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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 2009

The board of directors (the “Board”) of DVN (Holdings) Limited (the “Company”) is pleased to present the unaudited consolidated results and financial position of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2009, together with the comparative figures for the corresponding period in 2008. 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 2009

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$’000	HK\$’000
REVENUE	2	328,097	380,559
Cost of sales		(183,250)	(209,098)
Gross profit		144,847	171,461
Other income	3	25,294	24,310
Marketing, selling and distribution costs		(35,460)	(59,181)
Administrative expenses		(60,782)	(76,226)
Other operating expenses		(21,937)	(11,597)
Operating profit	4	51,962	48,767
Finance costs	5	(1,698)	(41)
Share of profits/(losses) of associates		(277)	1,725
PROFIT BEFORE INCOME TAX		49,987	50,451
Income tax expenses	6	(7,717)	(8,001)
PROFIT FOR THE PERIOD		42,270	42,450
Attributable to:			
Equity holders of the Company		42,270	42,450
Minority interests		—	—
		42,270	42,450
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK\$0.037	HK\$0.037
Diluted		HK\$0.037	HK\$0.037

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>42,270</u>	<u>42,450</u>
Other comprehensive income:		
– Currency translation differences	<u>9,331</u>	<u>57,370</u>
Other comprehensive income for the period, net of tax	<u>9,331</u>	<u>57,370</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>51,601</u></u>	<u><u>99,820</u></u>
Attributable to:		
Equity holders of the Company	<u>51,601</u>	<u>99,820</u>
Minority interests	<u>–</u>	<u>–</u>
	<u><u>51,601</u></u>	<u><u>99,820</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		18,188	15,105
Intangible assets		65,353	68,710
Interest in a jointly controlled entity		—	—
Interests in associates		31,204	31,948
Trade receivables		274,831	327,551
Deferred income tax assets		8,057	9,638
Total non-current assets		397,633	452,952
CURRENT ASSETS			
Inventories		95,598	95,518
Trade receivables	9	467,834	443,345
Prepayments, deposits and other receivables		107,531	70,553
Tax receivables		14,446	10,206
Pledged bank deposit		6,000	6,000
Short-term bank deposits		123,623	10,000
Cash and cash equivalents		278,662	332,632
Total current assets		1,093,694	968,254
CURRENT LIABILITIES			
Trade payables	10	59,638	126,811
Other payables and accruals		97,518	89,368
Bank loans		121,575	21,723
Tax payables		6,949	1,154
Total current liabilities		285,680	239,056
Net current assets		808,014	729,198
TOTAL ASSETS LESS CURRENT LIABILITIES		1,205,647	1,182,150

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
<i>Note</i>		
NON-CURRENT LIABILITIES		
Deferred income tax liabilities	5,507	3,852
Bank loans	<u>—</u>	<u>12,057</u>
Total non-current liabilities	<u>5,507</u>	<u>15,909</u>
Net assets	<u>1,200,140</u>	<u>1,166,241</u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Ordinary shares	113,808	113,808
Reserves	<u>968,574</u>	<u>934,675</u>
	1,082,382	1,048,483
Minority interests	<u>117,758</u>	<u>117,758</u>
Total equity	<u>1,200,140</u>	<u>1,166,241</u>

1.1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). These condensed consolidated interim financial statements are unaudited but have been reviewed by the Company’s audit committee.

These condensed consolidated interim financial statements have been prepared under the historical cost convention. 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 2008, except for:

- (a) the adoption of the new and revised HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as “HKFRSs”) issued by the HKICPA mandatory for the annual accounting period beginning on 1 January 2009;
- (b) the adoption of the new accounting policy of the revenue recognition of systems integration contracts. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; and
- (c) the change in functional currency of the Company starting from 1 January 2009.

1.2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following HKFRSs are mandatory for the Group’s annual accounting period beginning on 1 January 2009 and are relevant to the Group’s operations:

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 1 (Amendment) and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8	Operating Segments

The impact of the adoption of the new/revised HKFRSs on these condensed consolidated interim financial statements are as follows:

- (a) HKAS 1 (Revised) “Presentation of Financial Statements”. This standard prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from “owner changes in equity”. All “non-owner changes in equity” are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. These condensed consolidated interim financial statements have been prepared under the revised disclosure requirements.
- (b) HKAS 27 (Amendment) “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”. It requires that dividends out of pre-acquisition profits should not be recognised as a reduction in the carrying amount of the investment in the investee but as income in the separate financial statements of the investor. The amendment is applied prospectively only.

HKFRS 1 (Amendment) “First Time Adoption of HKFRSs”. It allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, jointly controlled entities or associates using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements of the investor.

As the Group is not a first-time adopter of HKFRSs, the adoption of these amendments has no impact on the Group’s financial statements.

- (c) HKFRS 2 (Amendment) “Share-based Payment Vesting Conditions and Cancellations” deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment does not have any impact on the Group’s financial statements.
- (d) HKFRS 7 (Amendment) “Financial Instruments: Disclosures”. This amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.
- (e) HKFRS 8 “Operating Segments” replaces HKAS 14 “Segment Reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. This standard does not have any impact on the Group’s financial statements.

The following HKFRSs are mandatory for the Group's annual accounting period beginning on 1 January 2009, but are not relevant to the Group's operations:

HKAS 23 (Revised)	Borrowing Costs
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Financial Instruments: Presentation and Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HK(IFRIC) – Int 9 and HKAS 39	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

The following new standards, amendments and interpretations to existing standards have been issued, but are not effective for the Group's annual accounting period beginning on 1 January 2009 and have not been early adopted:

HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurements – Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 3 (Revised) and HKAS 27 (Revised)	Business Combinations and Consolidated and Separate Financial Statements
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

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

1.3. ADOPTION OF NEW ACCOUNTING POLICIES

The following new accounting policies have been applied for the Group's accounting period beginning on 1 January 2009:

Systems integration contracts

Contract revenue comprises the agreed contract amounts and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed overheads.

Revenue from fixed price systems integration contracts and the related contract costs are recognised on the percentage of completion method, measured by reference to the proportion of work completed to date to the estimated total work of the relevant contracts.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD").

In prior years, the directors regarded HKD as the functional currency of the Company. During the period ended 30 June 2009, the directors reassessed the Company's functional currency and considered that the functional currency of the Company should be changed from HKD to Renminbi ("RMB") starting from 1 January 2009 as RMB has become the currency that mainly influences the operation of the Group's significant entities. The change of functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates". As the Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited, the directors consider that it will be more appropriate continuing to adopt HKD as the Group's and the Company's presentation currency.

2. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" replaces HKAS 14 "Segment Reporting" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires the disclosure of information about the Group's operating segments. It replaces the requirements under HKAS 14 to determine the primary (business) and secondary (geographical) reporting operating segments of the Group. Adoption of this standard did not have any effect on the Group's results of operations or financial position. The Group has determined that the operating segments are substantially the same as the business segments previously identified under HKAS 14.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating 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 operating segments. Summary details of the operating 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) Financial market information business ("FMI Business") – 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 2009 and 2008 by operating segments is as follows:

	DVB Business		FMI Business		Corporate		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>314,786</u>	<u>368,450</u>	<u>13,311</u>	<u>12,109</u>	<u>–</u>	<u>–</u>	<u>328,097</u>	<u>380,559</u>
Segment results	<u>56,664</u>	<u>67,195</u>	<u>2,385</u>	<u>1,359</u>	<u>(7,087)</u>	<u>(19,787)</u>	<u>51,962</u>	<u>48,767</u>
Finance costs	(1,698)	(41)					(1,698)	(41)
Share of profits/(losses) of associates	(277)	1,725					(277)	1,725
Profit before income tax							49,987	50,451
Income tax expenses							(7,717)	(8,001)
Profit for the period							<u>42,270</u>	<u>42,450</u>

3. OTHER INCOME

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank balances	2,126	4,893
Interest accretions	10,766	1,810
Value-added tax refund	9,030	16,732
Net gain on disposal of property, plant and equipment	37	120
Government grants	509	–
Others	2,826	755
	<u>25,294</u>	<u>24,310</u>

4. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	179,164	205,092
Cost of provision of financial market information and selective consumer data	4,086	4,006
Depreciation	2,124	2,008
Net exchange losses	1,000	4,140
Other operating expenses including:		
Amortisation of deferred development costs	11,649	9,007
Write-off of deferred development costs	299	575
Provision for inventories	4,467	–
Provision for impairment of trade receivables	5,000	2,015
	<u>179,164</u>	<u>205,092</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	1,656	39
Loan facility fee	42	–
Interest element of finance leases	–	2
	<u>1,698</u>	<u>41</u>

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong	394	167
– outside Hong Kong		
– provision for the period	3,409	7,705
– underprovision in prior years	677	–
	<u>4,480</u>	<u>7,872</u>
Deferred income tax		
– Hong Kong	3	129
– outside Hong Kong	3,234	–
	<u>3,237</u>	<u>129</u>
Tax expenses for the period	<u><u>7,717</u></u>	<u><u>8,001</u></u>

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

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

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits less estimated 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 2008 of HK\$0.02 per ordinary share amounting to a total of approximately HK\$22,762,000 (2007: HK\$22,762,000) were declared by the Board of the Company on 23 April 2009 and were approved by the shareholders in the Annual General Meeting on 18 June 2009. Such dividends represented for 1,138,081,432 ordinary shares issued and outstanding as at 15 June 2009 and were accounted for in equity as an appropriation of retained earnings during the period ended 30 June 2009 (2008: 1,138,081,432 ordinary shares).

The Board of the Company does not recommend any payment of interim dividend on ordinary shares for the six months ended 30 June 2009 (2008: 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\$42,270,000 (2008: HK\$42,450,000) and the weighted average number of 1,138,081,432 (2008: 1,138,081,432) 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\$42,270,000 (2008: HK\$42,450,000) 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	
	2009	2008
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue	1,138,081,432	1,138,081,432
Adjustment for share options	–	5,483,428
Weighted average number of ordinary shares for diluted earnings per share	<u>1,138,081,432</u>	<u>1,143,564,860</u>

9. TRADE RECEIVABLES

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

	30 June	31 December
	2009	2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 6 months	209,727	202,414
7 – 12 months	124,003	139,888
Over 12 months	149,338	111,277
	483,068	453,579
Less: Provision	(15,234)	(10,234)
	<u>467,834</u>	<u>443,345</u>

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

At 30 June 2009, a wholly-owned subsidiary of the Company had factored trade receivables of approximately RMB7,774,000 (equivalent to approximately HK\$8,833,000) (2008: RMB35,411,000 equivalent to approximately HK\$39,873,000) to a bank on a recourse basis for cash. The Group continued to retain the risks and rewards of ownership associated with those trade receivables. Accordingly, the bank advances from the factoring of the trade receivables have been accounted for as liabilities in the condensed consolidated statement of financial position.

10. TRADE PAYABLES

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
0 – 6 months	47,964	95,910
7 – 12 months	946	20,353
Over 12 months	10,728	10,548
	<u>59,638</u>	<u>126,811</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW AND PROSPECTS

Overall Performance

Summary

For the six months ended 30 June 2009, the Group recorded HK\$328.1 million of consolidated revenue and HK\$144.8 million of gross profit, representing declines of 14% and 16% respectively from the 2008 figures of HK\$380.6 million and HK\$171.5 million during the same period and reflecting the management decision to scale back its set top box ("STB") business and a slow-down in the pace of cable digitisation in China during the first half of 2009. However, despite the drop in gross profit, aggressive cost control measures led to consolidated profit after tax during the period dropped only slightly to HK\$42.3 million from the 2008 figure of HK\$42.5 million recorded in the same period.

The Board of the Company does not recommend any payment of interim dividend on ordinary shares for the six months ended 30 June 2009 (2008: Nil).

Digital Broadcasting Business

In the first half of 2009, the development of China's TV digital migration progressed from the larger cities to smaller cities and counties, where the market is more fragmented and the cable TV operators are smaller in scale and are generally weaker in terms of their financial strength. The market thus experienced a transitional down shift as a result. Preliminary market data indicated the number of new digitised TV households in the second quarter of 2009 declined 38% from the same period in 2008. Average market selling prices of digital TV systems also fell.

In view of increasing requirement on the Group's internal cash resources as a result of intensified competition in the STB market with cable TV operators demanding more supplier financing, management decided to reduce the Group's exposure in the STB business to conserve resource and prepare for new growth opportunities in 2-way cable upgrade businesses. Since the end of last year, demand for 2-way cable upgrade has sprouted across the market with signs indicating a potential rapid market takeoff and the emerging of the "post-digitisation" era.

For the six months ended 30 June 2009, turnover from the Group's digital broadcasting business declined 15% to HK\$314.8 million (2008: HK\$368.5 million), due in part to the overall external market condition and in part to the transitional effect of the Group's internal business adjustment on its revenue. Segmental profit dropped 16% to HK\$56.7 million (2008: HK\$67.2 million).

The Group delivered about 945,000 units of STB, or a 14% drop from the 1.1 million units from the same period last year.

During the first half of 2009, a significant number of cable TV operators have set up either 2-way network test sites or pilot programs with aim to roll out 2-way services after acquiring sufficient operational and engineering data from the trials. The Group's 2-way products have been used in many of the projects including some high profile cases such as the Panyu City pilot project under the "Digital Home Program" promoted by the Guangdong provincial government, and the ambitious plan of Hunan Province to 2-way upgrade its entire network. The Group has signed or been short-listed for several projects with over 1 million units of potential 2-way product shipments.

We believe the current market demand for 2-way products will be sustainable as it originates from the commercial needs of cable TV operators seeking new revenue sources to generate a return for their heavy investment in digitisation. Currently, over 90% of the cable network in China is still one way and with over 50 million households already digitised, we anticipate rapid development of this market in the coming years.

The Group also saw contribution from its largest shareholder, CITIC Group, with the first delivery under a RMB35 million DBOSS (DVN Business Operation Support System) contract with 河南有線電視網絡集團有限公司.

Several sizable trial tests were also set up for the Group's DASS (DVN Application Support System) during the current period, with several hundred thousand installations.

Financial Market Information Business

Compared with the same period in 2008, segmental revenue in the Group's financial market information business increased 10% to HK\$13.3 million for the six months ended 30 June 2009 (2008: HK\$12.1 million) as a result of improving global financial market conditions, and its segmental profit improved to HK\$2.4 million (2008: HK\$1.4 million).

The primary business of this segment is the provision of online financial information through internet in Hong Kong and other parts of Asia.

Prospects

Cable TV network 2-way upgrade became a subject of national policy in the recently issued 57th policy paper, titled "Remarks on Accelerating Development of Cable TV Network", by the State Administration of Radio, Film and Television ("SARFT"). The document detailed a set of urgent targets for 2-way cable upgrade across the country including:

- By 2010, coverage of 2-way cable in large and medium cities to reach 60% cable TV households;
- By 2011, 95% cable TV households in large and medium cities and 50% cable TV households in other cities to be under 2-way cable coverage; and
- By 2012, 2-way cable to cover 80% of cable TV households in all cities,

as the government focuses to both accelerate the pace and expand the scope of cable development given the vital role cable will play in China's national information infrastructure. Commercially, market demand for 2-way cable upgrade has already been kick-started by operators of the cable networks with over 50 million digital cable users in aggregate as these cable operators seek additional revenues to improve the return on their heavy investment in digitisation. This combination of commercial pressure and government policy initiative will catapult demand for 2-way systems where we believe we have a strong position.

The Group has long anticipated a new wave of development in cable after digitisation to focus mainly on 2-way upgrade and value added service ("VAS") businesses, and had begun product developments in advance. Today, the Group has a full line of commercial hardware devices for 2-way cable upgrade and software solutions for VAS development.

The Group's 2-way upgrade devices were designed with several key considerations valued by cable TV operators:

1. Flexibility in cost and upgrade – The Group offers both a low price no-frill narrowband device (DOC) and a price competitive broadband device (WOC). DOC can support all existing mature interactive TV services with up to 500Kpbs uplink speed allowing cable TV operators to immediately improve APRU with minimum investment. WOC supports the needs of high end users with up to 50Mbps of broadband access. Cable TV operators have the flexibility to select their suitable DOC vs. WOC compositions to optimise revenue and return, minimise investment risk and thus able to keep up with future technical upgrades.
2. Compatibility with existing installed STBs – Our products work with over 90% of the 50 million plus STBs already installed.
3. Quick installation – Our solution requires no engineering work at the users end with installation being simply a matter of connecting a device to the STB on one end and the existing coaxial cable connector on the other end. This is very critical for cable TV operators needing to meet the deadlines set by SARFT.

The Group's 2-way upgrade products are BIOC (Broadcasting and Interactivity Over Cable) based solutions with proprietarily developed technologies. BIOC is a SARFT recommended 2-way upgrade technology and works on the principle of modifying the last mile coaxial cable between the end user and the fiber optic node into a 2-way communication channel using the un-utilised 900MHz-1050MHz spectrum on the coaxial cable for return transmission through only engineering modification at the node and an uplink communication device at the household. Both WOC and DOC make adoption of commonly used communication technologies such as WIFI and FSK (frequency shift key) where the widely available components allowed for competitive pricing to customers.

The Group also has developed an array of software products to support the operation of interactive TV and the management of 2-way cable network including:

- DASS (DVN Application Support System) – an innovative Java based software tool for the use of independent service providers/individuals to develop applications for deploying services on TV;
- 2-way Conditional Access System – to provide security for operator's commercial interest;
- DBOSS (DVN Business Operation Support System) – to provide back-office and management support for the multitude of applications and services could be developed on the interactive TV platform;
- Applications Solutions – home banking, online TV Game, TV Newspaper and Magazine, TV Pull Ad, TV Mail etc.;
- Network Management Software – to manage the operation of the physical 2-way network.

Based on experience from operators of 2-way cable network, the APRU of interactive TV viewers are about twice as much as those of the one way digital TV viewers. As such, the dawning of the 2-way cable upgrade development not only will provide tremendous opportunities for the Group's products but also some exciting investment potentials in 2-way upgrade BOT (build-operate-transfer) ventures with 10-15 years exclusive rights. The Group will actively explore these opportunities as well.

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 2009 was 644 (31 December 2008: 736), out of which 579 (31 December 2008: 671) employees were stationed in Mainland China. The number of employees as at 30 June 2009 categorised according to their functions is as follows:

Research and development	320
Sales and marketing	146
Technical support	47
Procurement and engineering support	32
Accounting and finance	25
Administration and management	74
	<u>644</u>

FINANCIAL REVIEW

Liquidity and Financial Resources

At 30 June 2009, the Group recorded total assets of HK\$1,491.3 million (31 December 2008: HK\$1,421.2 million) which were financed by liabilities of HK\$291.2 million (31 December 2008: HK\$255.0 million), minority interests of HK\$117.8 million (31 December 2008: HK\$117.8 million) and shareholders' equity of HK\$1,082.3 million (31 December 2008: HK\$1,048.4 million). The Group's net asset value per share (excluding minority interests) as at 30 June 2009 amounted to HK\$0.95 (31 December 2008: HK\$0.92).

The Group had a total cash and bank balance of HK\$408.3 million (31 December 2008: HK\$348.6 million) and bank borrowings of HK\$121.6 million (31 December 2008: HK\$33.8 million) as at 30 June 2009. Its gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, as at 30 June 2009 was 0.11 (31 December 2008: 0.03). 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 and Associates

The Group did not have any material acquisitions or disposals of subsidiaries and associates during the period ended 30 June 2009.

Charges on Assets

At 30 June 2009, the Group had a bank deposit of HK\$6 million and trade receivables of approximately HK\$8.8 million pledged to banks as securities 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 2009.

Capital Commitments

The Group had no material capital expenditure commitments as at 30 June 2009.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2009.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the six months ended 30 June 2009. 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 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the principles in the Code on Corporate Governance Practices (the "Code") and has complied with the code provisions of the Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 (the "Model Code") as set out in Appendix 10 to the Listing Rules to regulate the directors' securities transactions. Following specific enquiry by the Company, all directors have confirmed that they have complied with the Model Code regarding directors' securities transactions throughout the accounting period covered by the interim report.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The 2009 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.hkexnews.hk) and the Company's website (www.irasia.com/listco/hk/dvn) in due course.

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

Hong Kong, 25 September 2009

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 Jin Wei, Mr Xu Qiang and Mr Hu Qinggang, and the independent non-executive directors of Mr Liu Tsun Kie, Mr Chu Hon Pong and Mr Yap Fat Suan, Henry.

* *For identification purposes only*