547,421 |
| | | 621,331 | 661,374 |
| Non-controlling interests | | 116,250 | 116,250 |
| Total equity | | 737,581 | 777,624 |

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2013

| | Attributable to equity holders of the Company | | | | | | | | | | |
|--|---|---------------|---------------------|------------------|-----------------|-----------------------|----------------------------------|---|----------------|---------------------------|----------------|
| | Share capital | Share premium | Contributed surplus | Exchange reserve | General reserve | Other capital reserve | Share-based compensation reserve | Retained earnings/ (accumulated losses) | Total | Non-controlling interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Unaudited | | | | | | | | | | | |
| Balance at 1 January 2012 | 113,953 | 1,724 | 628,235 | 181,367 | 30,122 | - | 879 | 55,255 | 1,011,535 | 117,941 | 1,129,476 |
| Loss for the period | - | - | - | - | - | - | - | (215,973) | (215,973) | (49) | (216,022) |
| Other comprehensive income – Currency translation differences | - | - | - | (7,090) | - | - | - | - | (7,090) | - | (7,090) |
| Transfer to general reserve | - | - | - | - | 9,935 | - | - | (9,935) | - | - | - |
| Balance at 30 June 2012 | 113,953 | 1,724 | 628,235 | 174,277 | 40,057 | - | 879 | (170,653) | 788,472 | 117,892 | 906,364 |
| Unaudited | | | | | | | | | | | |
| Balance at 1 January 2013 | 113,953 | 1,724 | 628,235 | 46,165 | 12,801 | (287) | 879 | (142,096) | 661,374 | 116,250 | 777,624 |
| Loss for the period | - | - | - | - | - | - | - | (51,242) | (51,242) | - | (51,242) |
| Other comprehensive income – Currency translation differences | - | - | - | 11,199 | - | - | - | - | 11,199 | - | 11,199 |
| Transfer to general reserve | - | - | - | - | 3,040 | - | - | (3,040) | - | - | - |
| Balance at 30 June 2013 | 113,953 | 1,724 | 628,235 | 57,364 | 15,841 | (287) | 879 | (196,378) | 621,331 | 116,250 | 737,581 |

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2013

| | Six-month period ended 30 June | |
|---|---|---------------------------------|
| | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| Net cash generated from operating activities | 67,723 | 27,156 |
| Net cash used in investing activities | (121,505) | (4,080) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (53,782) | 23,076 |
| Cash and cash equivalents at beginning of the period | 600,993 | 413,641 |
| Exchange differences | 9,574 | (1,944) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 556,785 | 434,773 |
| Less: Cash and cash equivalents included in assets of disposal group classified as held for sale | - | (145,580) |
| | 556,785 | 289,193 |
| ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS | | |
| Cash at banks and on hand | 263,998 | 208,838 |
| Short-term bank deposits, with original maturities of three months or less | 292,787 | 225,935 |
| | 556,785 | 434,773 |

Notes to Condensed Consolidated Interim Financial Statements

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 3902, 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 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. In 2012, 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 5.

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

These condensed consolidated interim financial statements have not been audited but reviewed by the Company’s audit committee and the Company’s independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These condensed consolidated interim financial statements have been approved for issue by the Board of Directors (the “Board”) of the Company on 8 August 2013.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements for the six-month period ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA. These condensed consolidated interim financial statements should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

These condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments. The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2012.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(Continued)

Impact of New, Amended and Revised HKFRSs

In the current period, the Group has adopted all the new and amended 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 2013. The adoption of these new and amended HKFRSs does not have any material impact on the Group's financial statements for the period, except for the adoption of HKFRS 11 "Joint Arrangements" as follows:

Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangements. In accordance with HKFRS 11, a joint venture is accounted for by the Group using the equity method under HKAS 28 (2011) "Investments in Associates and Joint Ventures", while assets, liabilities, revenue and expenses of a joint operation are apportioned between the joint operators in accordance with the agreement. As each investor of the joint arrangements invested by the Group has joint control and rights to the net assets of the arrangements, the Group's investments in the joint arrangements are joint ventures and are accounted for by the Group using the equity method under HKAS 28 (2011). The adoption of this HKFRS does not have any material financial impact on the Group.

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2013 and have not been early adopted:

| | |
|---|---|
| HKAS 27 (2011) (Amendment), HKFRS 10 (Amendment) and HKFRS 12 (Amendment) | Investment Entities |
| HKAS 32 (Amendment) | Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities |
| HKAS 36 (Amendment) | Recoverable Amount Disclosures for Non-Financial Assets |
| HKFRS 9 | Financial Instruments |
| HKFRS 9 (Amendment) and HKFRS 7 | Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures |
| HK(IFRIC) – Int 20 | Levies |

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.

3 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) Advertising agency business ("AA Business") – Provision of advertising agency services;
- (ii) Financial market information business ("FMI Business") – Provision of online financial market information;
- (iii) Direct Investments – Other direct investments of information technology business; and
- (iv) 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.

Others include corporation income and expenses and others.

As further explained in Note 5, the discontinued STB Business, the DB Business and the DBOSS Business (as defined in Note 5) under the DVB Business have been classified as discontinued operations.

Notes to Condensed Consolidated Interim Financial Statements

3 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue, results, total assets and total liabilities information for the six-month period ended 30 June 2013 by operating segments is as follows:

| | Unaudited | | | | | | | |
|------------------------------------|-------------------------|--------------------------|--------------------------------|--------------------------|--------------------|-------------------------|--------------------------|----------|
| | Continuing operations | | | | | Discontinued operations | | Total |
| | AA Business HK\$'000 | FMI Business HK\$'000 | Direct Investments HK\$'000 | DVB Business HK\$'000 | Others HK\$'000 | Sub-total HK\$'000 | DVB Business HK\$'000 | |
| Revenue (from external customers) | 1,150 | 13,695 | - | 2,834 | - | 17,679 | - | 17,679 |
| Depreciation | 223 | 71 | - | - | 718 | 1,012 | - | 1,012 |
| Amortisation | - | - | - | - | - | - | - | - |
| Operating profit/(loss) (Note (i)) | (3,285) | (783) | (13,135) | 6,085 | (8,694) | (19,812) | (23,094) | (42,906) |
| Share of loss of joint ventures | (7,274) | - | (1,137) | - | - | (8,411) | - | (8,411) |
| Share of loss of associates | - | - | (2,789) | - | - | (2,789) | - | (2,789) |
| Loss before income tax | | | | | | (31,012) | (23,094) | (54,106) |
| Income tax credit | | | | | | 198 | 2,666 | 2,864 |
| Loss for the period | | | | | | (30,814) | (20,428) | (51,242) |
| Total assets (Note (ii)) | 122,324 | 22,927 | 53,033 | 27,436 | 603,726 | 829,446 | - | 829,446 |
| Total liabilities (Note (iii)) | 29,595 | 8,993 | 23,011 | 23,919 | 6,347 | 91,865 | - | 91,865 |

Notes to Condensed Consolidated Interim Financial Statements

3 SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue, results, total assets and total liabilities information for the six-month period ended 30 June 2012 by operating segments is as follows:

| | Unaudited | | | | | | | |
|------------------------------------|-------------------------|--------------------------|--------------------------------|--------------------------|--------------------|-----------------------|--------------------------|-------------------|
| | Continuing operations | | | | | | Discontinued operations | |
| | AA Business HK\$'000 | FMI Business HK\$'000 | Direct Investments HK\$'000 | DVB Business HK\$'000 | Others HK\$'000 | Sub-total HK\$'000 | DVB Business HK\$'000 | Total HK\$'000 |
| Revenue (from external customers) | 17,899 | 14,382 | - | 4,201 | - | 36,482 | 150,935 | 187,417 |
| Depreciation | 306 | 112 | - | - | - | 418 | 2,529 | 2,947 |
| Amortisation | - | - | - | - | - | - | 7,152 | 7,152 |
| Operating profit/(loss) (Note (i)) | 10,994 | 628 | - | 8,487 | (7,910) | 12,199 | (195,502) | (183,303) |
| Share of loss of joint ventures | (6,014) | - | (938) | - | - | (6,952) | - | (6,952) |
| Share of loss of associates | - | - | (811) | - | - | (811) | - | (811) |
| Profit/(loss) before income tax | | | | | | 4,436 | (195,502) | (191,066) |
| Income tax expenses | | | | | | (3,155) | (21,801) | (24,956) |
| Profit/(loss) for the period | | | | | | 1,281 | (217,303) | (216,022) |
| Total assets (Note (ii)) | 151,498 | 24,663 | 108,019 | 336,379 | 13,456 | 634,015 | 623,310 | 1,257,325 |
| Total liabilities (Note (iii)) | 30,063 | 9,202 | 53,569 | 31,722 | 38,252 | 162,808 | 188,153 | 350,961 |

Notes:

- (i) The operating profit under the continuing operations of the DVB Business for the six-month period ended 30 June 2013 is stated after crediting, inter alia, the technology licensing income of HK\$2,834,000 (2012: HK\$4,201,000), the non-compete income of HK\$866,000 (2012: HK\$1,298,000) and interest income from the expected periodic adjustment payments of HK\$894,000 (2012: HK\$4,624,000), of the discontinued STB Business, which have not been transferred to the Purchaser (as defined in Note 5) upon the completion of the DB Disposal (as defined in Note 5).
- (ii) The total assets under the continuing operations of the DVB Business as at 30 June 2013 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.
- The total assets under the continuing operations of the DVB Business as at 30 June 2012 include those assets, which mainly represent DVB Business related cash and cash equivalents, inventories, prepayments and the expected periodic adjustment payments classified as available-for-sale financial assets of the discontinued STB Business, which have 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.

Notes to Condensed Consolidated Interim Financial Statements

4 INCOME TAX CREDIT/(EXPENSES)

| | Six-month period ended 30 June 2013 | | | Six-month period ended 30 June 2012 | | |
|--|-------------------------------------|-------------------------|-------------------------|-------------------------------------|-------------------------|-------------------------|
| | Continuing operations | Discontinued operations | Total | Continuing operations | Discontinued operations | Total |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Current income tax | | | | | | |
| – Hong Kong | | | | | | |
| – Provision for the period | (16) | - | (16) | (146) | - | (146) |
| – Outside Hong Kong | | | | | | |
| – Provision for the period | (346) | - | (346) | (3,009) | (8,770) | (11,779) |
| – Adjustment in respect of prior periods | 560 | - | 560 | - | (4,857) | (4,857) |
| | 198 | - | 198 | (3,155) | (13,627) | (16,782) |
| Deferred income tax | | | | | | |
| – Outside Hong Kong | - | 2,666 | 2,666 | - | (8,174) | (8,174) |
| | - | 2,666 | 2,666 | - | (8,174) | (8,174) |
| Income tax credit/(expenses) | 198 | 2,666 | 2,864 | (3,155) | (21,801) | (24,956) |

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period.

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the application 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% (2012: 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.

5 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.

- (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.

Notes to Condensed Consolidated Interim Financial Statements

5 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:

| | Six-month period ended 30 June 2013 | | | | Six-month period ended 30 June 2012 | | | |
|--|-------------------------------------|----------------------------|-------------------------------|-------------------|-------------------------------------|----------------------------|-------------------------------|-------------------|
| | (Unaudited) | | | | (Unaudited) | | | |
| | STB Business HK\$'000 | DB Business HK\$'000 | DBOSS Business HK\$'000 | Total HK\$'000 | STB Business HK\$'000 | DB Business HK\$'000 | DBOSS Business HK\$'000 | Total HK\$'000 |
| Revenue (Note 3) | - | - | - | - | - | 146,017 | 4,918 | 150,935 |
| Cost of sales | - | - | - | - | - | (63,237) | - | (63,237) |
| Gross profit | - | - | - | - | - | 82,780 | 4,918 | 87,698 |
| Other income and other gains, net | - | - | - | - | - | 8,618 | - | 8,618 |
| Marketing, selling and distribution costs | - | - | - | - | - | (29,077) | (2,687) | (31,764) |
| Administrative expenses | - | - | - | - | - | (45,094) | (5,367) | (50,461) |
| Other operating expenses (Note (i)) | - | - | - | - | - | (214,368) | (396) | (214,764) |
| Loss before income tax | - | - | - | - | - | (197,141) | (3,532) | (200,673) |
| Income tax expenses (Note 4) | - | - | - | - | - | (21,801) | - | (21,801) |
| Loss after tax of discontinued operations | - | - | - | - | - | (218,942) | (3,532) | (222,474) |
| Change in value of available-for-sale financial assets | - | - | - | - | 5,171 | - | - | 5,171 |
| Impairment of available-for-sale financial assets (Note 9) | (23,094) | - | - | (23,094) | - | - | - | - |
| Income tax credit (Note 4) | 2,666 | - | - | 2,666 | - | - | - | - |
| After-tax gain/(loss) recognised on disposal | (20,428) | - | - | (20,428) | 5,171 | - | - | 5,171 |
| Profit/(loss) for the period | (20,428) | - | - | (20,428) | 5,171 | (218,942) | (3,532) | (217,303) |
| Profit/(loss) attributable to: | | | | | | | | |
| Equity holders of the Company | (20,428) | - | - | (20,428) | 5,171 | (218,942) | (3,532) | (217,303) |
| Non-controlling interests | - | - | - | - | - | - | - | - |
| | (20,428) | - | - | (20,428) | 5,171 | (218,942) | (3,532) | (217,303) |
| Notes: | | | | | | | | |
| (i) Other operating expenses including: | | | | | | | | |
| Provision for impairment of trade receivables | - | - | - | - | - | 155,974 | - | 155,974 |
| Provision for impairment of other receivables | - | - | - | - | - | 32,566 | - | 32,566 |
| Provision for inventories | - | - | - | - | - | 10,283 | - | 10,283 |

(ii) During the six-month period ended 30 June 2012, additional provision for impairment of trade receivables of approximately HK\$155,974,000 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.

5 DISCONTINUED OPERATIONS *(Continued)*

(c) Analysis of the Cash Flows from Discontinued Operations

| | Six-month period ended 30 June 2013 | | | | Six-month period ended 30 June 2012 | | | |
|--|-------------------------------------|---|-------------------------------|-------------------|-------------------------------------|---|-------------------------------|-------------------|
| | STB Business HK\$'000 | (Unaudited) DB Business HK\$'000 | DBOSS Business HK\$'000 | Total HK\$'000 | STB Business HK\$'000 | (Unaudited) DB Business HK\$'000 | DBOSS Business HK\$'000 | Total HK\$'000 |
| Net cash generated from/(used in) operating activities | - | - | - | - | - | 65,730 | (3,265) | 62,465 |
| Net cash generated from/(used in) investing activities | - | - | - | - | 4,711 | (3,234) | (605) | 872 |
| Net cash generated from/(used in) financing activities | - | - | - | - | - | (111,773) | 3,870 | (107,903) |
| | - | - | - | - | 4,711 | (49,277) | - | (44,566) |

6 LOSS FOR THE PERIOD

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

| | Six-month period ended 30 June | |
|---|-----------------------------------|---------------------------------|
| | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| Cost of inventories sold | - | 63,237 |
| Cost of provision of advertising agency services | 66 | 1,550 |
| Cost of provision of online financial market information | 4,690 | 4,384 |
| Depreciation | 1,012 | 2,947 |
| Net exchange gains | (699) | (3) |
| Change in value of available-for-sale financial assets | - | (5,171) |
| Impairment of available-for-sale financial assets (Note 9) | 23,094 | - |
| Other operating (income)/expenses, net including: | | |
| Amortisation of deferred development costs | - | 7,152 |
| Write-off of deferred development costs | - | 6,536 |
| Provision for impairment of property, plant and equipment | - | 2,243 |
| Net loss on disposal of property, plant and equipment | 2 | 47 |
| Provision for inventories | - | 10,283 |
| Provision/(reversal) for impairment of trade receivables | (177) | 155,974 |
| Provision for impairment of prepayments, deposits and other receivables | - | 32,566 |
| (Other income) and other (gains)/losses, net: | | |
| Interest income on bank balances | (5,009) | (1,619) |
| Interest income on trade receivables | - | (1,982) |
| Interest income on available-for-sale financial assets | (894) | (4,624) |
| Value-added tax refund | - | (4,213) |
| Government grants | - | (240) |
| Non-compete income | (866) | (1,298) |
| Provision for impairment of an advance to an associate | 9,843 | - |
| Provision for impairment of an associate | 3,292 | - |
| Others | (1,423) | (2,173) |

Notes to Condensed Consolidated Interim Financial Statements

7 EARNINGS/(LOSS) PER SHARE

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

The calculation of the diluted earnings/(loss) per share for the period is based on the Group's earnings/(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 period assuming the conversion of the exchangeable preference shares 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 period) based on the monetary value of the exchange price of the exchangeable preference shares and the subscription rights attached to the outstanding share options. The weighted average number of ordinary shares for the calculation of the diluted earnings/(loss) per share is set out as follows:

| | Six-month period ended 30 June | |
|---|---|---------------------|
| | 2013 (Unaudited) | 2012 (Unaudited) |
| 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 earnings/(loss) per share | 1,139,531,432 | 1,139,531,432 |
| | HK\$'000 | HK\$'000 |
| Group's profit/(loss) attributable to the equity holders of the Company | | |
| – Continuing operations | (30,814) | 1,330 |
| – Discontinued operations | (20,428) | (217,303) |
| | (51,242) | (215,973) |

The basic and diluted earnings/(loss) per share for the six-month periods ended 30 June 2013 and 2012 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the periods were anti-dilutive.

8 DIVIDENDS

The Board of the Company does not recommend the payment of any interim dividend for the six-month period ended 30 June 2013 (2012: Nil).

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|---|--|--|
| At 1 January | 48,944 | 61,797 |
| Receipt of periodic adjustment payments | – | (35,467) |
| Change in value | – | 18,130 |
| Impairment (Notes 5(b) & 6) | (23,094) | – |
| Interest accretions | 894 | 4,618 |
| Exchange differences | 692 | (134) |
| At financial position date | 27,436 | 48,944 |
| Less: Non-current portion | – | (10,680) |
| Current portion | 27,436 | 38,264 |

The expected periodic adjustment payments are denominated in Renminbi and their fair value was calculated at a discount rate of 6.70% (31 December 2012: 6.70%) per annum.

Based on the recent communications with the Seller WFOE, management considered that the full recoverability of the available-for-sale financial assets is doubtful. After careful consideration by management, an impairment of the available-for-sale financial assets of HK\$23,094,000 was recorded as loss for the discontinued STB Business during the six-month period ended 30 June 2013.

Notes to Condensed Consolidated Interim Financial Statements

10 TRADE RECEIVABLES

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

| | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|--------------------------------|--|--|
| Within 6 months | 45,474 | 139,037 |
| 7 - 12 months | – | 8 |
| Over 12 months | 4,084 | 4,394 |
| | 49,558 | 143,439 |
| Less: Provision for impairment | (3,141) | (3,259) |
| | 46,417 | 140,180 |

The fair value of the current trade receivables approximates its carrying amount.

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.

11 TRADE PAYABLES

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

| | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|-----------------|--|--|
| Within 6 months | 19,107 | 26,212 |
| 7 - 12 months | - | 1,536 |
| Over 12 months | 755 | 198 |
| | 19,862 | 27,946 |

The fair value of the trade payables approximates its carrying amount.

12 SHARE CAPITAL

| | Ordinary shares of HK\$0.10 each | |
|--------------------------------------|---|----------|
| | Number of shares | HK\$'000 |
| Authorised | | |
| At 31 December 2012 and 30 June 2013 | 3,000,000,000 | 300,000 |
| Issued and fully paid | | |
| At 31 December 2012 and 30 June 2013 | 1,139,531,432 | 113,953 |

13 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital Expenditure Commitments

The Group did not have any material capital expenditure commitments as at 30 June 2013 and 31 December 2012.

(b) Financial Commitments

On 23 May 2013, Guangdong SinoFocus Media Limited (“Guangdong SinoFocus”), an indirect wholly-owned subsidiary of the Company, has entered into a loan facility agreement with Midas Media Limited (“Midas Media”), a 50% indirectly owned joint venture of the Company, and another joint venture investor, pursuant to which each of Guangdong SinoFocus and the joint venture investor agrees to extend a loan facility of up to RMB30 million (equivalent to approximately HK\$37.7 million) to Midas Media. Details of the loan commitment are set out in the Company’s announcement dated 23 May 2013.

(c) Operating Lease Commitments

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

13 COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)***(c) Operating Lease Commitments** *(Continued)*

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

| | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|---|--|--|
| Land and buildings | | |
| – Not later than one year | 2,699 | 2,707 |
| – Later than one year but not later than five years | 1,939 | 3,010 |
| | 4,638 | 5,717 |
| Motor vehicle | | |
| – Not later than one year | 118 | – |
| | 118 | – |
| Office equipment | | |
| – Not later than one year | 181 | – |
| – Later than one year but not later than five years | 90 | – |
| | 271 | – |
| Total | | |
| – Not later than one year | 2,998 | 2,707 |
| – Later than one year but not later than five years | 2,029 | 3,010 |
| | 5,027 | 5,717 |

(d) Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2013 and 31 December 2012.

14 RELATED PARTY TRANSACTIONS

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

(a) Sales and Purchases of Goods and Services and Other Income

| | Six-month period ended 30 June | |
|---|---|---------------------------------|
| | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| Sales of goods and services | | |
| – Related companies of a shareholder | – | 32,446 |
| Transfer of intangibles | | |
| – An associate | 9,336 | – |
| Advisory service expenses | | |
| – A related company of a shareholder and a director | – | 101 |

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

| | Six-month period ended 30 June | |
|------------------------------|---|---------------------------------|
| | 2013 (Unaudited) HK\$'000 | 2012 (Unaudited) HK\$'000 |
| Short-term employee benefits | 1,779 | 4,060 |
| Post-employment benefits | 59 | 74 |
| | 1,838 | 4,134 |

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

14 RELATED PARTY TRANSACTIONS *(Continued)***(c) Period-End/Year-End Balances Arising from Sales, Purchases and Services Rendered**

| | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|--|--|--|
| Trade receivables – A joint venture | 30,045 | 23,013 |

(d) Other Period-End/Year-End Balances

| | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|--|--|--|
| Prepayments, deposits and other receivables – A joint venture | 1,865 | 1,800 |
| – An associate | 6,963 | 19,122 |
| Other payables and accruals – Associates | 23,011 | 23,025 |

15 FAIR VALUE ESTIMATION

The different levels of financial instruments carried at fair value have been defined as follows:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of the available-for-sale financial assets amounting to HK\$27,436,000 as at 30 June 2013 (31 December 2012: HK\$48,944,000) 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 fair value of the derivative financial liabilities included in other payables and accruals amounting to HK\$7,800,000 as at 30 June 2013 (31 December 2012: HK\$7,800,000) is determined using a discounted cash flow approach which is not based on observable inputs.

Both the available-for-sale financial assets and the derivative financial liabilities were classified as level 3 as at 30 June 2013 and 31 December 2012 and there were no transfers between levels 1, 2 and 3 during the period.

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

At 30 June 2013, 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

| Name of director | Number of ordinary shares held | | | Total | % of the issued share capital of the Company |
|---|--------------------------------|------------------|---------------------|-------------|--|
| | Personal interests | Family interests | Corporate interests | | |
| Mr Ko Chun Shun, Johnson ("Mr Ko") (Note (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 30 June 2013.

Save as mentioned above, at 30 June 2013, 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 period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or 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 30 June 2013, 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

| Name | Note | Number of ordinary shares held | | | % of the issued share capital of the Company |
|-------------------------------|-------|--------------------------------|---------------------------------|-------------|--|
| | | Directly beneficially owned | Through controlled corporations | Total | |
| 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% |

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES *(Continued)*

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 interests 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 30 June 2013, 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.

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.

SHARE OPTION SCHEME *(Continued)*

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

| | Six-month period ended 30 June | | | |
|--------------------------|--|-------------------------------|--|-------------------------------|
| | 2013 | | 2012 | |
| | Weighted average exercise price per share (Unaudited) HK\$ | Number of options (Unaudited) | Weighted average exercise price per share (Unaudited) HK\$ | Number of options (Unaudited) |
| Old Scheme | | | | |
| At 1 January and 30 June | 1.99 | 1,000,000 | 1.99 | 1,000,000 |

All of the outstanding options as at 30 June 2013 were exercisable (2012: same). No share option was exercised during the six-month periods ended 30 June 2013 and 2012.

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 | |
|-------------------|-------------------------------|--------------------------|----------------------------|
| | | 30 June 2013 (Unaudited) | 31 December 2012 (Audited) |
| Old Scheme | | | |
| 11 February 2017 | 1.99 | 1,000,000 | 1,000,000 |

SHARE OPTION SCHEME *(Continued)*

The details of movements of the outstanding share options during the period 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 2013 | Options granted during the period | Options exercised during the period | Options lapsed during the period | Outstanding options at 30 June 2013 | Weighted average closing price before dates of exercise |
|--|--|--|--|---|--|--|
| | | | | | | HK\$ |

Held by service providers

| | | | | | | |
|--------------|---------|---|---|---|---------|---|
| In aggregate | 500,000 | - | - | - | 500,000 | - |
|--------------|---------|---|---|---|---------|---|

Old Scheme

| | |
|-------------------------------|-------------------------------------|
| 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 2013 | Options granted during the period | Options exercised during the period | Options lapsed during the period | Outstanding options at 30 June 2013 | Weighted average closing price before dates of exercise |
|--|--|--|--|---|--|--|
| | | | | | | HK\$ |

Held by service providers

| | | | | | | |
|--------------|---------|---|---|---|---------|---|
| In aggregate | 500,000 | - | - | - | 500,000 | - |
|--------------|---------|---|---|---|---------|---|

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the 2012 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below:

Mr Luo Ning, an executive director of the Company, was appointed as a non-executive director of CITIC Telecom International Holdings Limited, a company listed on the Main Board of the Stock Exchange, with effect from 21 February 2013.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the six-month period ended 30 June 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six-month period ended 30 June 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six-month period ended 30 June 2013, the Board of the Company has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Corporate Governance Code from time to time, as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

These unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2013 of the Group have been reviewed by the audit committee.