DVN (HOLDINGS) LIMITED
天地數碼(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00500)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Note	**2009** **HK$'000**	2008 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	*3*	**191,060**	198,946
Cost of sales		**(65,314)**	(51,821)
Gross profit		**125,746**	147,125
Other income		**15,571**	20,412
Marketing, selling and distribution costs		**(35,342)**	(50,257)
Administrative expenses		**(79,527)**	(108,427)
Other operating expenses		**(11,692)**	(10,159)
Operating profit/(loss)		**14,756**	(1,306)
Finance costs	*4*	**(2,181)**	(1,866)
Share of profit/(loss) of associates		**(246)**	4,358
Profit before income tax		**12,329**	1,186
Income tax credits/(expenses)	*5*	**(1,498)**	3,722
Profit for the year from continuing operations		**10,831**	4,908
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	*6(a)*	**979**	87,980
PROFIT FOR THE YEAR	*7*	**11,810**	92,888
Attributable to:			
Equity holders of the Company			
– continuing operations		**10,831**	4,908
– discontinued operations		**979**	87,980
		11,810	92,888

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
Minority interests			
– continuing operations		**–**	–
– discontinued operations		**–**	–
		–	–
		11,810	92,888
DIVIDENDS	*8*	**22,791**	22,762
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*9*		
– continuing operations		**0.95 cents**	0.43 cents
– discontinued operations		**0.09 cents**	7.73 cents
		1.04 cents	8.16 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
PROFIT FOR THE YEAR	**11,810**	92,888
Other comprehensive income		
— Currency translation differences	**8,459**	38,511
Other comprehensive income for the year, net of tax	**8,459**	38,511
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**20,269**	131,399
Attributable to:		
Equity holders of the Company	**20,269**	131,399
Minority interests	**–**	–
	20,269	131,399

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**16,077**	15,105
Intangible assets		**33,644**	68,710
Interest in a jointly controlled entity		**–**	–
Interests in associates		**31,266**	31,948
Trade receivables		**258,702**	327,551
Deferred income tax assets		**7,719**	9,638
Total non-current assets		**347,408**	452,952
CURRENT ASSETS			
Inventories		**47,632**	95,518
Trade receivables	*10*	**500,234**	443,345
Prepayments, deposits and other receivables		**89,545**	70,553
Tax receivables		**4,436**	10,206
Pledged bank deposit		**6,000**	6,000
Short-term bank deposits		**23,515**	10,000
Cash and cash equivalents		**304,110**	332,632
		975,472	968,254
Assets of disposal group classified as held for sale	*6(b)*	**41,451**	–
Total current assets		**1,016,923**	968,254
CURRENT LIABILITIES			
Trade payables	*11*	**77,616**	126,811
Other payables and accruals		**100,317**	89,368
Bank loans		**7,964**	21,723
Tax payables		**5,734**	1,154
Total current liabilities		**191,631**	239,056
Net current assets		**825,292**	729,198
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,172,700**	1,182,150
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		**3,892**	3,852
Bank loans		**–**	12,057
Total non-current liabilities		**3,892**	15,909
Net assets		**1,168,808**	1,166,241
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**113,808**	113,808
Reserves		**937,242**	934,675
		1,051,050	1,048,483
Minority interests		**117,758**	117,758
Total equity		**1,168,808**	1,166,241

Notes:

1.1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated 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").

The consolidated financial statements have been prepared under the historical cost convention.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs are mandatory for 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 impacts of the adoption of the new/revised HKFRSs on these consolidated financial statements are as follows:

(a) HKAS 1 (Revised) "Presentation of Financial Statements". This revised standard prohibits the presentation of items of income and expenses (that are "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" in a statement of comprehensive income. As a result, the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so as to conform to the revised standard.

(b) HKFRS1 (Amendment) and 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. These amendments are applied prospectively only.

(c) HKFRS 2 (Amendment) "Share-based Payment Vesting Conditions and Cancellations". This amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services. They 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 and the Company's financial statements.

(d) HKFRS 7 (Amendment) "Financial Instruments: Disclosures". This amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. This amendment only requires additional disclosures in the Group's financial statements.

(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. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. This standard does not have any impact on the Group's results and financial position for the current and prior accounting periods. It only affects the presentation of the Group's financial statements.

The following HKFRSs are mandatory for the Group's 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 Net Investment in a Foreign Operation

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

HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-settled Share-based Payment Transaction
HKFRS 3 (Revised)	Business Combinations
HKFRS 9	Financial Instruments
HK(IFRIC) - Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) - Int 18	Transfers of Assets from Customers
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs (Amendments)	Improvements to HKFRSs 2009

The Group has commenced an assessment of the impact of these new 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, 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 year ended 31 December 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". On the date of the change of functional currency, all assets, liabilities, issued share capital and other components of equity and income statement items were translated into HKD at the exchange rate on that date. The cumulative currency translation differences which had arisen up to the date of the change of functional currency remain in equity.

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 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 chief operating decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. The Group's operating segments are structured and managed separately according to products and services provided by different strategic business units that the products and services offered are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

(i) Digital broadcasting business ("DVB Business") – Design, development, integration and sales of 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.

As further explained in Note 6, the discontinued set top box business under the DVB Business has been classified as discontinued operation for the year.

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2009 by operating segments is as follows:

	Continuing operations					Discontinued operations	Total
	DVB Business	FMI Business	Corporate	Unallocated	Sub-Total	DVB Business	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue (from external customers)	162,733	28,327	–	–	191,060	514,252	705,312
Depreciation	3,461	192	138	–	3,791	1,074	4,865
Amortisation	10,552	–	–	–	10,552	15,666	26,218
Operating profit/(loss)	19,809	4,879	(9,932)	–	14,756	9,806	24,562
Finance costs	(2,181)	–	–	–	(2,181)	–	(2,181)
Share of loss of associates	(246)	–	–	–	(246)	–	(246)
Profit before income tax					12,329	9,806	22,135
Income tax expenses					(1,498)	(8,827)	(10,325)
Profit for the year					10,831	979	11,810
Total assets	522,897	21,953	40,103	7,719	592,672	771,659	1,364,331
Total assets include:							
Interests in associates	31,266	–	–	–	31,266	–	31,266
Total liabilities	80,044	10,888	12,536	–	103,468	92,055	195,523
Capital expenditure	18,830	75	–	–	18,905	7,859	26,764

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2008 by operating segments is as follows:

	Continuing operations					Discontinued operations	Total
	DVB Business	FMI Business	Corporate	Unallocated	Sub-Total	DVB Business	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue (from external customers)	174,639	24,307	–	–	198,946	560,887	759,833
Depreciation	2,477	186	132	–	2,795	1,344	4,139
Amortisation	8,969	–	–	–	8,969	10,601	19,570
Operating profit/(loss)	24,602	1,988	(27,896)	–	(1,306)	91,042	89,736
Finance costs	(1,864)	–	–	(2)	(1,866)	–	(1,866)
Share of profit of associates	4,358	–	–	–	4,358	–	4,358
Profit before income tax					1,186	91,042	92,228
Income tax credits/(expenses)					3,722	(3,062)	660
Profit for the year					4,908	87,980	92,888
Total assets	444,878	11,292	87,414	9,638	553,222	867,984	1,421,206
Total assets include:							
Interests in associates	31,948	–	–	–	31,948	–	31,948
Total liabilities	77,507	4,192	9,302	–	91,001	163,964	254,965
Capital expenditure	24,965	223	35	–	25,223	19,391	44,614

Reportable segment assets are reconciled to total assets as follows:

	Group					
	2009			2008		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Total segment assets	**584,953**	**771,659**	**1,356,612**	543,584	867,984	1,411,568
Deferred income tax assets	**7,719**	**–**	**7,719**	9,638	–	9,638
Total assets	**592,672**	**771,659**	**1,364,331**	553,222	867,984	1,421,206

The entity is domiciled in Hong Kong. Its revenue from external customers by countries is as follows:

	Group					
	2009			2008		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
The PRC						
– Mainland China	**162,734**	**402,349**	**565,083**	174,639	490,144	664,783
– Hong Kong	**19,919**	**111,903**	**131,822**	16,908	70,743	87,651
Others	**8,407**	**–**	**8,407**	7,399	–	7,399
	191,060	**514,252**	**705,312**	198,946	560,887	759,833

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

	Group					
	2009			2008		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
The PRC						
– Mainland China	**60,467**	**2,045**	**62,512**	37,273	32,293	69,566
– Hong Kong	**18,386**	**–**	**18,386**	40,221	5,813	46,034
Others	**89**	**–**	**89**	163	–	163
	78,942	**2,045**	**80,987**	77,657	38,106	115,763

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Customer A	**91,921**	100,061
Customer B	**79,650**	–

3. REVENUE

An analysis of revenue is as follows:

	Group					
	2009			2008		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from sales of goods	**122,001**	**503,276**	**625,277**	149,224	542,386	691,610
Revenue from design, integration and installation of platforms for digital broadcasting systems	**37,598**	**–**	**37,598**	21,338	–	21,338
Revenue from provision of international financial market information and selective consumer data	**28,327**	**–**	**28,327**	24,307	–	24,307
Licensing income	**–**	**10,976**	**10,976**	–	18,501	18,501
Leasing income	**3,134**	**–**	**3,134**	4,077	–	4,077
	191,060	**514,252**	**705,312**	198,946	560,887	759,833

4. FINANCE COSTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**2,139**	709
Loan facility fee	**42**	1,155
Interest element of finance leases	**–**	2
	2,181	1,866

5. INCOME TAX CREDITS/(EXPENSES)

	Group					
	2009			2008		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Current						
– Hong Kong	**(940)**	**–**	**(940)**	(130)	–	(130)
– Outside Hong Kong						
– Provision for the year	**1,299**	**(7,844)**	**(6,545)**	3,325	(12,455)	(9,130)
– Over-provision/ (under-provision) in prior years	**(233)**	**(604)**	**(837)**	–	9,393	9,393
	126	**(8,448)**	**(8,322)**	3,195	(3,062)	133
Deferred income tax						
– Hong Kong	**(1,624)**	**–**	**(1,624)**	(3,676)	–	(3,676)
– Outside Hong Kong	**–**	**(379)**	**(379)**	4,203	–	4,203
	(1,624)	**(379)**	**(2,003)**	527	–	527
Income tax credits/(expenses)	**(1,498)**	**(8,827)**	**(10,325)**	3,722	(3,062)	660

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%) for the year on the estimated assessable profits less estimated available tax losses arising in Hong Kong.

Tax outside Hong Kong has been provided 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.

PRC corporate income tax is provided at the rate of 25% for the year of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC 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.

6. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

On 23 October 2009, the Company, Crystal Cube Limited (the "Seller", a wholly-owned subsidiary of the Company), Cisco Systems (HK) Limited (the "Acquirer") and Billion Champion International Limited (the "Subject Company", an indirect wholly-owned subsidiary of the Company) entered into a share purchase agreement (the "Share Acquisition Agreement"), pursuant to which the Seller has agreed to sell 100% of the issued share capital of the Subject Company to the Acquirer (the "Disposal").

On the same date, 億添視頻技術(上海)有限公司 (the "Seller WFOE", a wholly-owned subsidiary of the Subject Company) and a number of the Company's indirect wholly-owned subsidiaries (the "Group Vendor Companies") entered into an asset purchase agreement (the "Asset Purchase Agreement"), pursuant to which the Group Vendor Companies will transfer the digital set top box business (the "STB Business", as defined in the Company's circular dated 27 November 2009, the "Circular") and the set top box assets (the "STB Assets", as defined in the Circular) to the Seller WFOE.

As additional time is required to fulfill certain conditions precedent to the Closing (as defined in the Circular) of the Disposal, the Long-stop Date (as defined in the Circular) of the Share Acquisition Agreement was extended to 20 June 2010. Details of the extension of the Long-stop Date are set out in the Company's announcement dated 22 April 2010.

The following information represents the financial information of the results and assets of the STB Business presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" following the approval of the shareholders of the Company on 15 December 2009.

(a) Analysis of the results of discontinued operations

	2009	2008
	HK$'000	*HK$'000*
Revenue *(Note 3)*	**514,252**	560,887
Cost of sales	**(387,504)**	(408,872)
Gross profit	**126,748**	152,015
Other income	**34,688**	48,850
Marketing, selling and distribution costs	**(33,744)**	(50,267)
Administrative expenses	**(53,780)**	(42,168)
Other operating expenses	**(64,106)**	(17,388)
Profit before income tax	**9,806**	91,042
Income tax expenses *(Note 5)*	**(8,827)**	(3,062)
Profit for the year	**979**	87,980
Attributable to:		
Equity holders of the Company	**979**	87,980
Minority interests	**–**	–
	979	87,980

(b) Analysis of the assets of disposal group classified as held for sale

	2009
	HK$'000
Assets	
Property, plant and equipment	**1,691**
Intangible assets	**26,285**
Inventories	**13,475**
	41,451

Pursuant to the Asset Purchase Agreement, all finished goods inventory and key components of the Group Vendor Companies at Closing, but excluding certain specified models of set top boxes, agreed to be purchased by the Acquirer at Closing ("STB Finished Goods Inventory") will form part of the assets of the STB Business for the Disposal. Since the value of STB Finished Goods Inventory is determinable only at Closing, the value of inventories being included in the assets held for sale, as disclosed above, is based on the carrying amount of the inventory items expected to be disposed of by management as at 31 December 2009.

7. PROFIT FOR THE YEAR

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**445,491**	453,366
Cost of provision of international financial market information and selective consumer data	**7,327**	7,327
Depreciation	**4,865**	4,139
Net loss on disposal of property, plant and equipment	**16**	139
Other operating expenses including:		
Amortisation of intangibles	**26,218**	19,570
Write-off of deferred development costs	**1,925**	969
Provision for inventories	**10,822**	1,000
Write-off of trade receivables *(Note 10)*	**37,265**	–
Provision for impairment of trade receivables, prepayments, deposits and other receivables	**180**	5,868
Other income including:		
Interest income on bank balances	**(2,832)**	(8,220)
Interest accretions	**(16,244)**	(14,272)
Value-added tax refund	**(21,958)**	(32,294)
Government grants	**(4,127)**	(2,747)
Short-term investment income	**(267)**	–

8. DIVIDENDS

No interim dividend was paid during the year and previous year. The Board does not recommend to declare the payment of any final dividend (2008: HK$0.02 per share) but recommend to declare a special dividend of HK$0.02 per share (2008: HK$Nil) for the year ended 31 December 2009 subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

The calculation of the diluted earnings per share for the year is based on the Group's profit from continuing operations and discontinued operations attributable to the ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year assuming the exercise of the outstanding share options, the dilutive potential ordinary shares of the Company. A calculation is made to determine the number of ordinary shares that could have been acquired at fair value (determined as the average market share price of the Company's ordinary shares over the year) based on the monetary 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:

	Group	
	2009	2008
Weighted average number of ordinary shares in issue	**1,138,081,432**	1,138,081,432
Adjustment for share options	**–**	–
Weighted average number of ordinary shares for diluted earnings per share	**1,138,081,432**	1,138,081,432
	HK$'000	*HK$'000*
Group's profit attributable to the ordinary equity holders of the Company		
– continuing operations	**10,831**	4,908
– discontinued operations	**979**	87,980
	11,810	92,888

The basic and diluted earnings per share for the years ended 31 December 2009 and 2008 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

10. TRADE RECEIVABLES

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 6 months	**308,249**	202,414
7 – 12 months	**77,800**	139,888
Over 12 months	**124,599**	111,277
	510,648	453,579
Less: Provision for impairment	**(10,414)**	(10,234)
	500,234	443,345

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.

At 31 December 2009, trade receivables of approximately HK$37.3 million (Note 7) (2008: HK$Nil) were impaired and written off. The impaired receivables mainly relate to the discounts offered to some customers in order to speed up the settlement process of the outstanding receivables for instalment sales.

11. TRADE PAYABLES

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 6 months	**67,574**	95,910
7 – 12 months	**127**	20,353
Over 12 months	**9,915**	10,548
	77,616	126,811

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING REVIEW AND PROSPECTS

Overall Performance

Summary

In 2009, there was a substantial re-organisation of the Group's digital broadcasting business resulting in Cisco Systems (HK) Limited ("Cisco") entering into an agreement to buy out the Group's set top box ("STB") business. During the year, the management intentionally focused the STB business on lower price out-right sales transactions (cash on delivery or short-term credits) to reduce the Group's working capital requirements. The impact of this decision together with the falling in the average selling prices ("ASP") of other digital TV products, caused the Group's consolidated revenue for the year ended 31 December 2009 to decrease to HK$705.3 million from HK$759.8 million in 2008, representing a drop of 7.2%. Furthermore, the effect of gross margin reduction plus the non-recurring write-off of trade receivables and provision for inventories resulted in consolidated net profit falling to HK$11.8 million from HK$92.9 million in 2008.

After the Cisco transaction, the Group will focus on deploying its 2-way cable network upgrade and interactive TV technologies for the huge market of "triple play" (network convergence of cable, telecom, and internet). For the last 3 years, the Group has been committing to the development of these technologies and products.

Digital Broadcasting Business

2009 represented a year of transformation for the Group where the management completed the corporate strategy of exiting the increasingly commoditised and working capital intensive STB business, to focus resources in the delivery of 2-way cable network upgrade and triple play technology and systems to the cable TV industry. In October 2009, the Group entered into an agreement with Cisco to dispose of its STB business and to set up a strategic go-to-market arrangement with Cisco. After this re-organisation, the Group will be in a position to maximise market impact of its early mover advantage in interactive technologies. At the same time, it will still be in a position to offer a total solution of digital TV products through the new marketing arrangement with Cisco.

Discontinued STB Business Results

During the year, the management intentionally decided to minimise exposure to instalment sales in the STB business and focus principally on out-right sales transactions. As a result, STB revenue for the year ended 31 December 2009 fell 8.3% to HK$514.3 million (2008: HK$560.9 million) and gross margin for the same period in 2009 declined 16.6% to HK$126.7 million (2008: HK$152.0 million). In addition, the non-recurring write-off/provision were made against certain trade receivables and slow moving inventories, which amounted to HK$37.3 million and HK$10.8 million, respectively. The effect of the decline in gross margin and the non-recurring write-off/provision caused operating profit of the STB business to fall to HK$9.8 million for the year ended 31 December 2009 (2008: HK$91.0 million).

Continuing Digital Broadcasting Business Results

For the non-STB business activities, even though business volume increased considerably, market pressure on ASPs caused revenue to retreat to HK$162.7 million for the year ended 31 December 2009 (2008: HK$174.6 million). Operating profit for the same period decreased to HK$19.8 million from HK$24.6 million in 2008.

Aggregate Results for Digital Broadcasting Business

In aggregate, the Group's segmental revenue and operating profit from digital broadcasting business for the year ended 31 December 2009 were HK$677.0 million and HK$29.6 million respectively, corresponding to a 8.0% and 74.4% decrease from 2008.

Financial Market Information Business

Due to a general rebound in global financial markets, the Group recorded a full year segmental revenue and operating profit of HK$28.3 million and HK$4.9 million respectively on its financial market information business in 2009, corresponding to increases of 16.5% and 145.4% from those of 2008.

This operating segment focuses primarily on the provision of online financial market and business information through the internet in Hong Kong and other parts of Asia.

Prospects

Cable TV Market Dynamics

We take the view that 2010 will be looked back upon as the starting point of a fascinating period of development for China's cable TV industry, and that this new wave of "post-digitisation" development both in scale and pace will greatly exceed the development of digital TV in the last 4-5 years. Triggered by a chain of events that took place over the last nine months, we believe industry and market dynamics are now in motion to induce industry-wide re-structuring and consolidation of cable TV in parallel with rapid nationwide cable network infrastructure upgrades to set the stage for turning the family cable outlet into a network gateway capable of delivering triple play services – the combination of TV, internet, and telecom.

Triple Play

In the 13 January 2010 State Council executive meeting, Premier Wen Jiabao decided to accelerate the deployment of triple play. A clear road map was outlined in the decision aimed to formulate a model that ensures orderly convergence of the three types of network activities with proper consideration for network security, content and culture safety, and suitable industry competition. As such, cable TV operators are now allowed to offer certain basic and value added telecom services plus internet services while telecom operators are giving permission to carry pre-censored TV contents. Our interpretation is that the government hopes to promote network convergence while maintaining content guidance, and that cable TV will remain a key part of the resultant industry landscape. Therefore, the three-year trial period from 2010 to 2012 of the road map represents a critical window of opportunity for the cable TV industry to strengthen its competitive capabilities.

Industry Consolidation

The release of the State Council's "Culture Industry Vitalisation Plan" and the State Administration of Radio, Film and Televisions ("SARFT") 57th policy paper of "Remarks on Accelerating Development of Cable TV Network", both at the end of last July, triggered a broad consolidation of the fragmented cable TV industry in the third quarter of 2009 that was further accelerated after the announcement of the State Council decision on triple play. It is forecasted that most provinces will complete their consolidation by the end of 2010, creating a group of unified singular provincial level cable TV holding companies each with a viewer base of several million subscribers. Some analysts are forecasting further inter-provincial consolidations to eventually create a number of regional cable TV operators. In addition, the central government announced a plan to form a national cable TV company.

2-Way Network Upgrade

Cable network 2-way upgrade has become the single most pressing issue for cable TV operators after the reporting of the State Council triple play decision. China's cable TV network is still 90% one way, and the operators must quickly resolve this physical bottle neck in order to take full advantage of the opportunity offered by the triple play trial period. The guideline provided in the 57th SARFT policy paper was for 60% of all major and medium size cities to have 2-way network coverage by 2010; and 80% of all cities in the country to complete 2-way upgrade by 2012.

DVN's Competitive Position

With the disposal of the STB business and with over 3 years of research and development on 2-way upgrade technology and interactive systems, we believe the Group is well positioned for the tremendous opportunities presented by triple play and is well prepared to capture a dominant position in the interactive market similar to its achievements in the digital TV market.

Strategic Positioning Advantage

Strategically, we believe the Group is well prepared to take full advantage of the opportunities presented by 2-way upgrade and triple play. Long ago, while most of the industry was focusing primarily in the cable digitisation business, our management anticipated another wave of development occurring after cable digitisation to be driven by interactivity and value added services. With the triple play decision, it seems not only the scale of this "post digitisation" opportunity would significantly exceed our original expectation, its urgency and diversed scope would require the full attention from participants.

With the STB Business becoming increasingly "commodity like" and working capital intensive, the STB disposal allows the Group to re-sharpen its competitive position as an industry technology leader and focus resources on these new potentials. The Group will still retain its brand and market development capabilities while the strategic go-to-market arrangement with Cisco will allow us to form a close tie with the world's largest networking equipment supplier when developing triple play opportunities.

Early Mover Advantage, Technical Readiness and Broad Product Lines

After spending the last 3 years and considerable resources developing interactive technology and products, the Group now has a broad range of commercially mature products to address both immediate and longer term customer requirements, including:

- Flexible 2-way upgrade solution suitable for diversified operator demands and compatible with 90% of existing one-way STBs.

- Key business software systems such as DBOSS (DVN Business Operation Support System), DASS (DVN Application Support System), and ICAS (Interactive Conditional Access System) designed to handle large scale subscriber operation and multiple hardware systems of the post-consolidation provincial cable TV operators; and to support diversified services and applications of triple play.

- Interactive application and value added service products such as TV browser, TV widget, and interactive advertising for TV based triple play services.

Strategic go-to-market arrangement with Cisco will also allow the Group to leverage Cisco's expertise in network system in triple play opportunities.

Market Recognition

Over the last two years, the Group has spent considerable effort to successfully establish market and industry recognition for its 2-way network upgrade and interactive products. For example:

- The BIOC (Broadcasting and Interactivity Over Cable) system is recommended by SARFT for cable network 2-way upgrades, and has been adopted by a number of the early 2-way upgrade projects including the SARFT praised Shanxi Jincheng project.

- The Group delivered a substantial portion of a RMB35 million contract order for its DBOSS to Henan Provincial Cable Co. The system will be used to support interactive business activities and manage the 5 million plus cable subscribers under Henan Provincial Cable Co. The Henan network will be a 2-way network with considerable interactive value added services being planned including TV home banking etc.

- Formally released last year, the DASS software system has already been field deployed to a significant user base.

Over the past 5-6 years, the Group has developed into a top brand in China's digital TV market with a reputation for being a market leader in technical innovation. This recognition will be valuable in the marketing of the network and interactive products. In addition, the strategic go-to-market arrangement with Cisco enables the Group to leverage both brands.

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 31 December 2009 was 635 (2008: 736), out of which 572 (2008: 671) employees were stationed in Mainland China. The number of employees as at 31 December 2009 categorised according to their functions is as follows:

Research and development	366
Sales and marketing	122
Technical support	20
Procurement and engineering support	27
Accounting and finance	28
Administration and management	72
	635

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2009, the Group recorded total assets of HK$1,364.3 million (2008: HK$1,421.2 million) which were financed by liabilities of HK$195.5 million (2008: HK$255.0 million), minority interests of HK$117.8 million (2008: HK$117.8 million) and shareholders' equity of HK$1,051.0 million (2008: HK$1,048.4 million). The Group's net asset value per share (excluding minority interests) as at 31 December 2009 amounted to HK$0.92 (2008: HK$0.92).

The Group had a total cash and bank balance of HK$333.6 million (2008: HK$348.6 million) and bank borrowings of HK$8.0 million (2008: HK$33.8 million) as at 31 December 2009. Its gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, as at 31 December 2009 was 0.01 (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 HKD, RMB and United States dollars ("USD"). Surplus cash is generally placed in short to medium term deposits in light of the Group's funding requirements.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in HKD and USD. The exchange rate of USD against HKD is relatively stable and the related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. Due to limitations in financial markets and regulatory constraints in Mainland China, the Group has an increasing exposure to RMB as its investments in Mainland China increase. Given the appreciation of RMB against HKD during the year under review, no financial instrument was used for hedging purposes. It is expected that the appreciation of RMB would have a favourable impact on the Group.

Material Acquisitions and Disposals of Subsidiaries and Associates

On 23 October 2009, the Group entered into a share acquisition agreement and an asset purchase agreement in relation to the disposal of the Group's set top box business. Details of the disposal are set out in the announcement of the Company dated 2 November 2009 and the circular of the Company dated 27 November 2009.

Save as mentioned above, the Group did not have any material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2009.

Charges on Assets

At 31 December 2009, the Group had a bank deposit of HK$6.0 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 31 December 2009.

Capital Commitments

The Group had no material capital expenditure commitments as at 31 December 2009.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2009.

EVENTS AFTER THE FINANCIAL POSITION DATE

Save as the extension of the Long-stop Date mentioned in Note 6, there has been no other material event subsequent to the year end which requires adjustment of or disclosure in these consolidated financial statements.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("AGM") of the Company for the year will be held on 21 June 2010. Notice of AGM and the circular containing details of the resolutions and the supplementary information will be published on the HKEXnews website and will be sent to the shareholders in due course.

The Register of Members of the Company will be closed from Tuesday, 15 June 2010 to Monday, 21 June 2010, both dates inclusive. During such period, no transfer of shares will be registered. In order to qualify for the proposed special dividend and attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Monday, 14 June 2010. Subject to the shareholders' approval of the proposed special dividend at the AGM, payment of the dividend will be made and sent to the shareholders on or about 30 June 2010.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors who possess the appropriate business and financial experience and skills to understand financial statements. The Audit Committee is chaired by Mr Liu Tsun Kie and the other members of the Committee are Mr Chu Hon Pong and Mr Yap Fat Suan, Henry. The Audit Committee has adopted terms of reference which are in line with the Code on Corporate Governance Practices.

The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2009 including the accounting principles and policies adopted by the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2009.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS

As at the date of this announcement, the Board comprises 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 independent non-executive directors of Mr Chu Hon Pong, Mr Liu Tsun Kie and Mr Yap Fat Suan, Henry.

By Order of the Board
DVN (Holdings) Limited
Lui Pan
Chief Executive Officer

Hong Kong, 24 April 2010

** For identification purpose only*