DVN (HOLDINGS) LIMITED
天地數碼(控股)有限公司*

(Incorporated in Bermuda with limited liability)

Website: www.dvnholdings.com www.irasia.com/listco/hk/dvn

(Stock Code: 00500)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the "Board") of DVN (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2008

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
REVENUE	*2*	**380,559**	317,264
Cost of sales		**(209,098)**	(220,637)
Gross profit		**171,461**	96,627
Other income	*3*	**24,310**	19,484
Marketing, selling and distribution costs		**(59,181)**	(23,289)
Administrative expenses		**(76,226)**	(45,518)
Other operating expenses		**(11,597)**	(5,832)
Operating profit	*4*	**48,767**	41,472
Finance costs	*5*	**(41)**	(4)
Share of profits of jointly controlled entities		**1,826**	–
Share of profits/(losses) of associates		**(101)**	127
PROFIT BEFORE INCOME TAX		**50,451**	41,595
Income tax expenses	*6*	**(8,001)**	(3,898)
PROFIT AFTER INCOME TAX		**42,450**	37,697
Dividends on preference shares		**–**	(1,453)
PROFIT FOR THE PERIOD		**42,450**	36,244
Attributable to:			
Equity holders of the Company		**42,450**	36,244
Minority interests		**–**	–
		42,450	36,244
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK$0.037**	HK$0.032
Diluted		**HK$0.037**	HK$0.032

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008

	Note	**30 June 2008 (Unaudited) *HK$'000***	31 December 2007 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**15,157**	11,872
Intangible assets		**58,437**	50,324
Interests in jointly controlled entities		**21,361**	–
Interests in associates		**11,060**	1,846
Trade receivables		**308,984**	173,013
Total non-current assets		**414,999**	237,055
CURRENT ASSETS			
Inventories		**114,110**	141,554
Deferred income tax assets		**5,174**	5,261
Trade receivables	*9*	**507,176**	520,533
Prepayments, deposits and other receivables		**65,846**	52,761
Tax receivables		**9,693**	9,104
Pledged bank deposit		**6,000**	6,000
Cash and cash equivalents		**232,632**	397,995
Total current assets		**940,631**	1,133,208
CURRENT LIABILITIES			
Trade payables	*10*	**119,497**	222,915
Other payables and accruals		**75,116**	101,519
Short-term bank loan		**16,929**	–
Tax payables		**15,385**	11,205
Deferred income tax liabilities		**41**	–
Obligations under finance leases, current portion		**–**	8
Total current liabilities		**226,968**	335,647
Net current assets		**713,663**	797,561
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,128,662**	1,034,616
Net assets		**1,128,662**	1,034,616
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares		**113,808**	113,808
Reserves		**897,096**	803,050
		1,010,904	916,858
Minority interests		**117,758**	117,758
Total equity		**1,128,662**	1,034,616

Notes:

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Company for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These condensed consolidated interim financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

These condensed consolidated interim financial statements have been prepared under historical cost convention. The accounting policies and basis of preparation adopted 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 2007 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual accounting period beginning on 1 January 2008. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

These condensed consolidated interim financial statements are unaudited but have been reviewed by the Company's audit committee, and were approved for issue by the Board on 25 September 2008.

2 SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

(ii) Other – Provision of international financial market information and selective consumer data; and

(iii) Corporate – Corporate income and expenses.

An analysis of the Group's revenue and results for the six months ended 30 June 2008 and 2007 by business segments is as follows:

	DVB Business		Other		Corporate		Unallocated		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**368,450**	307,797	**12,109**	9,467	**–**	–	**–**	–	**380,559**	317,264
Segment results	**67,195**	45,031	**1,359**	738	**(19,787)**	(4,297)	**–**	–	**48,767**	41,472
Finance costs							**(41)**	(4)	**(41)**	(4)
Share of profits of jointly controlled entities	**1,826**	–							**1,826**	–
Share of profits/ (losses) of associates	**(101)**	127							**(101)**	127
Profit before income tax									**50,451**	41,595
Income tax expenses									**(8,001)**	(3,898)
Profit after income tax									**42,450**	37,697
Dividends on preference shares									**–**	(1,453)
Profit for the period									**42,450**	36,244

3 OTHER INCOME

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income on bank balances	**4,893**	9,783
Interest accretions	**1,810**	–
Value-added tax refund	**16,732**	7,694
Short-term investment income	**–**	1,474
Net gain on disposal of property, plant and equipment	**120**	–
Others	**755**	533
	24,310	19,484

4 OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting):

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**205,092**	218,724
Cost of provision of financial market information and selective consumer data	**4,006**	1,913
Depreciation:		
Owned property, plant and equipment	**2,008**	2,338
Leased property, plant and equipment	**–**	11
Net exchange losses	**4,140**	211
Other operating expenses including:		
Amortisation of deferred development costs	**9,007**	4,594
Provision for inventories	**–**	576
Provision for impairment of trade receivables	**2,015**	115
Provision for impairment of goodwill in interests in associates	**–**	547
Write-off of deferred development costs	**575**	–

5 FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings	**39**	–
Interest element of finance leases	**2**	4
	41	4

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current:		
Hong Kong	**167**	–
Outside Hong Kong	**7,705**	3,898
Deferred income tax:		
Hong Kong	**129**	–
Total tax expenses for the period	**8,001**	3,898

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits less estimated available tax losses.

Tax outside Hong Kong has been provided for at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7 DIVIDENDS

Final dividends attributable to ordinary shareholders of the Company in respect of the year ended 31 December 2007 of HK$0.02 per ordinary share amounting to a total of approximately HK$22,762,000 (31 December 2006: Nil) were declared by the Board of the Company on 15 April 2008 and were approved by the shareholders in the Annual General Meeting on 12 June 2008. Such dividends represented for 1,138,081,432 ordinary shares issued and outstanding as at 10 June 2008 and were accounted for in equity as an appropriation of retained earnings during the period ended 30 June 2008 (2007: Nil).

The Board of the Company does not recommend any payment of interim dividend on ordinary shares for the six months ended 30 June 2008 (2007: Nil).

8 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to the ordinary equity holders of the Company of approximately HK$42,450,000 (2007: HK$36,244,000) and the weighted average number of 1,138,081,432 (2007: 1,118,538,282) ordinary shares in issue during the period.

The calculation of the diluted earnings per share for the period is based on the Group's profit attributable to the ordinary equity holders of the Company of approximately HK$42,450,000 (2007: HK$36,244,000) and the weighted average number of ordinary shares in issue during the period assuming the exercise of the outstanding share options, the dilutive potential ordinary shares of the Company. A calculation is made to determine the number of ordinary shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares over the period) based on the monetary value of the subscription rights attached to the outstanding share options. The weighted average number of ordinary shares for the calculation of the diluted earnings per share is set out as follows:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue	**1,138,081,432**	1,118,538,282
Adjustment for share options	**5,483,428**	14,820,848
Weighted average number of ordinary shares for diluted earnings per share	**1,143,564,860**	1,133,359,130

9 TRADE RECEIVABLES

An aging analysis of the current trade receivables, net of provision, as at the balance sheet date is as follows:

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
1 – 6 months	**314,631**	433,079
7 – 12 months	**186,904**	87,347
Over 12 months	**5,641**	107
	507,176	520,533

The Group's trading terms with its customers are payment in advance or on credit. The credit period is generally for a period of three months, extending up to nine months for certain major customers. The Group also has instalment sales to certain customers with repayments within several years. The Group seeks to maintain strict control over its outstanding receivables. The Group performs ongoing credit evaluation of its customers and makes frequent contact with its customers. The Group believes that no significant credit risk exists as credit losses, when realised, have been within the range of management's expectation.

10 TRADE PAYABLES

An aging analysis of the trade payables as at the balance sheet date is as follows:

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
1 – 6 months	**100,726**	198,448
7 – 12 months	**130**	16,147
Over 12 months	**18,641**	8,320
	119,497	222,915

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW AND PROSPECTS

Overall Performance

Summary

The Group recorded an unaudited consolidated revenue for the six months ended 30 June 2008 of HK$380.6 million, up 19.9% from the HK$317.3 million recorded from the same period in 2007. Unaudited consolidated gross profit for the six months ended 30 June 2008 also increased to HK$171.5 million (2007: HK$96.6 million). The higher profit margin reflects the success of our conditional access ("CA")/smart card division which was separated from the set top box ("STB") division at the beginning of 2008 and increased instalment sales of STBs. Unaudited consolidated profit after income tax and preference dividends for the six months ended 30 June 2008 increased to HK$42.5 million (2007: HK$36.2 million) despite the increase in share-based compensation of HK$14.0 million, inclusion of the cost of our Beijing office established in the second half of 2007, higher salary expense due to both higher inflation and head count, and increases in marketing related costs.

The Board of the Company does not recommend any payment of interim dividend on ordinary shares for the six months ended 30 June 2008 (2007: Nil).

Digital Broadcasting Business

The Group recorded growth in both turnover and profit attributable to its digital broadcasting business during the first half of 2008 despite the cumulative negative effects of several severe snow storms, the earthquake in south western China, and administrative pricing controls as part of the PRC government's program to control inflation. For the six months ended 30 June 2008, segmental turnover increased 19.7% to HK$368.5 million (2007: HK$307.8 million) and segmental profit increased 49.3% to HK$67.2 million (2007: HK$45.0 million).

The business environment in the first half of 2008 was challenging, more so than had been expected. Almost all sectors, including the digital broadcasting business, were negatively impacted by the severe snow storms at the beginning of the year and the earthquake in May. Concerns about rising inflation became a major focus of PRC government administrative measures with a significant number of local governments postponing approval of the monthly subscription fee increase for digital TV services. As a result, many digital conversion projects including the Henan project were put on hold. Central government's credit tightening measures also meant that many cable TV operators were not able to receive the bank loans they had anticipated and in order to proceed with digitization they became more reliant on supplier credits and vendor financing.

Despite the difficult market conditions, we were able to deliver about 1.1 million units of STB representing a 24.5% increase from the 0.9 million units from the same period last year.

One key development of the Group in the period was the establishment of an independent CA/smart card division. The aim was to create an open CA platform available to all STB suppliers, and the key first step of a strategy to develop open software and application platform. Market reception of the strategy has been very encouraging with smart card shipment in the first half of 2008 jumping 70.2% from the same period last year. Our CA is based on a patented proprietary technology, and is considered by many industry users as one of the more sophisticated and advanced systems in the market.

The Group introduced both a high end and a low end STB model in the market. The low end model was intended to satisfy market demand for second STB units from households with more than one TV set, since the industry norm is for cable TV operators to provide only one free STB per household. After launch, we found there was also demand for this model from lower tier operators seeking a low cost STB solution for their digital conversion. The high end "Home Media Center" (HMC) model was designed for households seeking to upgrade their STBs to become high-definition enabled and other capabilities such as file sharing, data storage, and networking with PCs and other appliances. The Group has developed two HMC models, a model for cable TV use and sold to cable TV operators, and another for terrestrial TV (wireless) reception that could be retailed directly to consumers.

During the period, the Group has released new versions of several key software systems such as the middleware system. In terms of hardware, the Group has completed development of a CA embedded USB descrambler ("USB Dongle") that allows users to watch terrestrial TV programs on PCs and laptops and a two-way device that supports both broadband and narrowband cable uplink.

Provision of Financial Information

Comparing with the same period in 2007, turnover in the Group's financial information provision business increased 27.9% to HK$12.1 million for the six months ended 30 June 2008 (2007: HK$9.5 million), while its segmental profit improved to HK$1.4 million (2007: HK$0.7 million).

The primary activity of this operation is the provision of online financial information and selective customer data through internet in Hong Kong and other parts of Asia. The business recorded moderate growth in the first six months of 2008 from the same period in 2007.

Prospects

We expect the current challenging environment to be temporary, while at the same time this situation would drive consolidation within the STB industry. The recent cut in interest rates in China suggests that the government could be reducing its emphasis on fighting inflation. It should therefore in time be easier for cable TV operators to raise subscription charges to pay for digitization of their systems and to access bank financing. The PRC government's commitment to full digitization for the whole country remains strong. In the latest central government policy titled "Policies to Foster Development in the Digital TV Industry" – the first (No.1) policy issued by the General Office of the State Council in 2008, the government requires all broadcasting systems using foreign CA systems to be sync-encrypt with a domestic CA system and domestic CA systems with equivalent technical specifications should be given preferred consideration. This policy has had significant positive impact to domestic CA suppliers such as us.

In August 2007, the PRC government announced the mandated adoption of the new China Terrestrial Digital TV standard by all terrestrial TV operators before 2015. In 2008, some provincial terrestrial TV operators began to install digital headend systems under the new standard and to offer some digital terrestrial TV programs. We have supplied terrestrial headend/CA systems to China Shanghai Oriental Pearl (Group) Co., Ltd. in Shanghai, NSM Corporation in Liaoning and Wasu Digital TV Co., Ltd. in Zhejiang. The development of China's terrestrial digital TV market will offer tremendous new opportunities to the Group. There are currently over 250 million TV households in China that can only receive 4-8 channels of analogue terrestrial programs, and digital conversion will enable the transmission of 8-10 standard definition programs on one standard frequency bandwidth. We believe, overtime, the terrestrial digital TV market could develop into a brand new market of similar scale to the digital cable TV market. Terrestrial digital TV operators will have to go through a learning curve not dissimilar to that of cable TV operators making the transition from analogue to digital, and our capability in providing total solutions and our full range of digital TV systems would be an asset in this new market.

To strengthen our ability to face future challenges, we will continue to streamline our operation and business model aiming at reducing our overhead costs and our working capital requirement.

Employees

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

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group.

The total number of employees of the Group as at 30 June 2008 was 841 (31 December 2007: 793), out of which 771 (31 December 2007: 720) employees were stationed in Mainland China. The number of employees as at 30 June 2008 categorised according to their functions is as follows:

Research and development	381
Sales and marketing	233
Technical support	61
Procurement and engineering support	44
Accounting and finance	36
Administration and management	86
	841

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2008, the Group recorded total assets of HK$1,355.6 million (31 December 2007: HK$1,370.3 million) which were financed by liabilities of HK$227.0 million (31 December 2007: HK$335.6 million), minority interests of HK$117.8 million (31 December 2007: HK$117.8 million) and shareholders' equity of HK$1,010.9 million (31 December 2007: HK$916.9 million). The Group's net asset value per share as at 30 June 2008 amounted to HK$0.89 (31 December 2007: HK$0.81).

The Group had a total cash and bank balance of HK$238.6 million as at 30 June 2008 (31 December 2007: HK$404.0 million). The Group did not have any material borrowings and its gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, as at 30 June 2008 was negligible. The Group has sufficient banking facilities available from its bankers for its daily operations.

Treasury Policies

The Group adopts conservative treasury policies and has tight controls over its cash and risk management. The Group's cash and cash equivalents are held mainly in Hong Kong dollars, Renminbi and United States dollars. Surplus cash is generally placed in short to medium term deposits in light of the Group's funding requirements.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in Hong Kong dollars and United States dollars. The exchange rate of United States dollars against Hong Kong dollars 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 Renminbi. Due to limitations in financial markets and regulatory constraints in Mainland China, the Group has an increasing exposure to Renminbi as its investments in Mainland China increase. Given the appreciation of Renminbi against Hong Kong dollars during the period under review, no financial instrument was used for hedging purposes. It is expected that the appreciation of Renminbi would have a favourable impact on the Group.

Material Acquisitions and Disposals of Subsidiaries, Associates and Jointly Controlled Entities

In March 2008, the Group acquired 51% equity interest of an entity incorporated in the PRC for a consideration of approximately US$2.54 million (equivalent to approximately HK$19.8 million). The principal activity of the acquired entity is the design and development of digital broadcasting network equipment and systems.

Charges on Assets

At 30 June 2008, the Group had a bank deposit of HK$6 million pledged to a bank as security for general banking facilities.

Future Plans for Material Investments or Capital Assets

The Group did not have any future plans for material investments or capital assets as at 30 June 2008.

Capital Commitments

The Group did not have any material capital expenditure commitments as at 30 June 2008.

Contingent Liabilities

At 30 June 2008, the Company had a pending court case regarding infringement of certain European patents in the Netherlands. The pending court case was subsequently withdrawn by the claimant on 15 July 2008.

Apart from above mentioned, the Company and the Group did not have any significant contingent liabilities as at 30 June 2008.

PURCHASE, REDEMPTION OR SALE OF SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") to regulate the directors' securities transactions. Following specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the accounting period covered by the interim report.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2008 interim report of the Company containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on Hong Kong Exchanges and Clearing Limited's website (www.hkex.com.hk) and the Company's website (www.irasia.com/listco/hk/dvn) in due course.

By Order of the Board
DVN (HOLDINGS) LIMITED
Dr Lui Pan
Chief Executive Officer

Hong Kong, 25 September 2008

As at the date of this announcement, the Board of the Company comprises the executive directors of Mr Ko Chun Shun, Johnson, Dr Lui Pan, Mr Luo Ning, Mr Qiu Yiyong, Mr Jin Wei, Mr Wang Daoyi and Mr Hu Qinggang, the non-executive director of Mr Jerry Sze, and the independent non-executive directors of Mr Liu Tsun Kie, Mr Chu Hon Pong and Mr Yap Fat Suan, Henry.

** For identification purpose only*