DVN (Holdings) Limited
天地數碼(控股)有限公司

INTERIM REPORT 2012

(Stock Code: 00500)

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr Ko Chun Shun, Johnson *(Chairman)*
Dr Lui Pan *(Chief Executive Officer)*
Mr Luo Ning
Mr Jin Wei
Mr Xu Qiang *(Chief Operating Officer)*
Mr Hu Qinggang *(Chief Financial Officer)*

Independent Non-Executive Directors

Mr Chu Hon Pong
Mr Liu Tsun Kie
Mr Yap Fat Suan, Henry

Audit Committee

Mr Liu Tsun Kie *(Chairman)*
Mr Chu Hon Pong
Mr Yap Fat Suan, Henry

Remuneration Committee

Mr Chu Hon Pong *(Chairman)*
Mr Ko Chun Shun, Johnson
Mr Liu Tsun Kie
Mr Yap Fat Suan, Henry

Nomination Committee

Mr Ko Chun Shun, Johnson *(Chairman)*
Mr Liu Tsun Kie
Mr Chu Hon Pong
Mr Yap Fat Suan, Henry

Company Secretary

Mr Chan Kam Kwan, Jason

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Legal Advisers

Baker & McKenzie
Michael Li & Co.

Principal Bankers

Bank of Communications Co., Limited
Construction Bank of China
Hang Seng Bank Limited
Industrial and Commercial Bank of China

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business

Rooms 1304-05
China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

Share Registrars and Transfer Office

Principal Registrars

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

Investor Relations

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MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of DVN (Holdings) Limited (the "Company") presents the unaudited consolidated results and financial position of the Company and its subsidiaries (together, the "Group") for the six-month period ended 30 June 2012, together with the comparative figures for the corresponding period in 2011. These condensed consolidated interim financial statements have not been audited but reviewed by the Company's audit committee and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Review of Overall Results

Overall Performance

	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000
Revenue	**36,482**	**150,935**	**187,417**	20,361	222,596	242,957
Cost of sales	**(5,934)**	**(63,237)**	**(69,171)**	(4,714)	(144,418)	(149,132)
Gross profit	**30,548**	**87,698**	**118,246**	15,647	78,178	93,825
Other income	**7,531**	**13,789**	**21,320**	16,128	17,056	33,184
Marketing, selling and distribution costs	**(4,280)**	**(31,764)**	**(36,044)**	(3,246)	(22,595)	(25,841)
Administrative expenses	**(21,243)**	**(50,461)**	**(71,704)**	(12,297)	(49,816)	(62,113)
Other operating expenses	**(357)**	**(214,764)**	**(215,121)**	(495)	(11,294)	(11,789)
Operating profit/(loss)	**12,199**	**(195,502)**	**(183,303)**	15,737	11,529	27,266
Share of loss of jointly controlled entities	**(6,952)**	**–**	**(6,952)**	(2,789)	–	(2,789)
Share of loss of associates	**(811)**	**–**	**(811)**	(737)	(67)	(804)
Profit/(loss) before income tax	**4,436**	**(195,502)**	**(191,066)**	12,211	11,462	23,673
Income tax expenses	**(3,155)**	**(21,801)**	**(24,956)**	(293)	(3,088)	(3,381)
Profit/(loss) for the period	**1,281**	**(217,303)**	**(216,022)**	11,918	8,374	20,292

Revenue

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Digital broadcasting business	**155,136**	226,671
Advertising agency business	**17,899**	1,322
Financial market information business	**14,382**	14,964
	187,417	242,957

The Group recorded a consolidated revenue of HK$187,417,000 in the first half of 2012, representing a decrease of 23% when compared to the corresponding period of 2011. The decrease was attributable mainly to the decrease in the revenue of digital broadcasting business as a result of the gradual completion of the backlog shipment of set top boxes ("STB") subsequent to the disposal of the Group's STB business in 2010.

The advertising agency business has recorded a promising increase in revenue in the first half of 2012 since the acquisition of the business in June 2011.

Gross Profit and Gross Profit Margin

The Group recorded gross profit of HK$118,246,000 in the first half of 2012, representing an increase of 26% when compared to the corresponding period of 2011. Overall gross margin increased from 39% to 63% as more sales of higher margin products, such as smart cards and software, and advertising agency services, were recorded in 2012.

Other Income

The Group recorded a decrease of 36% in other income in the first half of 2012, when compared to the corresponding period of 2011, because last period's figure included a non-recurring gain on bargain purchase of the Group's advertising agency business of HK$12,967,000.

Marketing, Selling and Distribution Costs/Administrative Expenses

The Group recorded an increase of 23% in the marketing, selling and distribution costs and administrative expenses in the first half of 2012, when compared to the corresponding period of 2011. The increase was attributable mainly to the inclusion of the expenses incurred by the Group's advertising agency business acquired in June 2011 and the wholly-owned subsidiary, 雷科通技術(杭州)有限公司, acquired in September 2011.

Other Operating Expenses

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Provision for impairment of trade receivables and other receivables	**188,540**	1,552
Provision for inventories	**10,283**	683
Amortisation of deferred development costs	**7,152**	7,121
Write-off of deferred development costs	**6,536**	1,876
Provision for impairment of property, plant and equipment	**2,243**	–
Others	**367**	557
	215,121	11,789

The substantial increase in other operating expenses was mainly resulted from the impairment provisions made for the trade receivables and other receivables, inventories, and deferred development costs related to the Group's digital broadcasting business. The impairment provision for the trade receivables was made after taking into account of financial difficulties of the trade debtors, delinquency in payments, business relationship and transaction volumes with the trade debtors, and the past due aging analysis of trade receivables.

Share of Loss of Jointly Controlled Entities

The increase in the share of loss of jointly controlled entities was mainly resulted from the loss of a jointly controlled entity, which has preliminary commenced its operation of advertising agency business in January this year.

Income Tax Expenses

The increase in income tax expenses in the first half of 2012 was mainly resulted from the under-provision of income tax in prior years and the reversal of deferred income tax assets.

Review of Operating Segments

Digital Broadcasting Business

On 3 July 2012, the Group reached a conditional agreement (the "Conditional Agreement") to sell substantially all of its digital broadcasting business, which will be presented for shareholders' approval at an upcoming special general meeting. Despite growth in China's general digital broadcasting market, business operating environment continues being very challenging caused by intense competition, heavy pricing pressure, and increasing demand for working capital to finance longer trade receivables required by cable TV operators. As a result, a divesture decision was made after a thorough management assessment of the Group's business operations and future development strategy. Upon the completion of the Conditional Agreement, only a small fraction of the Group's digital broadcasting business will remain including the operation of the DVN Business Operation Support System (the "DBOSS Business"). The Group has committed to an active programme before 30 June 2012 to locate buyer to acquire the Group's operation of the DBOSS Business. Details of the disposal including the terms of the Conditional Agreement and the reasons for the disposal are set out in the Company's announcement of 10 July 2012 titled "Very Substantial Disposal".

Advertising Agency Business

For the six-month period ended 30 June 2012, the gross amount of advertisement placed by the Group's clients and the net advertising agency fee earned by the Group grew near 14% and 51% respectively from the same period in 2011. Earning was predominantly generated from sourcing advertising spaces on behalf of clients, including both international 4A firms (American Association of Advertising Agencies) and actual end advertisers. Contribution from end advertising companies was the main growth driver in the first half of 2012, as earnings from international 4A firms stayed almost flat with shrinking gross margins.

The advertising market was quite challenging for the first half of 2012 in light of economic slowdowns both domestically and internationally. A cross-the-board deceleration in spending was taking place including key advertising stables such as real estate, auto, home appliance, and retailing. For the first 4 months of 2012, advertising at traditional media grew only 1.9%, falling drastically from 16.5% in 2011 or even 4.3% at the height of the last global financial crisis in 2009. Within the category, TV advertising related billing growth was only 3.1% as well.

During the first half of 2012, the Group began taking steps, to implement the new business plan, to diversify from over dependence on earning stream from TV ad times sourcing and to improve overall gross margin in the future. Some steps have already shown positive impacts. For example, the Group has increased ad placement with novelty non-TV advertising media platforms specialised in high-end venues such as golf courses and airports, which in turn cushioned impact of narrowing margins from TV ad times and provided some growth support to both revenue and net earnings. Midas Media Limited ("Midas Media"), the joint venture company with leading international 4A firm GroupM, was fully established on 6 January 2012. During the following months, Midas Media has put in place a professional team and began formulating cooperation with international brands such as Bacardi, Estee Lauder, Audemars Pigeut, Citizen, and Peugeot & Citroen. The joint venture aims to provide one stop service of integrated media planning, execution, and media space sourcing to clients. The Group hopes to derive, through Midas Media, higher yield from existing client base and to take advantage of the extensive network of GroupM. Activities in the first half focused mostly on business developments, with ad placements expect to begin in the second half.

Financial Market Information Business

Due to volatilities in the global financial markets, segmental revenue from the financial market information business was HK$14,382,000 for the six-month period ended 30 June 2012, representing a 4% decline from the same period in 2011 (2011: HK$14,964,000). Its segmental operating profit for the current period also dropped from HK$1,388,000 in 2011 to HK$628,000.

Direct Investments

The Group has two associated companies engaging in online games and online education business respectively. Both operation units showed positive developments during the first six months of 2012. In particular, there has been strong monthly growth of registered players with the online game business, which has begun to generate both revenue and positive cash flow.

Prospects

Advertising Agency Business

The Group is of the view that the current advertising market environment will continue in the second half of 2012. At the same time, fast growth of new advertising media platforms will continue to compete for market share from traditional media. Therefore, the Group will continue with its strategy to expand placement channels to reduce reliance on the TV media and expand billing bases to clients by developing other advertising operating services to offer a more comprehensive range of services.

To diversify from TV media, the Group is actively seeking opportunities to expand its placement capabilities into other advertising media platforms. Media resources associated with high-end venues such as golf courses and airports will be one of the Group's priorities. The Group already had some past success in placement at outdoor media platforms at golf courses and airports, and will continue to expand its capacities in this area including possibilities to acquire additional resources in the near future.

On the service side, the Group will continue to expand its service range with the objective of becoming a provider of comprehensive advertising operation services. The plan is to develop Midas Media into a service platform, in order to leverage on the extensive resources of GroupM while cultivating new billing potentials from the Group's existing client base. In the short term, the professional team at Midas Media will be continuingly strengthened to advance its service capabilities.

The Group is also developing digital media data analysis capabilities, through its jointly controlled entity 乾志互動數碼科技（上海）有限公司(“乾志互動”). Data analytical systems are useful tools to help clients to improve efficiency of their advertising delivery. 乾志互動 was established in May 2011, and is currently at a stage of system development and testing. In the first half of 2012, 乾志互動 has installed a trial data analytical system within the ad management system of Huan TV (“歡網”). Huan TV is a provider of internet TV systems and solutions and is a joint venture of TCL and Changhong, two prominent Chinese TV manufacturers. 乾志互動 has also installed trial ad management software systems with Shanghai Oriental Cable and Suzhou Cable as part of their trial lottery channels.

The Group's objective is to grow its advertising agency business into a non-media specific advertising placement platform that offers a comprehensive range of advertising operation services which will help to optimise client's advertisement delivery and effectiveness. As such, it will also look for acquisitions to compliment and expedite the development of its service capabilities.

Direct Investments

Both operation units are developing new projects and new products, including the next version of the “Call of Gods” game for the online game business. It is expected that the growth of registered players for the online game business will continue in the near future while the online education business is still under the stage of business development in the second half of 2012.

Employees

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

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group. No share options were granted to any eligible directors or employees by the Company during the six-month period ended 30 June 2012 (2011: Nil).

The total number of employees of the Group as at 30 June 2012 was 435 (31 December 2011: 554).

Financial Review

Liquidity and Financial Resources

At 30 June 2012, the Group recorded total assets of HK$1,257,325,000 (31 December 2011: HK$1,562,288,000) which were financed by liabilities of HK$350,961,000 (31 December 2011: HK$432,812,000), non-controlling interests of HK$117,892,000 (31 December 2011: HK$117,941,000) and shareholders' equity of HK$788,472,000 (31 December 2011: HK$1,011,535,000). The Group's net asset value per share (excluding non-controlling interests) as at 30 June 2012 amounted to HK$0.69 (31 December 2011: HK$0.89).

The Group had a total cash and bank balance of HK$434,773,000 (out of which HK$145,580,000 was included in assets held for sale) (31 December 2011: HK$413,641,000) without any bank borrowings (31 December 2011: Nil) as at 30 June 2012. The increase in the cash and bank balance was resulted mainly from the settlement of trade receivables during the current period. The Group has sufficient banking facilities available from its bankers for its daily operations.

Since the gradual completion of the backlog shipment of STB in 2011 and the settlement of the trade payables related to the purchase of STB during the current period, the balance of trade payables was significantly reduced from HK$196,496,000 at 31 December 2011 to HK$131,490,000 (out of which HK$111,999,000 was included in liabilities held for sale) at 30 June 2012.

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 Hong Kong dollars ("HKD"), Renminbi ("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. No financial instrument was used for hedging purposes. It is expected that the appreciation of RMB in the long-run would have a favourable impact on the Group.

Material Acquisitions and Disposals of Subsidiaries and Associates

In January 2012, the Group made the second stage investment payment of approximately HK$8,532,000 upon the achievement of the performance criteria by the Group's associated company, 上海博游網絡科技有限公司("上海博游") and increased its equity interest in 上海博游 from 25% to 37%.

Save as mentioned above, the Group did not have any material acquisitions or disposals of subsidiaries and associates during the six-month period ended 30 June 2012.

Charges on Assets

The Group did not have any assets charged to third parties as at 30 June 2012.

Future Plans for Material Investments or Capital Assets

The Group did not have any concrete future plans for material investments or capital assets as at 30 June 2012.

Capital Expenditure Commitments

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2012.

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF DVN (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 12 to 35, which comprises the condensed consolidated statement of financial position of DVN (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2012

	Note	Six months ended 30 June 2012 (Unaudited) HK$'000	2011 (Unaudited) (Restated) HK$'000
CONTINUING OPERATIONS			
Revenue	*3*	**36,482**	20,361
Cost of sales		**(5,934)**	(4,714)
Gross profit		**30,548**	15,647
Other income		**7,531**	16,128
Marketing, selling and distribution costs		**(4,280)**	(3,246)
Administrative expenses		**(21,243)**	(12,297)
Other operating expenses		**(357)**	(495)
Operating profit		**12,199**	15,737
Share of loss of jointly controlled entities		**(6,952)**	(2,789)
Share of loss of associates		**(811)**	(737)
Profit before income tax		**4,436**	12,211
Income tax expenses	*4*	**(3,155)**	(293)
Profit for the period from continuing operations		**1,281**	11,918
DISCONTINUED OPERATIONS			
Profit/(loss) for the period from discontinued operations	*5(b)*	**(217,303)**	8,374
PROFIT/(LOSS) FOR THE PERIOD	*6*	**(216,022)**	20,292
Attributable to:			
Equity holders of the Company			
– Continuing operations		**1,330**	11,881
– Discontinued operations		**(217,303)**	8,374
		(215,973)	20,255
Non-controlling interests			
– Continuing operations		**(49)**	37
– Discontinued operations		**–**	–
		(49)	37
		(216,022)	20,292
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*7*		
– Continuing operations		**0.12 cents**	1.04 cents
– Discontinued operations		**(19.07) cents**	0.74 cents
		(18.95) cents	1.78 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE PERIOD	**(216,022)**	20,292
Other comprehensive income/(loss)		
– Currency translation differences	**(7,090)**	20,024
Other comprehensive income/(loss) for the period, net of tax	**(7,090)**	20,024
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(223,112)**	40,316
Attributable to:		
Equity holders of the Company	**(223,063)**	40,278
Non-controlling interests	**(49)**	38
	(223,112)	40,316
Total comprehensive income/(loss) attributable to equity holders of the Company arising from:		
– Continuing operations	**(5,516)**	23,100
– Discontinued operations	**(217,547)**	17,178
	(223,063)	40,278

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,589**	19,120
Intangible assets		**–**	32,852
Interests in jointly controlled entities		**16,879**	23,963
Interests in associates		**70,849**	73,423
Deferred income tax assets		**–**	8,193
Available-for-sale financial assets	*9*	**22,900**	51,694
Trade receivables		**–**	102,777
Total non-current assets		**119,217**	312,022
CURRENT ASSETS			
Inventories		**38,993**	63,242
Available-for-sale financial assets	*9*	**12,853**	10,103
Trade receivables	*10*	**127,355**	615,214
Prepayments, deposits and other receivables		**117,210**	142,939
Tax receivables		**221**	5,127
Cash and cash equivalents		**289,193**	413,641
		585,825	1,250,266
Assets of disposal group classified as held for sale	*5(c)*	**552,283**	–
Total current assets		**1,138,108**	1,250,266
CURRENT LIABILITIES			
Trade payables	*11*	**19,491**	196,496
Other payables and accruals		**107,481**	205,405
Tax payables		**13,216**	6,721
		140,188	408,622
Liabilities of disposal group classified as held for sale	*5(c)*	**188,153**	–
Total current liabilities		**328,341**	408,622
Net current assets		**809,767**	841,644
TOTAL ASSETS LESS CURRENT LIABILITIES		**928,984**	1,153,666
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		**22,620**	24,190
Net assets		**906,364**	1,129,476
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*12*	**113,953**	113,953
Reserves		**674,519**	897,582
		788,472	1,011,535
Non-controlling interests		**117,892**	117,941
Total equity		**906,364**	1,129,476

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2012

		Attributable to equity holders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	General reserve HK$'000	Share-based compensation reserve HK$'000	Retained earnings /(accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Unaudited											
Balance at 1 January 2011		113,953	1,724	628,235	132,083	26,834	879	199,055	1,102,763	117,758	1,220,521
Profit for the period		–	–	–	–	–	–	20,255	20,255	37	20,292
Other comprehensive income – Currency translation differences		–	–	–	20,023	–	–	–	20,023	1	20,024
Dividends – 2010 final dividend paid		–	–	–	–	–	–	(22,791)	(22,791)	–	(22,791)
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	298	298
Transfer to general reserve	*13*	–	–	–	–	347	–	(347)	–	–	–
Balance at 30 June 2011		113,953	1,724	628,235	152,106	27,181	879	196,172	1,120,250	118,094	1,238,344
Unaudited											
Balance at 1 January 2012		113,953	1,724	628,235	181,367	30,122	879	55,255	1,011,535	117,941	1,129,476
Loss for the period		–	–	–	–	–	–	(215,973)	(215,973)	(49)	(216,022)
Other comprehensive loss – Currency translation differences		–	–	–	(7,090)	–	–	–	(7,090)	–	(7,090)
Transfer to general reserve	*13*	–	–	–	–	9,935	–	(9,935)	–	–	–
Balance at 30 June 2012		113,953	1,724	628,235	174,277	40,057	879	(170,653)	788,472	117,892	906,364

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**27,156**	(109,959)
Net cash used in investing activities	**(4,080)**	(80,133)
Net cash used in financing activities	**–**	(22,791)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**23,076**	(212,883)
Cash and cash equivalents at beginning of the period	**413,641**	456,302
Exchange differences	**(1,944)**	6,526
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**434,773**	249,945
Less: Cash and cash equivalents included in assets of disposal group classified as held for sale	**(145,580)**	–
	289,193	249,945
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash at banks and on hand	**208,838**	99,719
Short-term bank deposits, with original maturities of three months or less	**225,935**	150,226
	434,773	249,945

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General Information

DVN (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the design, development, integration and sales of smart cards, conditional access systems, 2-way cable network systems, digital set top boxes, digital broadcasting systems and the related software, the provision of advertising agency services, and the provision of online financial market information.

The Company is a limited liability company incorporated in Bermuda. The address of its principal place of business is Rooms 1304-05, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

These condensed consolidated interim financial statements have not been audited but reviewed by the Company's audit committee and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated interim financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 22 August 2012.

2 Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements for the six-month period ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA. These condensed consolidated interim financial statements should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

These condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments. The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2011.

2 Basis of Preparation and Accounting Policies *(Continued)*

Impact of New, Amended and Revised HKFRSs

In the current period, the Group has adopted all the amended and revised HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA which are mandatory and relevant to the Group's operations for the accounting period beginning on 1 January 2012. The adoption of these amended and revised HKFRSs does not have any material impact on the Group's financial statements for the period.

The following new and amended HKFRSs have been issued, but are not effective for the Group's accounting period beginning on 1 January 2012 and have not been early adopted:

HKAS 1 (Revised) (Amendment)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
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)	First-time Adoption of HKFRSs – Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
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
HKFRSs (Amendment)	Annual Improvements 2009-2011 Cycle
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 and amended HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3 Segment Information

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

3 Segment Information *(Continued)*

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

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

3 Segment Information *(Continued)*

An analysis of the Group's revenue, results and total assets information for the six-month period ended 30 June 2011 by operating segments is as follows:

	Unaudited and restated							
	Continuing operations						Discontinued operations	Total
	DVB Business HK$'000	AA Business HK$'000	FMI Business HK$'000	Direct Investments HK$'000	Others HK$'000	Sub-total HK$'000	DVB Business HK$'000	HK$'000
Revenue (from external customers)	4,075	1,322	14,964	–	–	20,361	222,596	242,957
Depreciation	345	46	69	–	6	466	2,051	2,517
Amortisation	–	–	–	–	–	–	7,121	7,121
Operating profit *(Note (i))*	3,466	258	1,388	–	10,625	15,737	11,529	27,266
Share of loss of jointly controlled entities	–	(18)	–	(2,771)	–	(2,789)	–	(2,789)
Share of loss of associates	–	–	–	(737)	–	(737)	(67)	(804)
Profit before income tax						12,211	11,462	23,673
Income tax expenses						(293)	(3,088)	(3,381)
Profit for the period						11,918	8,374	20,292
Total assets *(Note (ii))*	252,767	142,277	25,110	46,190	14,785	481,129	1,063,337	1,544,466

Notes:

(i) The operating profit under the continuing operations of the DVB Business for the six-month period ended 30 June 2012 includes, inter alia, the technology licensing income of HK$4,201,000 (2011: HK$4,075,000) and interest income from the expected periodic adjustment payments of HK$4,624,000 (2011: HK$Nil), of the discontinued STB Business, which will not be transferred to the Purchaser (as defined in Note 5) upon the completion of the Proposed DB Disposal (as defined in Note 5).

(ii) The total assets under the continuing operations of the DVB Business include those assets, which mainly represent DVB Business related cash and cash equivalents, inventories, prepayments and the expected periodic adjustment payments classified as available-for-sale financial assets of the discontinued STB Business, which will not be transferred to the Purchaser upon the completion of the Proposed DB Disposal.

The total assets under the discontinued operations of the DVB Business include certain assets, which mainly represent DB Business related inventories and prepayments, that will not be transferred to the Purchaser upon the completion of the Proposed DB Disposal pursuant to the Conditional Agreement (as defined in Note 5).

4 Income Tax Expenses

	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Continuing operations (Unaudited)	Discontinued operations (Unaudited)	Total (Unaudited)	Continuing operations (Unaudited) (Restated)	Discontinued operations (Unaudited) (Restated)	Total (Unaudited) (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current income tax						
– Hong Kong						
– Provision for the period	146	–	146	291	–	291
– Outside Hong Kong						
– Provision for the period	3,009	8,770	11,779	2	577	579
– Adjustment in respect of prior periods	–	4,857	4,857	–	15	15
	3,155	13,627	16,782	293	592	885
Deferred income tax						
– Hong Kong	–	–	–	–	5	5
– Outside Hong Kong	–	8,174	8,174	–	2,491	2,491
	–	8,174	8,174	–	2,496	2,496
Income tax expenses	3,155	21,801	24,956	293	3,088	3,381

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) for the period 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% (2011: 25%) on the profits for the Mainland China statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the Mainland China corporate income tax purpose. Certain subsidiaries of the Group are entitled to preferential tax treatments including two years exemption followed by three years of a 50% tax reduction.

5 Disposal Group Classified as Held for Sale and Discontinued Operations

(a) Discontinued Operations

(I) On 23 October 2009, the Company, Crystal Cube Limited (the "Seller", a wholly-owned subsidiary of the Company), Cisco Systems (HK) Limited (the "Acquirer") and Billion Champion International Limited (the "Subject Company", a then indirect wholly-owned subsidiary of the Company) entered into a share purchase agreement (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 "STB Disposal").

On the same date, 億添視頻技術(上海)有限公司 (the "Seller WFOE", a then wholly-owned subsidiary of the Subject Company) and a number of the Company's indirect wholly-owned subsidiaries (the "Group Vendor Companies") entered into an asset purchase agreement (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 STB Disposal and the transfer of the STB Business and the STB Assets were completed on 5 May 2010 and the Group ceased to have any equity interest in the Subject Company and the Seller WFOE.

(II) On 3 July 2012, the Company entered into a conditional agreement (the "Conditional Agreement") with Jinhui Holdings Limited (the "Purchaser"), pursuant to which the Company agreed to sell and the Purchaser agreed to purchase, the entire issued share capital of Allsure Limited, a wholly-owned subsidiary of the Company, and certain other relevant assets of the Group (the "DB Disposal Assets") relating to the digital broadcasting business of the Group, which include, inter alia, design, development, integration and sales of smart cards, conditional access systems, 2-way cable network systems, digital broadcasting systems and the related software (the "DB Business", which is one of the major components of the Group's DVB Business) (the "Proposed DB Disposal") at an aggregate consideration of approximately RMB128,000,000 (equivalent to approximately HK$157,400,000). Upon the entering into the Conditional Agreement, 10% of the consideration had been received.

(III) The Group has committed to an active programme before 30 June 2012 to locate buyer to acquire the Group's operation of the DVN Business Operation Support System (the "DBOSS Business"), which is also a component of the Group's DVB Business.

5 Disposal Group Classified as Held for Sale and Discontinued Operations *(Continued)*

(b) Profit/(Loss) from Discontinued Operations

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

	Six months ended 30 June 2012 (Unaudited)				Six months ended 30 June 2011 (Unaudited and restated)			
	STB Business HK$'000	DB Business HK$'000	DBOSS Business HK$'000	Total HK$'000	STB Business HK$'000	DB Business HK$'000	DBOSS Business HK$'000	Total HK$'000
Revenue *(Note 3)*	–	146,017	4,918	150,935	–	221,157	1,439	222,596
Cost of sales	–	(63,237)	–	(63,237)	–	(144,418)	–	(144,418)
Gross profit	–	82,780	4,918	87,698	–	76,739	1,439	78,178
Other income	–	8,618	–	8,618	–	17,056	–	17,056
Marketing, selling and distribution costs	–	(29,077)	(2,687)	(31,764)	–	(21,655)	(940)	(22,595)
Administrative expenses	–	(45,094)	(5,367)	(50,461)	–	(45,424)	(4,392)	(49,816)
Other operating expenses *(Note (i))*	–	(214,368)	(396)	(214,764)	–	(10,586)	(708)	(11,294)
Operating profit/(loss)	–	(197,141)	(3,532)	(200,673)	–	16,130	(4,601)	11,529
Share of loss of associates	–	–	–	–	–	(67)	–	(67)
Profit/(loss) before income tax	–	(197,141)	(3,532)	(200,673)	–	16,063	(4,601)	11,462
Income tax expenses *(Note 4)*	–	(21,801)	–	(21,801)	–	(3,088)	–	(3,088)
Profit/(loss) after tax of discontinued operations	–	(218,942)	(3,532)	(222,474)	–	12,975	(4,601)	8,374
Change in value of available-for-sale financial assets *(Note 9)*	5,171	–	–	5,171	–	–	–	–
Pre-tax and after-tax gain recognised on disposal	5,171	–	–	5,171	–	–	–	–
Profit/(loss) for the period	5,171	(218,942)	(3,532)	(217,303)	–	12,975	(4,601)	8,374
Profit/(loss) attributable to:								
Equity holders of the Company	5,171	(218,942)	(3,532)	(217,303)	–	12,975	(4,601)	8,374
Non-controlling interests	–	–	–	–	–	–	–	–
	5,171	(218,942)	(3,532)	(217,303)	–	12,975	(4,601)	8,374
Notes:								
(i) Other operating expenses including:								
Provision for impairment of trade receivables	–	155,974	–	155,974	–	–	–	–
Provision for impairment of other receivables	–	32,566	–	32,566	–	1,552	–	1,552
Provision for inventories	–	10,283	–	10,283	–	683	–	683

(ii) During the six-month period ended 30 June 2012, additional provision for impairment of trade receivables of approximately HK$155,974,000 (2011: HK$Nil) was made after taking into account of financial difficulties of the trade debtors, delinquency in payments, business relationship and transaction volumes with the trade debtors, and the past due aging analysis of trade receivables.

5 Disposal Group Classified as Held for Sale and Discontinued Operations *(Continued)*

(c) Assets and Liabilities of Disposal Group

The major classes of assets and liabilities of the DB Business and DBOSS Business in the disposal group as at 30 June 2012 are as follows:

	30 June 2012 (Unaudited)		
	DB Business HK$'000	**DBOSS Business HK$'000**	**Total HK$'000**
Assets classified as held for sale			
Property, plant and equipment	4,733	1,013	5,746
Intangible assets	20,320	2,374	22,694
Interests in associates	1,683	–	1,683
Inventories	16,279	45	16,324
Trade receivables	332,547	679	333,226
Prepayments, deposits and other receivables	26,896	134	27,030
Cash and bank balances *(Note (i))*	145,580	–	145,580
Total assets of the disposal group	548,038	4,245	552,283
Liabilities classified as held for sale			
Trade payables	111,911	88	111,999
Other payables and accruals	74,593	–	74,593
Deferred income tax liabilities	1,561	–	1,561
Total liabilities of the disposal group	188,065	88	188,153
Total net assets of the disposal group	359,973	4,157	364,130

Note:

(i) Pursuant to the Conditional Agreement, before the completion of the Proposed DB Disposal, the companies within the Group excluding the disposal group (the "Remaining Group") will sell particular assets to the disposal group and/or the disposal group will settle the payables to the Remaining Group, which were eliminated for the consolidation purpose and therefore been excluded from the major assets and liabilities of the disposed group as disclosed above. The total transaction amount will be equal to the cash and bank balances of the companies comprising the disposal group as at 30 June 2012, net of salary expenses for June 2012. Therefore, the respective cash and bank balances, which will not be lower than HK$140 million, will be retained by the Remaining Group upon the completion of the Proposed DB Disposal.

As a result of the above, the net asset value of the disposal group will be reduced by not less than HK$140 million upon the completion of the Proposed DB Disposal. The cash and bank balances will be reduced by the same amount and will not be transferred to the Purchaser.

5 Disposal Group Classified as Held for Sale and Discontinued Operations *(Continued)*

(d) Analysis of the Cash Flows from Discontinued Operations

	Six months ended 30 June 2012 (Unaudited)				Six months ended 30 June 2011 (Unaudited and restated)			
	STB Business HK$'000	DB Business HK$'000	DBOSS Business HK$'000	Total HK$'000	STB Business HK$'000	DB Business HK$'000	DBOSS Business HK$'000	Total HK$'000
Net cash generated from/(used in) operating activities	–	65,730	(3,265)	62,465	–	(92,457)	(5,592)	(98,049)
Net cash generated from/(used in) investing activities	4,711	(3,234)	(605)	872	40,041	(6,637)	33	33,437
Net cash generated from/(used in) financing activities	–	(111,773)	3,870	(107,903)	–	(84,162)	5,559	(78,603)
	4,711	(49,277)	–	(44,566)	40,041	(183,256)	–	(143,215)

6 Profit/(Loss) for the Period

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

	Six months ended 30 June 2012 (Unaudited) HK$'000	Six months ended 30 June 2011 (Unaudited) HK$'000
Cost of inventories sold	63,237	144,418
Cost of provision of advertising agency services	1,550	–
Cost of provision of online financial market information	4,384	4,714
Depreciation	2,947	2,517
Net exchange gains	(3)	(310)
Other operating expenses including:		
Amortisation of deferred development costs	7,152	7,121
Write-off of deferred development costs	6,536	1,876
Provision for inventories	10,283	683
Provision for impairment of trade receivables	155,974	–
Provision for impairment of prepayments, deposits and other receivables	32,566	1,552
Provision for impairment of property, plant and equipment	2,243	–
Net loss on disposal of property, plant and equipment	47	62
Other income:		
Change in value of available-for-sale financial assets *(Note 9)*	(5,171)	–
Interest income on bank balances	(1,619)	(2,708)
Interest income on trade receivables	(1,982)	(6,127)
Interest income on available-for-sale financial assets	(4,624)	–
Value-added tax refund	(4,213)	(8,303)
Government grants	(240)	(79)
Non-compete income	(1,298)	(1,298)
Gain on bargain purchase of subsidiaries	–	(12,967)
Gain on disposal of an associate	–	(406)
Others	(2,173)	(1,296)

7 Earnings/(Loss) Per Share

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

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
		(Restated)
Weighted average number of ordinary shares in issue	**1,139,531,432**	1,139,531,432
Adjustment for preference shares	–	–
Adjustment for share options	–	–
Weighted average number of ordinary shares for diluted earnings/(loss) per share	**1,139,531,432**	1,139,531,432

	HK$'000	HK$'000
Group's profit/(loss) attributable to the ordinary equity holders of the Company		
– Continuing operations	**1,330**	11,881
– Discontinued operations	**(217,303)**	8,374
	(215,973)	20,255

The basic and diluted earnings/(loss) per share for the six-month periods ended 30 June 2012 and 2011 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the periods were anti-dilutive.

8 Dividends

The Board does not recommend the payment of any interim dividend for the six-month period ended 30 June 2012 (2011: HK$Nil).

9 Available-for-sale Financial Assets

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
At 1 January	**61,797**	145,106
Receipt of periodic adjustment payments	**(30,858)**	(27,923)
Change in value *(Notes 5(b) & 6)*	**5,171**	(60,081)
Exchange differences	**(357)**	4,695
At financial position date	**35,753**	61,797
Less: Non-current portion	**(22,900)**	(51,694)
Current portion	**12,853**	10,103

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 six-month period ended 30 June 2012.

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. During the six-month period ended 30 June 2012, the latest actual sales quantity of STB available to the management is better than the expected sales quantity of STB applied in the discounted cash flow analysis, the change in estimated cash flows resulted in a change in value of the available-for-sale financial assets of HK$5,171,000 which was recorded under the STB Business of the discontinued operations for the six-month period ended 30 June 2012.

The expected periodic adjustment payments are denominated in Renminbi and their fair value was calculated at a discount rate of 6.70% (31 December 2011: 7.45%) per annum.

10 Trade Receivables

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

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Within 6 months	**127,187**	370,111
7 – 12 months	**15**	144,243
Over 12 months	**3,222**	200,587
	130,424	714,941
Less: Provision for impairment	**(3,069)**	(99,727)
	127,355	615,214

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.

11 Trade Payables

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

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Within 6 months	**18,459**	149,951
7 – 12 months	**991**	4,730
Over 12 months	**41**	41,815
	19,491	196,496

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

12 Share Capital

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorised		
At 31 December 2011 and 30 June 2012	3,000,000,000	300,000
Issued and fully paid		
At 31 December 2011 and 30 June 2012	1,139,531,432	113,953

13 General Reserve

In accordance with the PRC regulations, each of the Group's PRC subsidiaries is required to transfer not less than 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations, to the general reserve until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the board of directors of the PRC subsidiaries in accordance with their articles of association.

14 Commitments and Contingent Liabilities

(a) Capital Expenditure Commitments

The Group did not have any material capital expenditure commitments as at 30 June 2012 and 31 December 2011.

(b) Operating Lease Commitments

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

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Land and buildings		
– Not later than one year	**9,032**	10,513
– Later than one year but not later than five years	**11,670**	14,172
– Later than five years	**3**	5
	20,705	24,690
Motor vehicle		
– Not later than one year	**118**	–
	118	–
Office equipment		
– Not later than one year	**94**	180
	94	180
Total		
– Not later than one year	**9,244**	10,693
– Later than one year but not later than five years	**11,670**	14,172
– Later than five years	**3**	5
	20,917	24,870

14 Commitments and Contingent Liabilities *(Continued)*

(c) Financial Commitments

At 30 June 2012, the Group had financial commitments in respect of registered capital contribution to a subsidiary as described below:

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Subsidiary *(Note (i))*	**11,428**	11,491

Note:

(i) Included in the financial commitments in respect of registered capital contribution to a subsidiary is an amount of RMB5,316,000 (equivalent to approximately HK$6,521,000) (31 December 2011: RMB5,316,000 equivalent to approximately HK$6,557,000) that was paid in 1999 but the capital verification process has not been completed. The Group has no intention to contribute the overdue remaining balance of the registered capital into the subsidiary as it has already ceased operation.

(d) Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2012 and 31 December 2011.

15 Related Party Transactions

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

(a) Sales and Purchases of Goods and Services

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Sales of goods and services		
– Related companies of a shareholder	**32,446**	12,337
– An associate	**–**	46,594
Purchases of goods and services		
– An associate	**–**	217
Advisory service expenses		
– A related company of a shareholder and a director	**101**	–

All the transactions were negotiated with related parties on normal commercial terms or in accordance with the agreements governing those transactions.

(b) Details of Key Management Compensation of the Group

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term employee benefits	**4,060**	5,793
Post-employment benefits	**74**	98
	4,134	5,891

15 Related Party Transactions *(Continued)*

(c) Period-End/Year-End Balances Arising from Sales/Purchases and Services Rendered

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Trade receivables		
– Related companies of a shareholder	**–**	70,639
Trade payables		
– Jointly controlled entities	**–**	5,302
Other payables and accruals		
– Related companies of a shareholder	**–**	10,301
– A related company of a shareholder and a director	**–**	80

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

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Prepayments, deposits and other receivables		
– A jointly controlled entity	**–**	387
– Associates	**22,083**	6,172
Other payables and accruals		
– Associates	**53,569**	61,839

16 Events After The Financial Position Date

Save as mentioned in Note 5, there has been no other material event subsequent to the period end which requires adjustment of or disclosure in these condensed consolidated interim financial statements.

17 Comparative Figures

Certain comparative figures in these condensed consolidated interim financial statements have been restated in order to conform to the current period's presentation of the financial results of the discontinued operations.

OTHER INFORMATION

Directors' Interests and Short Positions in Shares and Underlying Shares of the Company or any Associated Corporations

At 30 June 2012, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations, as defined in Part XV of the Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long Positions in Shares and Underlying Shares of the Company

Ordinary shares of HK$0.10 each in the Company

		Number of ordinary shares held				% of the issued
		Personal	Family	Corporate		share capital
Name of director	*Note*	**interests**	**interests**	**interests**	**Total**	**of the Company**
Mr Ko Chun Shun, Johnson ("Mr Ko")	*(i)*	–	2,040,816	223,776,719	225,817,535	19.82%
Dr Lui Pan ("Dr Lui")	*(ii)*	2,698,000	3,200,000	–	5,898,000	0.52%
Mr Chu Hon Pong		450,000	–	–	450,000	0.04%

Notes:

(i) Mr Ko was deemed to be interested in the 48,276,719 ordinary shares and 175,500,000 ordinary shares of the Company held by First Gain International Limited and Rich Hill Capital Limited respectively under the SFO by virtue of his interests in these two companies. 2,040,816 ordinary shares of the Company are held by the spouse of Mr Ko.

(ii) 3,200,000 ordinary shares of the Company are held by the spouse of Dr Lui.

In addition to the above, Dr Lui has non-beneficial personal equity interest in a subsidiary held on trust for the benefits of the Company.

None of the directors had any interests in the share options of the Company as at 30 June 2012.

Save as mentioned above, at 30 June 2012, none of the directors had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations which had been recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

At no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' and Other Persons' Interests in Shares

At 30 June 2012, other than the interests and short positions of the directors or chief executive of the Company as disclosed in the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in Shares of the Company

		Number of ordinary shares held				
Name	*Note*	**Directly beneficially owned**	**Through controlled corporations**	**Security interests**	**Total**	**% of the issued share capital of the Company**
Easy Flow Investments Limited		237,592,607	–	–	237,592,607	20.85%
CITIC Investment (HK) Limited	*(i)*	–	237,592,607	–	237,592,607	20.85%
CITIC Limited	*(ii)*	–	237,592,607	–	237,592,607	20.85%
CITIC Group Corporation	*(iii)*	–	237,592,607	–	237,592,607	20.85%
Rich Hill Capital Limited	*(iv)*	175,500,000	–	–	175,500,000	15.40%
UBS AG		–	–	57,770,000	57,770,000	5.07%

Notes:

(i) CITIC Investment (HK) Limited was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in Easy Flow Investments Limited.

(ii) CITIC Limited was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in CITIC Investment (HK) Limited.

(iii) CITIC Group Corporation was deemed to be interested in the 237,592,607 ordinary shares of the Company held by Easy Flow Investments Limited under the SFO by virtue of its interest in CITIC Limited. Mr Luo Ning, an executive director of the Company, is a director of CITIC Group Corporation. Mr Hu Qinggang, an executive director of the Company, is an employee of CITIC Group Corporation.

(iv) Mr Ko was deemed to be interested in the 175,500,000 ordinary shares of the Company held by Rich Hill Capital Limited under the SFO by virtue of his interests in this company. Such shares form a part of the 225,817,535 shares interested by Mr Ko as described in Note (i) of the section titled "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above.

Save as disclosed above, at 30 June 2012, no other person (other than the directors or chief executive of the Company) had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Share Option Scheme

The Company adopted a share option scheme (the "Old Scheme") at a special general meeting held on 26 June 2002 in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). At the special general meeting (the "SGM") of the shareholders held on 28 March 2012, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted by the Company. The New Scheme continues to recognise and acknowledge the contributions of the Eligible Participants (as defined in the New Scheme) to the Group. The New Scheme is also designed to provide incentives and help the Group in retaining its existing employees and recruiting additional employees.

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

	Six months ended 30 June			
	2012		2011	
	Weighted average exercise price per share (Unaudited) HK$	**Number of options (Unaudited)**	Weighted average exercise price per share (Unaudited) HK$	Number of options (Unaudited)
Old Scheme				
At 1 January and 30 June	**1.99**	**1,000,000**	1.99	1,000,000

All of the outstanding options as at 30 June 2012 were exercisable (2011: same). No share option was exercised during the six-month period ended 30 June 2012 (2011: same).

Share options outstanding at the financial position date have the following expiry date and exercise price:

	Exercise price per share HK$	**Number of options**	
Expiry date		**30 June 2012 (Unaudited)**	31 December 2011 (Audited)
Old Scheme			
11 February 2017	**1.99**	**1,000,000**	1,000,000

Share Option Scheme *(Continued)*

The details of movements of the outstanding share options during the period are as follows:

Old Scheme

Date of share options granted	12 February 2007
Exercise price	HK$1.99
Exercise period	12 August 2007 – 11 February 2017

	Outstanding options at 1 January 2012	Options granted during the period	Options exercised during the period	Options lapsed during the period	Outstanding options at 30 June 2012	Weighted average closing price before dates of exercise
						HK$
Held by service providers						
In aggregate	500,000	–	–	–	500,000	–

Date of share options granted	12 February 2007
Exercise price	HK$1.99
Exercise period	12 February 2008 – 11 February 2017

	Outstanding options at 1 January 2012	Options granted during the period	Options exercised during the period	Options lapsed during the period	Outstanding options at 30 June 2012	Weighted average closing price before dates of exercise
						HK$
Held by service providers						
In aggregate	500,000	–	–	–	500,000	–

Purchase, Redemption or Sale of Listed Securities of the Company

The Company has not redeemed any of its listed securities during the six-month period ended 30 June 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six-month period ended 30 June 2012.

Compliance with the Corporate Governance Code

Throughout the six-month period ended 30 June 2012, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the relevant Corporate Governance Code from time to time, as set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions

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

Audit Committee

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

These unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2012 of the Group have been reviewed by the audit committee.