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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
CONTINUING OPERATIONS			
Revenue	*3*	**567,724**	654,953
Cost of sales		**(364,811)**	(507,584)
Gross profit		**202,913**	147,369
Other income		**54,859**	36,729
Marketing, selling and distribution costs		**(67,393)**	(51,969)
Administrative expenses		**(152,184)**	(111,341)
Other operating expenses		**(78,385)**	(19,848)
Operating profit/(loss)		**(40,190)**	940
Finance costs	*4*	**(11)**	–
Share of loss of jointly controlled entities		**(20,642)**	(862)
Share of loss of associates		**(9,294)**	(636)
Loss before income tax		**(70,137)**	(558)
Income tax expenses	*5*	**(2,647)**	(1,937)
Loss for the year from continuing operations		**(72,784)**	(2,495)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	*6*	**(45,061)**	44,231
PROFIT/(LOSS) FOR THE YEAR	*7*	**(117,845)**	41,736
Attributable to:			
Equity holders of the Company			
– continuing operations		**(72,660)**	(2,495)
– discontinued operations		**(45,061)**	44,231
		(117,721)	41,736
Non-controlling interests			
– continuing operations		**(124)**	–
– discontinued operations		**–**	–
		(124)	–
		(117,845)	41,736

CONSOLIDATED INCOME STATEMENT *(Continued)*
For the year ended 31 December 2011

	Note	**2011** **HK$'000**	2010 HK$'000
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*8*		
– continuing operations		**(6.38) cents**	(0.22) cents
– discontinued operations		**(3.95) cents**	3.88 cents
		(10.33) cents	3.66 cents
DIVIDENDS	*9*	**–**	34,186

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(117,845)**	41,736
Other comprehensive income		
– Currency translation differences	**49,293**	43,148
Other comprehensive income for the year, net of tax	**49,293**	43,148
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(68,552)**	84,884
Attributable to:		
Equity holders of the Company	**(68,437)**	84,884
Non-controlling interests	**(115)**	–
	(68,552)	84,884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**19,120**	18,182
Intangible assets		**32,852**	37,233
Interests in jointly controlled entities		**23,963**	34,535
Interests in associates		**73,423**	25,848
Deferred income tax assets		**8,193**	7,892
Available-for-sale financial assets	*11*	**51,694**	139,429
Trade receivables		**102,777**	129,691
Restricted cash		**–**	3,542
Total non-current assets		**312,022**	396,352
CURRENT ASSETS			
Inventories		**63,242**	53,562
Available-for-sale financial assets	*11*	**10,103**	5,677
Trade receivables	*12*	**615,214**	678,338
Prepayments, deposits and other receivables		**142,939**	96,400
Tax receivables		**5,127**	4,870
Restricted cash		**–**	946
Short-term bank deposits		**–**	5,059
Cash and cash equivalents		**413,641**	456,302
Total current assets		**1,250,266**	1,301,154
CURRENT LIABILITIES			
Trade payables	*13*	**196,496**	289,155
Other payables and accruals		**205,405**	147,890
Tax payables		**6,721**	2,815
Total current liabilities		**408,622**	439,860
Net current assets		**841,644**	861,294
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,153,666**	1,257,646
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		**24,190**	37,125
Net assets		**1,129,476**	1,220,521
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**113,953**	113,953
Reserves		**897,582**	988,810
		1,011,535	1,102,763
Non-controlling interests		**117,941**	117,758
Total equity		**1,129,476**	1,220,521

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 and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

1.2 IMPACT OF NEW, AMENDED AND REVISED HKFRSs

The following amended and revised HKFRSs are mandatory for the Group's accounting period beginning on 1 January 2011 and are relevant to the Group's operations:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKFRS 3 (Revised)	Business Combinations

The impacts of the adoption of these amended and revised HKFRSs on these consolidated financial statements are as follows:

(a) HKAS 1 (Amendment) "Presentation of Financial Statements". This amendment confirms that entities may present an analysis of the components of other comprehensive income by item either in the statement of changes in equity or within the notes. The adoption of this amendment does not have any impact on the presentation of the Group's consolidated financial statements.

(b) HKFRS 3 (Revised) "Business Combinations". This amendment clarifies that only when the acquiree has present ownership instruments that entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the acquirer can choose to measure the non-controlling interest at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This revision does not have any material financial impact on the Group.

The following new, amended and revised HKFRSs are mandatory for the Group's accounting period beginning on 1 January 2011, but are not currently relevant to the Group's operations:

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 31 (Amendment)	Interests in Joint Ventures
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8 (Amendment)	Disclosure of Information about Major Customers

HK(IFRIC) – Int 13 (Amendment)	Customer Loyalty Programmes
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The following new, amended and revised HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2011 and have not been early adopted:

HKAS 1 (Revised) (Amendment)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKFRS 1 (Amendment)	Severe Hyperinflation of Removal of Fixed Dates for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosure – Transfers of Financial Assets
HKFRS 7 (Amendment)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 (Revised)	Financial Instruments: Disclosure
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

2 SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports reviewed by the Chief Executive Officer of the Group that are used to assess performance and allocate resources. The Group's operating segments are structured and managed separately according to the products and services provided by different strategic business units that the products and services offered are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

(i) Digital broadcasting business ("DVB Business") – Design, development, integration and sales of smart cards, conditional access systems, 2-way cable network systems, digital set top boxes, digital broadcasting systems and the related software;

(ii) Advertising agency business ("AA Business") – Provision of advertising agency services;

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

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

Others include corporate income and expenses and others.

As further explained in Note 6, the discontinued STB Business (as defined in Note 6) under the DVB Business has been classified as discontinued operations.

There are some changes in the operating segments presented during the year ended 31 December 2011. The operating segment "Advertising agency business" has been newly presented for the year ended 31 December 2011 as a result of the acquisition of 100% equity interest in Sinofocus Media (Holdings) Limited ("Sinofocus").

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2011 by operating segments is as follows:

	Continuing operations						Discontinued operations	
	DVB Business	AA Business	FMI Business	Direct Investments	Others	Sub-total	DVB Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue (from external customers)	514,232	22,901	30,591	–	–	567,724	–	567,724
Depreciation	4,740	346	177	–	152	5,415	–	5,415
Amortisation	14,253	–	–	–	–	14,253	–	14,253
Operating profit/(loss) *(Note (i))*	(34,688)	6,331	1,014	–	(12,847)	(40,190)	(60,081)	(100,271)
Finance costs	(11)	–	–	–	–	(11)	–	(11)
Share of loss of jointly controlled entities	–	(911)	–	(19,731)	–	(20,642)	–	(20,642)
Share of loss of associates	(6,503)	–	–	(2,791)	–	(9,294)	–	(9,294)
Loss before income tax						(70,137)	(60,081)	(130,218)
Income tax credit/(expenses)						(2,647)	15,020	12,373
Loss for the year						(72,784)	(45,061)	(117,845)
Total assets *(Note (ii))*	1,258,416	165,201	26,031	94,102	18,538	1,562,288	–	1,562,288
Total assets include:								
Interests in jointly controlled entities	–	7,742	–	16,221	–	23,963	–	23,963
Interests in associates	1,709	–	–	71,714	–	73,423	–	73,423
Total liabilities *(Note (iii))*	303,592	29,435	11,031	61,838	26,916	432,812	–	432,812
Capital expenditure	14,368	228	398	–	13	15,007	–	15,007
Interest income	16,479	127	4	–	133	16,743	–	16,743
Interest expenses	11	–	–	–	–	11	–	11

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2010 by operating segments is as follows:

	Continuing operations						Discontinued operations	
	DVB Business	AA Business	FMI Business	Direct Investments	Others	Sub-total	DVB Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue (from external customers)	624,639	–	30,314	–	–	654,953	132,757	787,710
Depreciation	4,641	–	295	–	64	5,000	490	5,490
Amortisation	11,341	–	–	–	–	11,341	5,094	16,435
Operating profit/(loss)	7,212	–	4,053	–	(10,325)	940	77,163	78,103
Finance costs	–	–	–	–	–	–	–	–
Share of loss of jointly controlled entities	(862)	–	–	–	–	(862)	–	(862)
Share of loss of associates	(636)	–	–	–	–	(636)	–	(636)
Profit/(loss) before income tax						(558)	77,163	76,605
Income tax expenses						(1,937)	(32,932)	(34,869)
Profit/(loss) for the year						(2,495)	44,231	41,736
Total assets *(Note (ii))*	1,635,487	–	24,883	–	37,136	1,697,506	–	1,697,506
Total assets include:								
Interests in jointly controlled entities	34,535	–	–	–	–	34,535	–	34,535
Interests in associates	25,848	–	–	–	–	25,848	–	25,848
Total liabilities *(Note (iii))*	444,836	–	10,796	–	21,353	476,985	–	476,985
Capital expenditure	22,667	–	245	–	–	22,912	2,072	24,984
Interest income	9,398	–	1	–	194	9,593	–	9,593
Interest expenses	–	–	–	–	–	–	–	–

Notes:

(i) The operating loss of Others for the year ended 31 December 2011 includes, inter alia, the gain on bargain purchase of subsidiaries related to the AA Business amounting to HK$12,967,000 and the loss on disposal of associates related to the DVB Business amounting to HK$2,491,000.

(ii) The total assets under the continuing operations of the DVB Business include those assets, which mainly represent STB Business related trade receivables and the expected periodic adjustment payments classified as available-for-sale financial assets, of the discontinued STB Business, which were not transferred to the Seller WFOE (as defined in Note 6) and still remain in the Group after the completion of the disposal of the STB Business.

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

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

	Group					
	2011			2010		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
The PRC						
– Mainland China	**517,212**	**–**	**517,212**	626,162	105,494	731,656
– Hong Kong	**41,057**	**–**	**41,057**	19,158	27,263	46,421
Others	**9,455**	**–**	**9,455**	9,633	–	9,633
	567,724	**–**	**567,724**	654,953	132,757	787,710

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

	Group					
	2011			2010		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
The PRC						
– Mainland China	**132,352**	**–**	**132,352**	97,812	–	97,812
– Hong Kong	**16,864**	**–**	**16,864**	17,941	–	17,941
Others	**142**	**–**	**142**	45	–	45
	149,358	**–**	**149,358**	115,798	–	115,798

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

	Operating segment	Group 2011 HK$'000	Group 2010 HK$'000
Customer A	DVB Business	**180,902**	321,472

3 REVENUE

An analysis of revenue is as follows:

	Group					
	2011			2010		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Revenue from sales of goods	**468,618**	**–**	**468,618**	592,775	131,837	724,612
Revenue from design, integration and installation of digital broadcasting systems	**42,804**	**–**	**42,804**	28,627	–	28,627
Advertising agency fee income	**22,901**	**–**	**22,901**	–	–	–
Revenue from provision of online financial market information	**30,591**	**–**	**30,591**	30,314	–	30,314
Licensing and leasing income	**2,810**	**–**	**2,810**	3,237	920	4,157
	567,724	**–**	**567,724**	654,953	132,757	787,710

4 FINANCE COSTS

	Group 2011 HK$'000	Group 2010 HK$'000
Interest on bank borrowings	**11**	–

5 INCOME TAX CREDIT/(EXPENSES)

	Group					
	2011			2010		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Current income tax						
– Hong Kong						
– Provision for the year	**(270)**	**–**	**(270)**	(649)	–	(649)
– Adjustment in respect of prior years	**12**	**–**	**12**	–	–	–
– Outside Hong Kong						
– Provision for the year	**(2,229)**	**–**	**(2,229)**	(1,381)	(672)	(2,053)
– Adjustment in respect of prior years	**609**	**–**	**609**	524	(306)	218
	(1,878)	**–**	**(1,878)**	(1,506)	(978)	(2,484)
Deferred income tax						
– Hong Kong	**(22)**	**–**	**(22)**	14	–	14
– Outside Hong Kong	**(747)**	**15,020**	**14,273**	(445)	(31,954)	(32,399)
	(769)	**15,020**	**14,251**	(431)	(31,954)	(32,385)
Income tax credit/(expenses)	**(2,647)**	**15,020**	**12,373**	(1,937)	(32,932)	(34,869)

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 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.

The corporate income tax in Mainland China has been provided at the rate of 25% (2010: 25%) on the profits for the Mainland China statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the Mainland China corporate income tax purpose. Certain subsidiaries of the Group are entitled to preferential tax treatments including two years exemption followed by three years of a 50% tax reduction.

6 DISCONTINUED OPERATIONS

(a) 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", a then indirect wholly-owned subsidiary of the Company) entered into a share purchase agreement (the "Share Acquisition Agreement"), pursuant to which the Seller 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 then wholly-owned subsidiary of the Subject Company) and a number of the Company's indirect wholly-owned subsidiaries (the "Group Vendor Companies") entered into an asset purchase agreement (the "Asset Purchase Agreement"), pursuant to which the Group Vendor Companies would transfer the digital set top box business (the "STB Business") and the set top box assets (the "STB Assets") to the Seller WFOE.

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

(b) Profit/(loss) from Discontinued Operations

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

	2011	2010
	HK$'000	*HK$'000*
Revenue *(Note 3)*	–	132,757
Cost of sales	–	(114,279)
Gross profit	–	18,478
Other income	–	(957)
Marketing, selling and distribution costs	–	(16,322)
Administrative expenses	–	(18,841)
Other operating expenses *(Note (i))*	–	(76,664)
Loss before income tax	–	(94,306)
Income tax expenses *(Note 5)*	–	(978)
Loss after tax of discontinued operations	–	(95,284)
Change in value on available-for-sale financial assets *(Note 11)*	**(60,081)**	–
Gain on disposal of STB Business	–	171,469
Pre-tax gain/(loss) recognised on disposal	**(60,081)**	171,469
Income tax credit/(expenses) *(Note 5)*	**15,020**	(31,954)
After-tax gain/(loss) recognised on disposal	**(45,061)**	139,515
Profit/(loss) for the year	**(45,061)**	44,231

Note:

(i) Other operating expenses including:

Write-off of trade receivables, net	–	32,731
Provision for impairment of trade receivables	–	32,401
Provision for impairment of other receivables	–	1,693
Provision for inventories	–	3,428

(II) Historically, the STB Business formed part of the business operation of the Group. In the preparation of separate results of the STB Business, all revenues and related costs, expenses and charges that were directly attributable to the STB Business were included in the results of the STB Business. Costs for which a specific identification method could not be practically applied, which mainly represented the staff costs attributable directly to sales department and administrative functions, other than the interest income on bank balances and head office overheads as further explained below, had been charged by the estimated time used by the staff engaged in the STB Business during the year ended 31 December 2010.

(III) Interest income on bank balances earned at the central treasury of the Company are not reflected in the profit from the STB Business during the year ended 31 December 2010 as the STB Business did not individually and separately manage any bank balances. Staff costs incurred at the head office level, which could not be allocated on a fair basis, are also not reflected in the profit from the STB Business.

(c) Analysis of the Cash Flows from Discontinued Operations

	2011	2010
	HK$'000	*HK$'000*
Net cash generated from operating activities	**–**	92,163
Net cash generated from investing activities	**42,066**	67,931
	42,066	160,094

The cash flows of the STB Business for the year ended 31 December 2010 are prepared based on the results of the STB Business as set out in Note 6(b) and the assets and liabilities directly attributable to the STB Business. As the treasury functions are centrally administered by the Company, the net inflows for the STB Business during the year ended 31 December 2010 are dealt with in the current account with the Company.

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

	31 December 2010
	HK$'000
Net assets disposed of:	
Property, plant and equipment	1,038
Inventories	5,321
Intangible assets	23,243
Cash and cash equivalents	38,934
	68,536
Cost, fees and expenses, accrued and paid	22,783
Gain on disposal of STB Business	171,469
	262,788
Satisfied by:	
Consideration received, satisfied in cash	70,108
Escrow money to be received	13,428
Fair value of expected periodic adjustment payments classified as available-for-sale financial assets *(Note 11)*	140,318
Shareholder's loan to be received	38,934
	262,788

	Year ended 31 December 2010 HK$'000
Consideration received, satisfied in cash	70,108
Receipt of shareholder's loan	38,829
Cash and cash equivalents disposed of	(38,934)
Net cash inflow	70,003

7 PROFIT/(LOSS) FOR THE YEAR

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
		(Note)
Cost of inventories sold	**352,869**	613,613
Cost of provision of advertising agency services	**2,796**	–
Cost of provision of online financial market information	**9,146**	8,250
Depreciation	**5,415**	5,490
Net exchange losses	**488**	519
Net loss on disposal of property, plant and equipment	**259**	410
Change in value of available-for-sale financial assets *(Note 11)*	**60,081**	–
Other operating expenses including:		
Amortisation of deferred development costs	**14,253**	16,435
Write-off of deferred development costs	**2,428**	809
Provision for inventories	**858**	10,706
Provision for impairment of trade receivables	**56,016**	33,389
Write-off of trade receivables	**–**	33,017
Provision for impairment of other receivables	**1,571**	1,747
Net loss on disposal of associates	**2,080**	–
Other income:		
Interest income on bank balances	**(4,546)**	(3,228)
Interest income on trade receivables	**(9,599)**	(6,365)
Interest income on available-for-sale financial assets	**(2,598)**	–
Value-added tax refund	**(20,678)**	(5,445)
Government grants	**(130)**	(1,522)
Non-compete income	**(2,597)**	(1,731)
Consultancy fee from an associate	**–**	(12,667)
Gain on bargain purchase of subsidiaries *(Note 10.1)*	**(12,967)**	–
Gain on disposal of subsidiaries	**(12)**	–
Gain on disposal of associates	**–**	(1,782)
Gain on disposal of STB Business	**–**	(171,469)
Others	**(1,732)**	(3,032)

Note: The income and expenses for the year ended 31 December 2010 shown above covered both continuing and discontinued operations.

8 EARNINGS/(LOSS) PER SHARE

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

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

	Group	
	2011	2010
Weighted average number of ordinary shares in issue	**1,139,531,432**	1,139,297,048
Adjustment for preference shares	**–**	–
Adjustment for share options	**–**	–
Weighted average number of ordinary shares for diluted earnings/(loss) per share	**1,139,531,432**	1,139,297,048
	HK$'000	*HK$'000*
Group's profit/(loss) attributable to the ordinary equity holders of the Company		
– continuing operations	**(72,660)**	(2,495)
– discontinued operations	**(45,061)**	44,231
	(117,721)	41,736

The basic and diluted earnings/(loss) per share for each of the years ended 31 December 2011 and 2010 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

9 DIVIDENDS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Proposed final dividend of HK$Nil (2010: HK$0.02) per ordinary share	**–**	22,791
Special interim dividend paid of HK$Nil (2010: HK$0.01) per ordinary share	**–**	11,395
	–	34,186

The Board does not recommend the payment of any final dividend (2010: HK$0.02 per ordinary share) for the year.

A final dividend in respect of the year ended 31 December 2010 of HK$0.02 (2009: special final dividend of HK$0.02) per ordinary share amounting to a total of approximately HK$22,791,000 (2009: HK$22,791,000) was declared by the Board on 22 March 2011, which was approved by the shareholders of the Company at the annual general meeting on 3 June 2011 and was paid on 30 June 2011. Such dividend represented for 1,139,531,432 ordinary shares (2009: 1,139,531,432 ordinary shares) issued and outstanding as at 31 May 2011 and was accounted for in equity as an appropriation of retained earnings during the year ended 31 December 2011.

10 BUSINESS COMBINATION

10.1 Acquisition of Sinofocus

On 17 June 2011, the Group acquired 100% of the issued shares of Sinofocus, which is an investment holding company and is engaged in advertising agency business through its subsidiaries, together with an assignment of a shareholder's loan for a consideration of HK$82,000,000. The acquisition of Sinofocus represents an opportunity for the Group to venture into the television advertising agency business.

The following table summarises the consideration paid for the issued shares of Sinofocus and the shareholder's loan, the acquisition-related costs, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	HK$'000
Purchase consideration	
Cash paid	**82,000**
Acquisition-related costs, included in other operating expenses	**297**
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	**82,000**
Cash and cash equivalents in subsidiaries acquired	**(5,165)**
Cash outflow on acquisition	**76,835**
Cash and cash equivalents	**5,165**
Property, plant and equipment	**1,634**
Receivables *(a)*	**145,011**
Payables	**(56,545)**
Total identifiable net assets	**95,265**
Non-controlling interests *(b)*	**(298)**
Gain on bargain purchase *(c)*	**(12,967)**
	82,000

(a) Acquired receivables

The fair value of receivables is approximately HK$145,011,000, which includes trade receivables with a fair value of approximately HK$107,962,000. The fair values of trade and other receivables approximate their carrying amounts.

(b) Non-controlling interests

The Group has chosen to recognise the non-controlling interests at its fair value for this acquisition. The fair value of the non-controlling interests was estimated based on the proportion of net assets acquired shared by non-controlling interests.

(c) Gain on bargain purchase

The Group recognised a gain on bargain purchase of approximately HK$12,967,000 in the consolidated income statement for the year ended 31 December 2011, which was primarily attributable to the consideration that was mutually agreed between the parties, with reference to the carrying amount of the identifiable net assets of Sinofocus.

(d) Revenue and profit contribution

The acquired business contributed revenue of approximately HK$22,901,000 and net profit after tax of approximately HK$3,554,000 to the Group for the period from 17 June 2011 (date of acquisition) to 31 December 2011. If the acquisition had occurred on 1 January 2011, the contribution to the consolidated revenue and consolidated net profit after tax for the year ended 31 December 2011 would have been approximately HK$32,358,000 and HK$7,620,000 respectively.

10.2 Acquisition of Laketune (BVI), Inc.

On 15 April 2010, the Group entered into an agreement with the other shareholders of Laketune (BVI), Inc. ("Laketune (BVI)"), a 51% owned subsidiary of the Group, pursuant to which the Group would prepay the consideration to acquire an additional 49% equity interest in Laketune (BVI) based on performance criteria defined in the agreement. The acquisition would only be completed when the performance criteria had been fully met. On 29 September 2011, the performance criteria had been met and the Group completed the acquisition of the additional 49% equity interest in and obtained the control of Laketune (BVI) at a total consideration of RMB10,455,000 (equivalent to approximately HK$12,822,000). Since then, Laketune (BVI) has become a wholly-owned subsidiary of the Group. The acquisition of Laketune (BVI) allows the Group to control the daily operations and future development of 雷科通技術(杭州)有限公司 ("Laketune (HZ)"), the wholly-owned subsidiary of Laketune (BVI). Laketune (HZ) was a 51% owned associate of the Group before the acquisition. The acquisition of the additional 49% equity interest in Laketune (BVI) led to a deemed disposal of a 51% owned associate and an acquisition of a wholly-owned subsidiary in respect of the equity interest in Laketune (HZ).

The following table summarises the consideration paid for the 49% equity interest in Laketune (BVI), the acquisition-related costs, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	HK$'000
Equity interest previously held by the Group	**15,836**
Loss on measuring the equity interest to fair value included in other operating expenses	**(2,491)**
Fair value of the previously held equity interest at the acquisition date	**13,345**
Purchase consideration	
Cash paid	**12,822**
Acquisition-related costs, included in other operating expenses	**–**
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	**12,822**
Cash and cash equivalents in subsidiaries acquired	**(35,966)**
Cash inflow on acquisition	**(23,144)**
Cash and cash equivalents	**35,966**
Property, plant and equipment	**983**
Receivables *(a)*	**85,278**
Inventories	**10,485**
Payables	**(106,546)**
Total identifiable net assets and provisional fair value of recognised amounts of identifiable assets acquired and liabilities assumed	**26,166**

(a) *Acquired receivables*

The fair value of receivables is approximately HK$85,278,000, which includes trade receivables with a fair value of approximately HK$79,296,000. The fair values of trade and other receivables approximate their carrying amounts.

(b) *Revenue and profit contribution*

The acquired business contributed revenue of approximately HK$13,752,000 and net profit after tax of approximately HK$1,736,000 to the Group for the period from 29 September 2011 (date of acquisition) to 31 December 2011. If the acquisition had occurred on 1 January 2011, the contribution to the consolidated revenue and consolidated net loss after tax for the year ended 31 December 2011 would have been approximately HK$112,945,000 and HK$8,026,000 respectively.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**145,106**	–
Fair value of expected periodic adjustment payments as a consideration for the disposal of STB Business	**–**	140,318
Receipt of periodic adjustment payments	**(27,923)**	–
Change in value *(Note 6(b))*	**(60,081)**	–
Exchange differences	**4,695**	4,788
At 31 December	**61,797**	145,106
Less: Non-current portion	**(51,694)**	(139,429)
Current portion	**10,103**	5,677

There was no change in the classification of the fair value hierarchy of the available-for-sale financial assets which were grouped into level 3 during the year ended 31 December 2011.

The fair value of the available-for-sale financial assets is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. At 31 December 2011, the expected sales quantity of STB applied in the discounted cash flow analysis had been adjusted downwards substantially by the management in view of the latest actual sales quantity of STB available to the management and the estimated sales trend of STB in the coming years. The change in revised estimated cash flows resulted in a change in value of the available-for-sale financial assets of HK$60,081,000 which was recorded under the Discontinued Operations for the year ended 31 December 2011.

The expected periodic adjustment payments are denominated in Renminbi and their fair value was calculated at a discount rate of 7.45% (2010: 6.31%) per annum.

12 TRADE RECEIVABLES

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 6 months	**370,111**	386,216
7-12 months	**144,243**	158,570
Over 12 months	**200,587**	180,187
	714,941	724,973
Less: Provision for impairment	**(99,727)**	(46,635)
	615,214	678,338

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

The Group's trading terms with its customers are payment in advance or on credit. The credit period to direct sales customers is generally for a period of three months, 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.

13 TRADE PAYABLES

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 6 months	**149,951**	277,829
7-12 months	**4,730**	133
Over 12 months	**41,815**	11,193
	196,496	289,155

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

REVIEW OF OVERALL RESULTS

Overall Performance

	Year ended 31 December 2011			Year ended 31 December 2010		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**567,724**	**–**	**567,724**	654,953	132,757	787,710
Cost of sales	**(364,811)**	**–**	**(364,811)**	(507,584)	(114,279)	(621,863)
Gross profit	**202,913**	**–**	**202,913**	147,369	18,478	165,847
Other income	**54,859**	**–**	**54,859**	36,729	170,512	207,241
Marketing, selling and distribution costs	**(67,393)**	**–**	**(67,393)**	(51,969)	(16,322)	(68,291)
Administrative expenses	**(152,184)**	**–**	**(152,184)**	(111,341)	(18,841)	(130,182)
Other operating expenses	**(78,385)**	**(60,081)**	**(138,466)**	(19,848)	(76,664)	(96,512)
Operating profit/(loss)	**(40,190)**	**(60,081)**	**(100,271)**	940	77,163	78,103
Finance costs	**(11)**	**–**	**(11)**	–	–	–
Share of loss of jointly controlled entities	**(20,642)**	**–**	**(20,642)**	(862)	–	(862)
Share of loss of associates	**(9,294)**	**–**	**(9,294)**	(636)	–	(636)
Profit/(loss) before income tax	**(70,137)**	**(60,081)**	**(130,218)**	(558)	77,163	76,605
Income tax credit/(expenses)	**(2,647)**	**15,020**	**12,373**	(1,937)	(32,932)	(34,869)
Profit/(loss) for the year	**(72,784)**	**(45,061)**	**(117,845)**	(2,495)	44,231	41,736

Revenue

	2011	2010
	HK$'000	*HK$'000*
Digital broadcasting business	**514,232**	757,396
Advertising agency business	**22,901**	–
Financial market information business	**30,591**	30,314
	567,724	787,710

The Group recorded a consolidated revenue of HK$567,724,000 in 2011, representing a decrease of 28% when compared to last year (2010: HK$787,710,000). The decrease was attributable mainly to the decrease in the revenue of digital broadcasting business as a result of the disposal of the Group's set top box ("STB") business in May 2010 and the gradual completion of the backlog shipment of STB subsequent to the disposal, even though the revenue of sales of smart cards recorded a growth of 20% in 2011.

The revenue of advertising agency business represents the revenue of the new advertising agency business since the acquisition of Sinofocus Media (Holdings) Limited ("Sinofocus") in June 2011.

Gross Profit and Gross Profit Margin

The Group recorded gross profit of HK$202,913,000 in 2011, representing an increase of 22% when compared to last year (2010: HK$165,847,000). Overall gross profit margin increased from 21% in 2010 to 36% in 2011 as more sales of higher margin products, such as sales of smart cards and software, and advertising agency services, were recorded in 2011.

Other Income

The substantial decrease in other income in 2011 when compared to last year was attributable mainly to the non-recurring gain on disposal of STB business of HK$171,469,000 in 2010.

The acquisition of Sinofocus in June 2011 led to a gain on bargain purchase of HK$12,967,000 which was reflected as other income for the current year.

Marketing, Selling and Distribution Costs/Administrative Expenses

The Group recorded an increase of 11% in the marketing, selling and distribution costs and administrative expenses for the current year when compared to last year. Although the disposal of the STB business led to a drop in operating costs, the decrease was offset by the operating costs of the new businesses (such as the advertising agency business) acquired in the current year and the effect of the appreciation of Renminbi ("RMB") against Hong Kong dollars ("HKD") and inflation.

Other Operating Expenses

	2011	2010
	HK$'000	*HK$'000*
Change in value of available-for-sale financial assets	**60,081**	–
Provision for impairment of trade receivables and other receivables	**57,587**	35,136
Write-off of trade receivables	**–**	33,017
Provision for inventories	**858**	10,706
Amortisation of deferred development costs	**14,253**	16,435
Write-off of deferred development costs	**2,428**	809
Net loss on disposal of associates	**2,080**	–
Others	**1,179**	409
	138,466	96,512

As disclosed in the Company's circular dated 27 November 2009 for the disposal of the STB business, the Group is entitled to the receipt of the periodic adjustment payments which are calculated at RMB12.2895 (equivalent to approximately HK$15.16) for each STB sold directly or indirectly in the PRC by the acquirer during the 36 month period following the completion of the disposal on 5 May 2010 up to a maximum of 5 million units of STB per each 12 month period. Last year the fair value of the expected periodic adjustment payments of HK$140,318,000, which was determined by using discounted cash flow analysis and the sales quantity of STB estimated by the management, was booked as part of the gain on disposal of STB business. At 31 December 2011, the expected sales quantity of STB applied in the discounted cash flow analysis had been adjusted downwards by the management in view of the latest actual sales quantity of STB available to the management and the estimated sales trend of STB in the coming years, thus resulted in a change in value of available-for-sale financial assets of HK$60,081,000 for the current year.

Provision for impairment of trade receivables and other receivables amounting to HK$57,587,000 was made for the current year, out of which HK$40,064,000 was related to the receivables of the discontinued STB business.

Share of Loss of Jointly Controlled Entities

The substantial increase in the share of loss of jointly controlled entities in 2011 when compared to 2010 was attributable mainly to the provision for impairment of intangible assets made by a jointly controlled entity during the current year.

Share of Loss of Associates

The substantial increase in the share of loss of associates in 2011 when compared to 2010 was attributable mainly to the provision for impairment of intangible assets made by an associate and the losses incurred by the new associates acquired during the current year.

Income Tax Credit/(Expenses)

The income tax credit in 2011 was attributable mainly to the adjustment of deferred income tax of HK$15,020,000 in relation to the change in value of available-for-sale financial assets.

REVIEW OF OPERATING SEGMENTS

Digital Broadcasting Business

In 2011, digitisation activities in China's cable TV market turned very robust after taking a brief pause in 2010. A significant portion of the market activities constituted of digitisation at small cable operators from counties and fourth tier cities. In light of this market backdrop, the Group's non-STB digital broadcasting business shipment reported a growth for the year ended 31 December 2011. Notably, smart card shipment in terms of quantity increased by 37% in 2011 if compared to 2010. The Group's internal rationalisation efforts of its sales operation also played a key role in delivering this growth. Since 2009, the Group has begun to devote more marketing resources to the smaller cable operator market and to adjust its sales organisation setup to suit for this more fragmented market segment. Sales volume of smart cards to small cable operators in counties and fourth tier cities grew from almost non-existent in 2009 to more than 50% of the total smart card shipment in 2011.

With STB backlog orders winding down since the disposal of the STB business unit in May 2010, the Group's STB shipment for the year ended 31 December 2011 was only fraction of the volume for 2010. In addition, decline in the average selling prices for digital broadcasting products in the market also exerted downward pressure on the Group's revenue.

Management has implemented an accelerated trade receivables collection program in 2011, and by year end the Group has managed to collect over HK$600 million in cash and reduce year to year trade receivables related to the digital broadcasting business by more than HK$100 million. In the process, the Group has also removed itself from a significant amount of after sales service obligations of STB related contracts which will allow the Group to move forward with a lighter fixed operating cost structure.

Advertising Agency Business

The Group commenced a new operating segment in advertising agency in June 2011 after completing the acquisition of Sinofocus – a new member and wholly-owned subsidiary of the Group. Sinofocus, through its subsidiaries, is an advertising agency working predominantly with leading international 4A (American Association of Advertising Agencies) firms to source TV advertising time on regional TV channels in China.

In 2011, Sinofocus helped to place TV advertisements for many well-known international and Chinese brands including Yum! Brands, Microsoft, Citizen, GlaxoSmithKline, Yili, Supor, and Shanghai Auto and was successful in securing a higher volume of TV advertising air time in key consumption markets such as the North Eastern provinces and Shaanxi Province through closer cooperation with local TV stations. At the same time, there was a modest increase in the unit TV advertising list price among regional TV stations in 2011 as general improvements in the content on regional TV channels have resulted in better viewer retention. During the year, Sinofocus also showed encouraging results in its effort to boost revenue yield on existing client base through diversification into non-TV advertising channels such as outdoor media displays in public areas such as airports, golf courses, and elevators.

Financial Market Information Business

In light of depressed financial market environment in the second half of 2011, the Group's segmental revenue from its financial market information business for 2011 stayed almost flat from that of 2010. At the same time, the 2011 segmental operating profit dropped to HK$1,014,000 from HK$4,053,000 in 2010 due to the increase in operating expenses.

Investment Activities

During the year, the Group continued in its effort to increase the composition of recurring revenue type businesses and has made two investments respectively in TV advertising agency services and media content. The acquisition of Sinofocus represents an opportunity for the Group to venture into TV advertising business. Over 80% of TV broadcasting industry's total revenue today is contributed by advertising. Education products and services occupy a very unique position in the media content business, and the investment in Chinese Online Corporation Limited allows the Group to gain exposure in this business.

PROSPECTS

Digital Broadcasting Business

Management is of the view that market condition for cable TV digitisation products and services in China will continue into 2012 and the persistent demand from cable TV operators will likely support a similar level of shipment for the Group in 2012. On top of this, management also anticipates Henan Provincial Cable TV Corp. will eventually start its digitisation plan in 2012 which may be a key growth factor for the Group's digital broadcasting business. A key component of the Group's supply arrangement with Henan Provincial Cable TV Corp. is the provision of all reception terminal software, which in turn represents a meaningful platform for the Group in the deployment of some of its advance application products/systems. Moving forward, the Group intends to work closely with its substantial shareholder, CITIC Group Corporation ("CITIC"), in order to tap into its substantial market resources in the development of new application products designed to assist cable TV operators to meet competition and challenges from new media.

Advertising Agency Business

The State Administration for Radio, Films and Television has recently issued two restrictive directives which became effective on 1 January 2012. The TV commercial restrictive directive, which bans TV stations from airing commercials during TV dramas, will likely lead to higher cost for commercial time slots. The TV show restrictive directive places a cap on the number of "entertainment shows" TV stations would be allowed to air during the prime time period from 7:30 pm to 10:00 pm, covering programs such as matchmaking shows, talent contest shows, talk shows, reality TV shows, etc. This will be very disruptive as substantial amount of the commercials already placed might need be either cancelled or replaced. Management also foresees that traditional TV, while continuing to be the dominant advertising media in China, might see its market share fall in 2012 due to the rapid growth and developments of the various types of new media.

In view of these market developments, Sinofocus has begun to formulate the development of a new business model with the following four key components that will combine both traditional and new media spaces to maximise the extensive media business experience and contacts of the management team:

Brand development

Sinofocus has recently formed a new joint venture, Midas Media Limited, in China with leading international 4A firm GroupM, and hopes to build the new joint venture into a strong full service advertising agency by leveraging GroupM's tremendous advertising placement capability in China.

Cross media advertising placement platform

Sinofocus intends to progressively build up an in-house cross media advertising placement platform through acquisitions.

Value enhancing technology and services for advertising businesses

Using interactive digital TV based subscriber viewing pattern tracking and statistical behavioural analysis technologies, and with reliance on CITIC's nationwide cable network footprint, Sinofocus hopes to initially develop target advertising capabilities for TV and then later expand to other media platforms.

Content based advertising platform

Sinofocus plans to develop revenue from product placement through investment in blog videos and micro-films.

EMPLOYEES

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

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. No share options were granted to any eligible directors or employees by the Company during the year ended 31 December 2011 (2010: Nil).

The total number of employees of the Group as at 31 December 2011 was 554 (2010: 484). The increase in the total number of employees was mainly resulted from the acquisition of new group companies, such as Sinofocus and 雷科通技術(杭州)有限公司 ("Laketune (HZ)"), during the current year.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2011, the Group recorded total assets of HK$1,562,288,000 (2010: HK$1,697,506,000) which were financed by liabilities of HK$432,812,000 (2010: HK$476,985,000), non-controlling interests of HK$117,941,000 (2010: HK$117,758,000) and shareholders' equity of HK$1,011,535,000 (2010: HK$1,102,763,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2011 amounted to HK$0.89 (2010: HK$0.97).

The Group had a total cash and bank balance of HK$413,641,000 (2010: HK$465,849,000) without any bank borrowings (2010: Nil) as at 31 December 2011. The decline in the cash and bank balance was resulted mainly from the acquisition of the new advertising agency and other businesses and the settlement of trade payables during the current year.

As the Group only had a residual level of backlog shipment of STB in 2011, less STB was purchased during the current year and it resulted in the significant decrease in the balance of trade payables as at 31 December 2011 as compared to that as at 31 December 2010.

Treasury Policies

The Group adopts conservative treasury policies and has tight controls over its cash management. The Group's cash and cash equivalents are held mainly in 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 the 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 continuing 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

In April 2011, the Group acquired 25% equity interest in an associate, 上海博游網絡科技有限公司, at a consideration of RMB9,000,000 (equivalent to approximately HK$10,717,000) and a maximum contingent consideration of RMB13,430,000 (equivalent to approximately HK$16,566,000) for the ultimate shareholding of up to 35%.

On 17 June 2011, the Group completed the acquisition of 100% equity interest in Sinofocus and the assignment of the related shareholder's loan at a consideration of HK$82,000,000. Details of the acquisition are set out in the announcement of the Company dated 19 May 2011.

On 28 September 2011, the Group acquired 20% equity interest in Chinese Online Corporation Limited ("COL"), which wholly owns 天地華文(北京)科技有限公司 ("天地華文"), at a total consideration of US$6,000,000 (equivalent to approximately HK$46,593,000). After the acquisition, both COL and 天地華文 become associates of the Group. Details of the acquisition are set out in the announcement of the Company dated 6 September 2011.

On 29 September 2011, the Group completed the acquisition of an additional 49% equity interest in a 51% owned subsidiary, Laketune (BVI), Inc. ("Laketune (BVI)"), which wholly owns Laketune (HZ), at a total consideration of RMB10,455,000 (equivalent to approximately HK$12,822,000). After the acquisition, both Laketune (BVI) and Laketune (HZ) become wholly-owned subsidiaries of the Group.

Save as mentioned above, the Group did not have any material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2011.

Charges on Assets

The Group did not have any assets pledged to third parties as at 31 December 2011.

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 2011.

Capital Expenditure Commitments

The Group did not have any material capital expenditure commitments as at 31 December 2011.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2011.

EVENTS AFTER THE FINANCIAL POSITION DATE

There has been no material event subsequent to the year end which requires adjustment of or disclosure in these consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed securities during the year ended 31 December 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year ended 31 December 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the accounting year covered by the annual report.

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.

The annual results for the year have been reviewed by the Audit Committee.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's independent auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

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 year covered by the annual report.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

The 2011 annual 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 the 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, 16 March 2012

At the date of this announcement, the Board of the Company comprises the executive directors of Mr Ko Chun Shun, Johnson (Chairman), Dr Lui Pan (Chief Executive Officer), Mr Luo Ning, Mr Jin Wei, Mr Xu Qiang (Chief Operating Officer) and Mr Hu Qinggang (Chief Financial Officer), and the independent non-executive directors of Mr Chu Hon Pong, Mr Liu Tsun Kie and Mr Yap Fat Suan, Henry.

**For identification purpose only*